TRAVELBYUS INC
Form 8-K/A
April 13, 2001

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K/A
AMENDMENT NO. 1

CURRENT REPORT

Pursuant to Section 13 or 15(d) of
The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): January 24, 2001

travelbyus, Inc.

(Exact name of registrant as specified in its charter)

Texas	0-10124	75-2631373
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

700 North Pearl Street, Suite 2170, Dallas, Texas	75201
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (214) 922-8100

Aviation Group, Inc.

(Former name or former address, if changed from last report)

Item 7. Financial Statements and Exhibits

(a) Financial Statements of the Businesses Acquired. The audited financial statements of travelbyus.com, Ltd. required by this Item 7(a) are included in this Amendment No. 1 to this Form 8-K Current Report.

(b) Pro Forma Financial Information. The pro forma financial statements of the Registrant required by this Item 7(b) are included in this Amendment No. 1 to this Form 8-K Current Report.

(c) Exhibits.

None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

TRAVELBYUS, INC.

Dated as of April 13, 2001. By: /s/ Richard L. Morgan

Richard L. Morgan, Executive Vice President

travelbyus.com ltd.

Consolidated Balance Sheets as at September 30, 2000 and 1999, and Consolidated Statements of Operations and Deficit, Cash Flows and Changes in Shareholders' Equity for the year ended September 30, 2000 and for the period from January 1, 1999 to September 30, 1999 and the year ended December 31, 1998
(expressed in U.S. dollars)

PricewaterhouseCoopers LLP
Chartered Accountants
1111 West Hastings Street
Vancouver British Columbia
Canada V6E 3R2
Telephone +1(604)806 7000
Facsimile +1(604)806 7806

Report of Independent Accountants

To the Directors of
travelbyus.com ltd.

We have audited the consolidated balance sheet of travelbyus.com ltd. (formerly LatinGold Inc.) as at September 30, 2000 and 1999 and the consolidated statements of operations and deficit, cash flows and changes in shareholders' equity for the year ended September 30, 2000 and for the period from January 1, 1999 to September 30, 1999. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in the United States. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at September 30, 2000 and 1999 and the results of its operations, its cash flows and changes in shareholders' equity for the year ended September 30, 2000 and for the period from January 1, 1999 to September 30, 1999 in accordance with generally accepted accounting principles in the United States.

As discussed in note 2 to the financial statements, the company adopted the accounting guidance set out by the American Institute of Certified Public Accountants in Statement of Position 00-2, Accounting by Producers or Distributors of Films during 2000.

The accompanying financial statements have been prepared assuming the company will continue as a going concern. As discussed in note 1(b) to the financial statements, the company has suffered recurring losses from operations and has a net working capital deficiency that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in note 1(b). The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ PricewaterhouseCoopers LLP

Chartered Accountants

Vancouver, Canada
February 26, 2001
(except as to note 23, which is as at April 1, 2001)

PricewaterhouseCoopers refers to the Canadian firm of PricewaterhouseCoopers LLP and other members of the worldwide PricewaterhouseCoopers organization.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Directors of
travelbyus.com ltd.

We have audited the consolidated statements of operations and deficit, cash flows and changes in shareholders' equity of travelbyus.com ltd. [formerly LatinGold Inc.] for the year ended at December 31, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in the United States. Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, these consolidated financial statements present fairly, in all material respects, the results of operations of the Company, its cash flows and changes in shareholders' equity for the year ended December 31, 1998 in accordance with generally accepted accounting principles in the United States.

/s/ Ernst & Young LLP
Ernst & Young LLP
Chartered Accountants

Toronto, Canada,
April 21, 1999.

travelbyus.com ltd.
Consolidated Balance Sheets
As at September 30, 2000 and 1999

(expressed in 000's of U.S. dollars)

Assets

Current assets
Cash and cash equivalents
Accounts receivable and prepaid expenses (note 5)
Inventory and barter credits (note 5)
Marketable securities (notes 4 and 14(f))

Investment (note 5)

Cash deposits for acquisitions (note 8)

Advances and other receivables (note 7)

Security deposits (note 9)

Deferred financing costs - net of accumulated amortization of $303
(1999 - $18) (note 13(a))

Deferred acquisition costs

Programming library (note 11)

Property, plant and equipment - net of accumulated amortization of $851
(1999 - $3) (note 10)

Software and other assets - net of accumulated amortization of $3,879 (1999 - $nil)
(note 12)

travelbyus.com ltd.
Consolidated Balance Sheets
As at September 30, 2000 and 1999

(expressed in 000's of U.S. dollars)

Liabilities

Current liabilities
Bank indebtedness (note 3)
Accounts payable and accrued liabilities (note 5)
Due to related parties (note 6(h) and 17(c), (d) and (e))
Customer deposits
Advances (note 5)
Debentures (note 13)

Deferred tax liability (note 15)
Debentures (note 13(a))

Shareholders' Equity

Common stock (note 14)
Authorized
Unlimited number of common shares without par value
Issued
96,804,569 common shares (1999 - 41,539,178)

Additional paid-in capital

Advances for future programming services (note 11)

Warrants, options and special warrants (note 14(d) and (e))

Cumulative translation adjustment

Accumulated other comprehensive loss - net of tax of $nil (note 14(f))

Deficit (

Approved by the Board of Directors

/s/ John Craig Director /s/ Bill Kerby Director

The accompanying notes are an integral part of these consolidated financial statements.

travelbyus.com ltd.
Consolidated Statement of Operations and Deficit

(expressed in 000's of U.S. dollars except for per share amounts)

	Year ended September 30, 2000 $	Per Ja 1 Sept
Revenues		
Travel product sales	3,107	
Travel commissions	7,189	
Associate marketing program	411	
Advertising	602	

Technology sales	1,060	
	12,369	
Expenses		
Cost of travel product sales	3,402	
Cost of services	491	
Cost of technology product sales	1,081	
Advertising	2,874	
Amortization and write-off of goodwill	34,052	
Amortization of software and other assets	4,160	
Amortization of property, plant and equipment	412	
Capital taxes	192	
Foreign exchange loss (gain)	349	
General and administration	17,802	
Interest	2,672	
Interest and other income	(327)	
Website costs	989	
Write-down of contract rights (note 12(b))	7,013	
Write-down of programming library, advances for future programming services, investment and advances (note 1(c))	10,574	
	85,736	
Loss from continuing operations before income tax	(73,367)	(
Income tax recovery (note 15)	3,746	
Loss from discontinued operations - net of tax of $nil (note 21)	-	
Loss before extraordinary item	(69,621)	(
Extraordinary loss from repayment of debentures - net of tax of $nil (note 13(a))	(727)	
Loss for the year	(70,348)	(
Deficit - Beginning of year	(70,192)	(6
Deficit - End of year	(140,540)	(7
Basic and diluted loss per common share before consolidation from continuing operations and before discontinued operations and extraordinary item (note 2)	(0.92)	
Basic and diluted loss per common share before consolidation (note 2)	(0.92)	
Weighted average number of common shares outstanding before consolidation	76,071,707	31,78

The accompanying notes are an integral part of these consolidated financial statements.

travelbyus.com ltd.
Consolidated Statement ofChanges in Shareholders' Equity

(expressed in 000's of U.S. dollars except for per share amounts)

	Common stock		A
	Number of shares	Amount $	
Balance - December 31, 1997	16,489,178	68,633	
Private placement of 4,000,000 common shares at $0.06 (Cdn $0.12) per share (note 14(a))	4,000,000	321	
Expiry of warrants	-	-	
Issuance of shares to acquire Mexican properties (note 21)	500,000	49	
Cumulative translation adjustment	-	-	
Comprehensive income			
Loss for the period	-	-	
Unrealized loss on marketable securities	-	-	
Total comprehensive income (loss)			
Balance - December 31, 1998	20,989,178	69,003	
Private placement of 20,000,000 common shares at $0.04 (Cdn $0.06) per share (note 14(b))	20,000,000	793	
Issuance of shares for cash from exercised options	550,000	124	
Issuance of debenture financing warrants (notes 13 and 14(c))	-	-	
Issuance of warrants as financing fee for debenture financing (notes 13(a) and 14(c))	-	-	
Costs of issuing debenture financing warrants (notes 13(a) and 14(c))	-	-	
Cumulative translation adjustment	-	-	
Comprehensive income			
Loss for the period	-	-	
Unrealized gain on marketable securities - net of tax of $21	-	-	
Total comprehensive income (loss)			
Balance - September 30, 1999	41,539,178	69,920	
Issuance of shares for cash from exercised options	847,200	265	
Issuance of shares on business combinations (note 6)	32,018,861	38,336	
Issuance of shares and warrants to purchase assets (notes 11 and 12)	4,360,553	11,285	
Issuance of options to consultants	-	-	
Exercise of debenture financing warrants	9,360,000	7,878	

Private placement of 4,000,000 units (consisting of one common share and one half warrant) at Cdn. $2.50 per unit (note 14(e))	4,000,000	4,110
Exercise of private placement warrants to common shares	206,750	718
Compensation warrants on private placements (note 14(d) and (e))	-	(532)
Exercise of compensation warrants to common shares	215,000	664
Shares issued for future services (note 11)	1,031,827	2,915
Private placement of 8,000,000 special warrants (each special warrant exercisable into one common share and one half warrant) at Cdn. $2.50 per special warrant	-	-
Exercise of private placement special warrants to common shares	1,077,700	1,028
Exercise of financing fee warrants to common shares	147,500	123
Private placement of 2,000,000 common shares at $2.50 per share (note 13(b))	2,000,000	5,000
Cumulative translation adjustment	-	-
Comprehensive income		
Loss for the year	-	-
Unrealized loss on marketable securities and cash equivalents	-	-
Translation adjustment	-	-
Total comprehensive income (loss) (note 14(f))		
Balance - September 30, 2000	96,804,569	141,710

travelbyus.com ltd.
Consolidated Statement of Changes in Shareholders' Equity (continued)

(expressed in 000's of U.S. dollars except for per share amounts)

	Othe	
	Amount $	Warrants and options $
Balance - December 31, 1997	-	1,705,000
Private placement of 4,000,000 common shares at $0.06 (Cdn $0.12) per share (note 14(a))	-	-
Expiry of warrants	-	(1,705,000)
Issuance of shares to acquire Mexican properties (note 21)	-	-
Cumulative translation adjustment	-	-
Comprehensive income		
Loss for the period	-	-

Unrealized loss on marketable securities	-	-
Total comprehensive income (loss)		
Balance - December 31, 1998	-	-
Private placement of 20,000,000 common shares at $0.04 (Cdn $0.06) per share (note 14(b))	-	-
Issuance of shares for cash from exercised options	-	-
Issuance of debenture financing warrants (notes 13 and 14(c))	-	9,560,000
Issuance of warrants as financing fee for debenture financing (notes 13(a) and 14(c))	-	700,270
Costs of issuing debenture financing warrants (notes 13(a) and 14(c))	-	-
Cumulative translation adjustment	-	-
Comprehensive income		
Loss for the period	-	-
Unrealized gain on marketable securities - net of tax of $21	-	-
Total comprehensive income (loss)		
Balance - September 30, 1999	-	10,260,270
Issuance of shares for cash from exercised options	-	-
Issuance of shares on business combinations (note 6)	-	-
Issuance of shares and warrants to purchase assets (notes 11 and 12)	-	50,000
Issuance of options to consultants	-	262,000
Exercise of debenture financing warrants	-	(9,360,000
Private placement of 4,000,000 units (consisting of one common share and one half warrant) at Cdn. $2.50 per unit (note 14(e))	-	2,000,000
Exercise of private placement warrants to common shares	-	(206,750)
Compensation warrants on private placements (note 14(d) and (e))	-	1,200,000
Exercise of compensation warrants to common shares	-	(215,000)
Shares issued for future services (note 11)	-	-
Private placement of 8,000,000 special warrants (each special warrant exercisable into one common share and one half warrant) at Cdn. $2.50 per special warrant	12,436	-
Exercise of private placement special warrants to common shares	(1,565)	503,500
Exercise of financing fee warrants to common shares	-	(147,500)
Private placement of 2,000,000 common shares at $2.50 per share (note 13(b))	-	-
Cumulative translation adjustment	-	-
Comprehensive income		
Loss for the year	-	-
Unrealized loss on marketable securities and cash equivalents	-	-
Translation adjustment	-	-
Total comprehensive income (loss) (note 14(f))		
Balance - September 30, 2000	10,871	4,346,520

travelbyus.com ltd.
Consolidated Statement of Changes in Shareholders' Equity (continued)

(expressed in 000's of U.S. dollars except for per share amounts)

	Other capital accounts	
	Cumulative translation adjustment $	Total shareholders' equity $
Balance - December 31, 1997	-	850
Private placement of 4,000,000 common shares at $0.06 (Cdn $0.12) per share (note 14(a))	-	321
Expiry of warrants	-	-
Issuance of shares to acquire Mexican properties (note 21)	-	49
Cumulative translation adjustment	(21)	(21)
Comprehensive income		-
Loss for the period	-	
Unrealized loss on marketable securities	-	
Total comprehensive income (loss)	-	(1,068)
Balance - December 31, 1998	(21)	131
Private placement of 20,000,000 common shares at $0.04 (Cdn $0.06) per share (note 14(b))	-	793
Issuance of shares for cash from exercised options	-	124
Issuance of debenture financing warrants (notes 13 and 14(c))	-	3,989
Issuance of warrants as financing fee for debenture financing (notes 13(a) and 14(c))	-	550
Costs of issuing debenture financing warrants (notes 13(a) and 14(c))	-	(623)
Cumulative translation adjustment	(31)	(31)
Comprehensive income	-	-
Loss for the period	-	
Unrealized gain on marketable securities - net of tax of $21	-	
Total comprehensive income (loss)		(1,063)
Balance - September 30, 1999	(52)	3,870
Issuance of shares for cash from exercised options	-	265
Issuance of shares on business combinations (note 6)	-	38,336
Issuance of shares and warrants to purchase assets (notes 11 and 12)	-	11,375
Issuance of options to consultants	-	316
Exercise of debenture financing warrants	-	4,321
Private placement of 4,000,000 units (consisting of one common share and one half warrant) at Cdn. $2.50 per unit (note 14(e))	-	6,243
Exercise of private placement warrants to common shares	-	494
Compensation warrants on private placements (note 14(d) and (e))	-	-
Exercise of compensation warrants to common shares	-	366
Shares issued for future services (note 11)	-	2,306
Private placement of 8,000,000 special warrants (each special warrant exercisable into one common share and one half warrant) at Cdn. $2.50 per special warrant	-	12,436
Exercise of private placement special warrants to common shares	-	-
Exercise of financing fee warrants to common shares	-	67

Private placement of 2,000,000 common shares at $2.50 per share (note 13(b))	-	5,000
Cumulative translation adjustment	215	215
Comprehensive income		
Loss for the year	-	-
Unrealized loss on marketable securities and cash equivalents	-	-
Translation adjustment	-	(70,560)
Total comprehensive income (loss) (note 14(f))		
Balance - September 30, 2000	163	15,050

The accompanying notes are an integral part of these consolidated financial statements.

travelbyus.com ltd.
Consolidated Statements of Cash Flows

(expressed in 000's of U.S. dollars)

	Year ended September 30, 2000 $	Period fr 1999 to S 1
Cash flows from operating activities		
Loss for the year	(70,348)	(
Items not affecting cash		
Amortization of property, plant and equipment	412	
Write-down of programming library, advances for future programming services, investment, barter credits and advances	10,574	
Travel product costs	365	
Write-off and amortization of goodwill	34,052	
Amortization of software and other assets	3,879	
Interest accreted on convertible debentures (note 13(b))	1,678	
Amortization of deferred financing costs	281	
Advances for programming library (note 11)	(571)	
Stock-based compensation to consultants	317	
Stock based compensation	210	
Gain on foreign exchange	-	
Loss from discontinued operations	-	
Extraordinary loss from repayment of debentures (note 13(a))	727	
Income tax recovery	(3,746)	
Write-down of contract rights (note 12(b))	7,013	
Net change in non-cash working capital items:		
Accounts receivable and prepaid expenses	2,210	
Inventory and barter credits	1,049	
Marketable securities	(8)	
Increase in security deposits	(878)	

Accounts payable and accrued liabilities	1,118
Due to related parties	565
Customer deposits	(719)
	(11,820)
Cash flows from investing activities	
Cash paid for acquisitions - net (notes 6 and 12(b))	(12,961)
Cash deposits on acquisitions (note 23(c))	-
Advances	(503)
Funds in trust	14
Purchase of property, plant and equipment	(2,007)
Investment (note 5)	(6,360)
Investing activities from discontinued operations	-
Proceeds from disposal of investment (note 5)	750
	(21,067)
Cash flows from financing activities	
Bank indebtedness	(396)
Proceeds from issuance of debentures (note 13(b))	3,000
Issuance of notes payable (note 6(c))	1,000
Repayment of notes payable (note 6(c))	(1,000)
Costs on issuance of debentures (note 13(a))	-
Issuance of common shares	-
Share issue costs	(1,795)
Decrease in other liabilities	-
Issue of special warrants (note 14(d))	13,520
Issue of equity units (note 14(e))	6,760
Private placement (note 13(b))	5,000
Exercises of options and warrants	5,513
Subscriptions received (note 14(f))	2,800
Repayment of debentures (note 13(a))	(1,697)
	32,705
Foreign exchange effect on cash	(31)
Increase (decrease) in cash and cash equivalents	(213)
Cash and cash equivalents - Beginning of year	2,215
Cash and cash equivalents - End of year	2,002

The accompanying notes are an integral part of these consolidated financial statements.

travelbyus.com ltd.

Consolidated Statementyearyear of Cash Flows ...continued
Supplemental Disclosure of Interest and Non-Cash Investing and Financing Activities

(expressed in 000's of U.S. dollars)

	Year ended September 30, 2000 $	Period fr 1999 to S 1
Supplemental Information		
Interest paid	909	
Interest received	252	
Non-cash investing activities		
Mineral property expenditures paid by issuing common shares	-	
Common shares issued in connection with acquisition of subsidiaries	38,336	
Common shares issued in connection with acquisition of assets (notes 11 and 12)	11,285	
Common shares issued for future programming services (note 11)	2,915	
Compensation warrants issued to agents in connection with private placements (note 14(e))	532	
Compensation warrants issued to agents in connection with debenture financing (note 13(a))	-	
Compensation special warrants issued to agents in connection with private placements (note 14(d))	1,091	
Compensation warrants issued to agents in connection with asset purchase (note 12)	90	

The accompanying notes are an integral part of these consolidated financial statements.

travelbyus.com ltd.
Notes to Consolidated Financial Statements
As at September 30, 2000 and 1999 and for the period from January 1, 1999 to September 30, 1999

(tabular amounts expressed in 000's of U.S. dollars except where otherwise noted)

1 Nature of operations and going concern

a) Nature of operations

travelbyus.com ltd. (formerly LatinGold Inc.) (the "company") is an integrated travel company providing consumers, primarily located in the United States, with various products including travel packages, cruises, discounted air fares and other services. These travel products are provided through various travel agencies some of which are owned by the company and a substantial number of which are considered member agencies under various programs offered by the company and the company's 800-i-TRAVEL call center and internet bookings engines. The majority of these travel products are provided on an agency basis from various travel providers. The company also provides products, marketing services and support to non-owned travel agencies, travel providers and other corporate customers. The company is in the process of developing a new travel magazine and television show which have not been launched as at September 30, 2000.

The company was incorporated in 1986 under the Business Corporations Act (Ontario). The company was a precious metals exploration company until 1999 when it changed its business focus to the travel sector. In April 1999, the company discontinued its mining activities, and accordingly, its mining activities have been presented as discontinued operations. The company changed its name to travelbyus.com ltd. from LatinGold Inc. on June 11, 1999. In 1999, the company changed its year end to September 30.

On January 24, 2001, the company completed a reverse take-over of Aviation Group, Inc. as further described in note 23(a). The name of Aviation Group, Inc. was changed to travelbyus, Inc. Shareholders of the company exchanged their shares in the company for exchangeable shares of the company on a one-for-one basis. All outstanding warrants, convertible instruments and other commitments to issue shares of travelbyus.com are exchangeable into exchangeable shares of travelbyus.com. The exchangeable shares are exchangeable at any time into shares of common stock of travelbyus, Inc. on the basis of five exchangeable shares for each share of common stock. As a result of the reverse takeover, the company became a subsidiary of travelbyus, Inc. and the holders of the exchangeable shares have an economic interest in travelbyus, Inc. See note 23 (a) for further description of terms and conditions of exchangeable shares and unaudited pro forma information about the combined companies.

All share and per share information for the company in these financial statements is based on the share capital of the company prior to this merger except where otherwise noted. As a result of the merger, the shareholders of the company no longer have an effective interest in travelbyus.com and therefore the shareholders should refer to the financial statements of travelbyus, Inc.

b) Going concern

These financial statements have been prepared using generally accepted accounting principles ("GAAP") applicable to a going concern. The company incurred a net loss before write-off and amortization of goodwill of approximately $33,204,000 during the year ended September 30, 2000, and had an accumulated deficit of approximately $140,540,000 and a working capital deficiency of approximately $10,883,000 at the end of the fiscal year and continued to incur losses subsequent to the year end. The company used cash of approximately $11,820,000 to fund operations during the most recent year and continued to incur losses subsequent to the year end. In addition, substantially all of the company's assets are provided as security for various financings. Management estimates that financing facilities currently available are insufficient to maintain operations and repay obligations due or

(1)

(tabular amounts expressed in 000's of U.S. dollars except where otherwise noted)

coming due in the coming year and the company will require new sources of financing in order to continue its operations and satisfy its obligations in the normal course. Accordingly, the use of GAAP applicable to a going concern may not be appropriate because substantial doubt exists with respect to the company's ability to continue as a going concern.

Management is addressing this situation by attempting to raise additional financing, by eliminating redundant and unnecessary costs following its recent acquisitions and by working to realize the revenue potential of its recent acquisitions and products and services. However, the company's current business model has a limited operating history and its recent acquisitions have yet to be fully integrated. Subsequent to year end, the company raised a total of $9,250,000 in various debt financings (note 23) and has signed a letter of intent and is undergoing due diligence with Amadeus NMC Holding, for financing which, in the opinion of management, would be sufficient to enable it to continue operations for the next fiscal year.

Although there is no assurance that the company will be successful in these actions, management is confident that it will be able to secure the necessary financing and improvement in operating cash flow to enable it to continue as a going concern. Accordingly, these financial statements do not reflect adjustments to the carrying value of assets and liabilities, the estimated useful lives of assets, the reported revenues and expenses and balance sheet classifications used that would be necessary if the going concern assumption were not appropriate. Such adjustments could be material.

c) Write-downs

As a result of the going concern issues, continuing operating and cash flow losses and changes in economic and industry conditions, management has reviewed the carrying amount of long-lived assets including goodwill and determined that goodwill, investments in and advances to Aviation Group Inc., programming library and the wireless contract were impaired. The amount of impairment loss on goodwill amounted to $28,922,000 of which $13,405,000 related to the Travel operating segment, $15,404,000 related to the technology operating segment, and $113,000 related to other operating segment. The estimated net recoverable value of goodwill was determined based on an analysis of undiscounted expected future operating cash flows and residual values. In addition to goodwill, the impairment losses were recorded on the following assets: investments in and advances to Aviation Group Inc. (note 5); programming library (note 11), wireless contract (note 12(b)).

2 Summary of significant accounting policies

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States. A summary of the significant accounting policies is set out below.

Basis of consolidation

The consolidated financial statements include the accounts of the company and its wholly-owned subsidiaries.

(tabular amounts expressed in 000's of U.S. dollars except where otherwise noted)

Business combinations

Business combinations have been accounted for under the purchase method of accounting and therefore include the results of operations of the acquired business from the date of acquisition. Assets acquired and liabilities assumed are recorded at their fair values at the date of their acquisition.

Use of estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results may differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents consist of balances with banks and investments in money market instruments with original maturities of less than 90 days.

Inventory and barter credits

Data storage systems are recorded at the lower of cost or estimated net realizable value. Cost includes direct materials, labour and an allocation of overhead, and is determined on a first-in, first-out basis.

Media credits are recorded at the lower of carrying value or estimated net realizable value. Carrying value is determined as cost (the amount paid to the media company in exchange for the media credits). Where the media credits represent media availability which expires over time, cost is amortized on a straight-line basis over the time to expiry. Where the company incurs costs to prepare the media for use by the customer, the cost of these services is included in the carrying value of the media credits.

Travel credits are recorded at the lower of cost and estimated net realizable value. As prescribed by EITF Abstract Issue No. 93-11, cost is determined as the carrying value of the media credits exchanged for travel credits on the basis that there is not persuasive evidence of the fair value of the media credits given up for the travel credits. The company does not record revenue on the exchange of media credits for travel credits.

Revenue recognition

The company recognizes revenue when all of the following criteria are met: persuasive evidence of an arrangement exists, the price of the products or services are fixed or determinable, the products have been delivered or service performed as further outlined below and collection is reasonably assured.

a) Travel product sales and commissions

Travel sales consist of revenues derived from the sale of travel products including airline tickets, hotel and vacation property accommodations, car rentals, vacation packages including cruises and tours, and volume bonuses and overrides from suppliers of these products.

(3)

travelbyus.com ltd.
Notes to Consolidated Financial Statements
As at September 30, 2000 and 1999 and for the period from January 1, 1999 to September 30, 1999

(tabular amounts expressed in 000's of U.S. dollars except where otherwise noted)

Where the company sells airline tickets or provides travel bookings as an agent, at prices determined by the supplier, commission revenue is recognized at the time the ticket is issued to the customer, which generally corresponds to the time the payment is processed, less an allowance for returns and cancellations based on the company's historical experience.

Where the company acquires an inventory of travel services from airlines, hotels, vacation properties, car rental companies and vacation package providers and the company determines the selling price of these products, revenue for these services is recognized upon the customer's scheduled departure date. Travel product sales are recorded at the gross amount collected from the customer only where the company has acquired an inventory which is non-returnable and non-refundable and bears general inventory risk, has latitude in establishing pricing, bears credit risk and is the merchant of record. Where these conditions do not exist, sales are recorded at the amount paid by the customer net of the travel product costs.

The company also earns commissions for booking accommodations and vehicle rentals, and receives certain volume bonuses and overrides from the travel product suppliers (overrides represent commissions earned on the basis of volumes). Revenues related to accommodations and vehicle rentals are recognized on the customers' scheduled departure dates. Volume bonus and override commission revenues are recognized as specified in the contractual arrangement when the specified targets have been achieved.

b) Marketing program revenues

The company provides retail travel agencies with access to certain travel product suppliers under preferred supplier agreements as well as administrative, website and marketing services. Under these associate marketing programs, the member agencies are charged an annual or monthly license fee. The license fees are recognized on a straight-line basis over the license period.

c) Advertising revenues

Advertising revenues are derived from travel product suppliers' advertising included in printed marketing and promotional materials prepared by the company and delivered to travel agents and customers. Advertising revenues are recognized at the time the marketing and promotional materials are distributed to the travel agents and customers. Costs of sales comprise the direct costs of developing and producing the marketing and promotional materials.

d) Technology sales

Revenue from the sales of computer data storage equipment is recognized upon delivery of the equipment.

e) Television programming revenues

Revenues from the license of television program material are recognized when the license period begins and all of the following conditions have been met: a) the license fee is known, b) the cost of the episodes provided under the license agreement is known or reasonably determinable, c) the episodes have been accepted by the licensee in accordance with the license agreement and d) the episodes are available for the first telecast.

(4)

travelbyus.com ltd.
Notes to Consolidated Financial Statements
As at September 30, 2000 and 1999 and for the period from January 1, 1999 to September 30, 1999

(tabular amounts expressed in 000's of U.S. dollars except where otherwise noted)

f) Management fees

Fees earned in connection with services provided to related parties (note 17(d)) are recognized when the related services are provided.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated amortization. Amortization is recorded on a straight-line basis to amortize the cost of the capital assets over their estimated useful lives. Amortization rates are as follows:

Automobiles	5 years
Office and computer equipment and furniture	5 - 7 years
Manufacturing equipment	7 years
Leasehold improvements	over term of lease

Goodwill

Goodwill represents the excess of costs over amounts assigned to the net identifiable assets of acquired entities. The excess is amortized on a straight-line basis over three years, as determined by the expected period of benefit from each acquisition.

In addition to the impairment policy for long-lived assets, the company periodically evaluates whether changes have occurred that would require revision of the remaining estimated useful life of the goodwill on both an acquired business unit and overall enterprise level. If such circumstances arise, the company would use an estimate of the undiscounted value of the expected future operating cash flows and residual to determine whether the net carrying amount of the goodwill exceeds the estimated net recoverable amount.

Other intangibles

Proprietary software, trademarks, airline contracts, sales channels, workforce, and the agency network are being amortized on a straight-line basis over three years. The costs of acquiring the right to the 800-i-TRAVEL number are being amortized on a straight-line basis over five years.

Impairment of long-lived assets

The company reviews the carrying amount of long-lived assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The determination of any impairment includes a comparison of future operating cash flows anticipated to result from the use of the asset to the net carrying value of the asset. In the event of a business combination, any goodwill arising in the transaction is included in the group of assets for the purpose of the recoverability tests, or is allocated to the individual assets being tested on a pro rata basis using the relative fair values of the long-lived assets acquired at the acquisition date. In instances where goodwill is identified with assets that are subject to an impairment loss, the carrying value of the goodwill is eliminated before making any reduction of the carrying amounts of impaired long-lived assets.

(tabular amounts expressed in 000's of U.S. dollars except where otherwise noted)

Programming library

The costs to acquire television programming are capitalized and amortized in the same ratio that current gross revenues bear to anticipated total gross revenues. Estimates of anticipated total gross revenues are reviewed periodically and revised when necessary to reflect more current information. Where the carrying value of the unamortized costs exceeds the estimated net realizable value, the carrying value is written down to the net realizable value.

Foreign currency translation

The company has adopted the United States dollar as its reporting currency. The company uses the current rate method for translating financial statement amounts denominated in foreign currencies. Under this method assets and liabilities of operations where the currency is other than U.S. dollars are translated at the exchange rate at the balance sheet date. Revenues, costs and expenses of such operations are translated at the average rate of exchange prevailing during the period. Transaction amounts denominated in foreign currencies are translated at exchange rates prevailing at the transaction dates.

Advertising costs

The company accounts for advertising costs in accordance with AICPA Statement of Position 93-7, Reporting on Advertising Costs, whereby costs are generally expensed as incurred except for television and radio advertisements, which are expensed, including related production costs, the first time the advertising takes place.

Stock-based compensation

The company accounts for stock-based employee compensation arrangements using the intrinsic value method prescribed in Accounting Principles Board ("APB") Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations; accordingly, compensation cost of stock awards is measured as the excess, if any, of the quoted market price of the company's stock at the date of the grant over the option exercise price and is charged to operations over the vesting period.

Income taxes

The company follows the asset and liability method of accounting for income taxes. Under this method, deferred income tax assets and liabilities are recognized for the estimated tax consequences attributable to differences between the financial statement carrying values and their respective income tax basis (temporary differences). The resulting changes in the net future income tax asset or liability are included in income. Future income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. The effect on future income tax rates is included in income in the period that includes the enactment date.

(tabular amounts expressed in 000's of U.S. dollars except where otherwise noted)

Loss per share

Basic loss per share is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding during the period. Common shares outstanding include shares issuable for little or no cash consideration and for which all necessary conditions have been satisfied. Diluted loss per share is computed using the treasury stock method by including other potential common stock from exercise of stock options and warrants in the weighted average number of common shares outstanding for a period, if dilutive.

The following table sets forth the computation of loss per share before consolidation:

	Year ended September 30, 2000 $	Perio Janu 19 Septe 1
Loss for the period	(70,348)	(
Weighted average number of shares outstanding		
Common shares	70,086,465	31,78
Special warrants	5,985,242	
	76,071,707	31,78
Basic and diluted loss per common share	(0.92)	

As a result of the business combination with Aviation Group, Inc. as described in notes 1(a) and 23(a), a consolidation of shares will occur when the exchangeable shares are tendered for travelbyus, Inc. common shares. Accordingly, the loss per share has been adjusted for all prior periods on the basis of the five for one consolidation.

Consolidated weighted average number of shares outstanding (note 1(a))	15,214,341	6,35
Consolidated basic and diluted loss per common share (note 1(a))	(4.62)	

Diluted loss per common share excludes a maximum of 24,764,032 (4,952,806 additional shares after consolidation) additional common shares issuable pursuant various option, warrant, debenture and acquisition agreements and subsequent to the year end the company issued or agreed to allow the issue of shares pursuant to various agreements (notes 13, 16 and 23).

(7)

(tabular amounts expressed in 000's of U.S. dollars except where otherwise noted)

Change in reporting currency

The consolidated financial statements of the company have historically been expressed in Canadian dollars. During the year the company has adopted the U.S. dollar as its reporting currency for the consolidated financial statements.

As the company's functional currency is the Canadian dollar, the consolidated financial statements for 2000 have been translated using the current rate method. The comparative financial information for the fiscal years ended September 30, 1999 and 1998 have been restated in U.S. dollars using a translation method of convenience.

Change in accounting policy

During the year ended September 30, 2000 the company adopted the accounting guidance set out by the American Institute of Certified Public Accountants in Statement of Position 00-2, Accounting by Producers or Distributors of Films. The write-down of the programming library during the year ended September 30, 2000 (note 11) was determined in accordance with this guidance. This change in accounting policy had no effect on the current period as the company only acquired the film assets (note 11) during the year.

New accounting pronouncements

On June 15, 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities ("FAS 133"). FAS 133, as subsequently amended, is effective for all fiscal quarters of all fiscal years beginning after June 15, 2000 (October 1, 2000 for the company). FAS 133 requires that all derivative instruments be recorded on the balance sheet at their fair value. Changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive income, depending on whether a derivative is designated as part of a hedge transaction and, if it is, the type of hedge transaction. As management of the company does not currently use derivative instruments, the adoption of FAS 133 is not expected to have a significant effect on the company's results of operations or its financial position.

3 Bank indebtedness

A Canadian subsidiary of the company has an operating line of credit available of approximately U.S. $431,000 (Cdn. $650,000), bearing interest at the bank's prime lending rate plus 2.5%. Bank indebtedness drawn against this line of credit is payable on demand and is secured by a general security agreement covering all of the subsidiary's assets other than real property and Export Development Corp. insurance coverage on certain accounts receivable as well as by a general corporate level guarantee. During the year, the bank (and the company) terminated the facility and the subsidiary has agreed to repay the line by paying $43,000 per month including interest on the outstanding balance at the bank's prime lending rate plus 2.5%. As at September 30, 2000, $128,000 was outstanding.

A U.S. subsidiary of the company has an operating line of credit available of $250,000, bearing interest at 10.5%. Bank indebtedness drawn against this line of credit is payable on demand and is secured by a general

---

(tabular amounts expressed in 000's of U.S. dollars except where otherwise noted)

security agreement covering all of the subsidiaries assets other than real property. As at September 30, 2000, $150,000 has been drawn against this facility.

4 Marketable securities

Marketable securities are considered available-for-sale and are stated at market value. Unrealized holding gains and losses are excluded from earnings and reported in a separate component of shareholders' equity. At September 30, 2000 the company held 639,912 (September 30, 1999 - 639,912; December 31, 1998 - 639,912) common shares of Scorpion Minerals Inc. ("Scorpion"), a company related by virtue of a director in common. At September 30, 2000, the cost of these marketable securities was $153,000 (September 30, 1999 - $153,000; December 31, 1998 - $153,000).

5 Balance sheet components

Accounts receivable and prepaid expenses

	2000 $	1999 $
Trade receivables	2,183	2
Less: Allowance for doubtful accounts	(288)	-
Other accounts receivable	300	26
	2,195	28
Prepaid expenses	370	6
	2,565	34

Inventory and barter credits

Data storage systems	357	-
Media credits	14	-
Travel credits	130	-
	501	-

Data storage systems comprise three major types of products: disk systems, optical mediums (CD and DVD servers), and tape back-up products. There are substantially no raw materials or work in process.

Investments in and advances to Aviation Group, Inc.

In connection with the business combination with Aviation Group, Inc. ("Aviation Group") (note 23(a)), the company has invested $5,000,000 in Aviation Group through the purchase of 500 shares of non-voting Series B 12% cumulative preferred stock from Aviation Group at $10,000 per share liquidation value, the proceeds of which were used, in part, by Aviation

(tabular amounts expressed in 000's of U.S. dollars except where otherwise noted)

Group to acquire Global Leisure Travel, Inc. ("Global Leisure"). In addition, $1,360,000 was advanced during the year to Aviation Group for working capital purposes. The advance is non-interest bearing.

During the year ended September 30, 2000, 75 shares of non-voting Series B 12% cumulative preferred stock were sold to Doerge Capital Management (note 16(b)) for proceeds of $750,000. Subsequent to the year ended September 30, 2000, an additional 75 shares were sold for proceeds of $750,000. As at September 30, 2000, the company has written down its investment in the preferred shares of Aviation Group to $750,000 and recorded an allowance for credit losses against the advances amounting to $1,360,000. No dividends or interest income were recognized related to these amounts.

Accounts payable and accrued liabilities

	2000 $	1999 $
Trade accounts payable	2,766	138
Accrued interest	110	62
Accrued lease liability	31	-
Accrued payroll	515	-
Accrued professional fees	210	-

Income tax payable	291	-
Other liabilities	561	6
	4,484	206

Advances

During the year ended September 30, 2000, the company received advances in the amount of $2,800,000 from certain investors related to Aviation Group and Global Leisure (note 23(a)) on the understanding that these advances would be applied towards a private placement subscription. Subsequent to year end, the company agreed to issue 1,302,326 common shares at $2.15 per share to these investors pursuant to subscription agreements entered into subsequent to year end.

6 Acquisitions

All per share prices indicated for the various acquisitions outlined below reflect the market value of the shares at the date of announcement of the respective transactions, except where the purchase agreement contains provisions guaranteeing the value of total share consideration subsequent to the completion date. These values have been used to account for these transactions by the purchase method, with effect from the completion dates indicated.

(10)

travelbyus.com ltd.
Notes to Consolidated Financial Statements
As at September 30, 2000 and 1999 and for the period from January 1, 1999 to September 30, 1999

(tabular amounts expressed in 000's of U.S. dollars except where otherwise noted)

a) Mr. Cheaps Travel Ltd. ("Mr. Cheaps Travel") and Gotham Media Group Ltd. ("Gotham Media Group")

On October 4, 1999, the company acquired all of the outstanding shares of Mr. Cheaps Travel and Gotham Media Group (companies under common control and management) for aggregate consideration of $3,887,000 consisting of $3,067,000 ($3,000,000 cash and costs of acquisition of $67,000) and 2,000,000 common shares at $0.41 (Cdn $0.61) per share. A finder's fee of 150,000 common shares at $0.41 (Cdn $0.61) per share was paid to an officer of the company. The finder's fee has been accounted for as stock-based compensation and included in general and administration expense. The company acquired $1,544,000 of assets and assumed $242,000 of liabilities. Goodwill arising from this acquisition is being amortized over three years.

Mr. Cheaps Travel is a travel agency specializing in discount and last minute airfares. Gotham Media Group acquires the rights to outdoor billboards, radio, television and print advertising which it exchanges with its airline and hotel clients in return for travel credits to be applied toward the purchase of travel products. Both of the companies are based near Portland, Oregon.

b) International Tours Inc., IT Cruise Inc. and GalaxSea Cruises and Tours, Inc.

On October 13, 1999, the company acquired the travel marketing operations of International Tours, Inc., the cruise-only marketing operations of GalaxSea Cruises and Tours, Inc. and all of the shares of IT Cruise Inc. for aggregate consideration of $2,515,000 consisting of $2,105,000 ($2,050,000 cash and costs of acquisition of $55,000) and 1,000,000 common shares at $0.41 (Cdn $0.61) per share. Assets with a fair value of approximately $2,341,000 including the fair value of the agency network of $1,742,000 were acquired. Goodwill arising from this acquisition is being amortized over three years. All of the companies are based in Dallas, Texas. International Tours, Inc. maintains a network of affiliated travel agencies in the United States, and GalaxSea Cruises and Tours, Inc. maintains a network of affiliated cruise-only offices.

c) Express Vacations, LLC ("Express Vacations")

On November 1, 1999, the company acquired Express Vacations, a vacation package wholesaler in Reno, Nevada, for aggregate consideration of $3,710,000 consisting of $1,048,000 ($1,000,000 cash and costs of acquisition of $48,000), $1,000,000 in short-term promissory notes which were paid shortly after closing, 3,462,000 common shares at $0.46 (Cdn $0.68) per share, and a finder's fee of 150,000 common shares at $0.46 (Cdn $0.68) per share which was paid to a third party. The company acquired $1,469,000 of assets and assumed $1,365,000 of liabilities. Subsequent to the acquisition, Express was unable to renew certain key agreements with airlines as the air service to certain destinations (note 1(b)). As a consequence, management has determined that the future cash flows from the Express business were less than the unamortized carrying value of the long-lived assets acquired and has written down the goodwill balance of $2,507,000.

d) Legacy Storage Systems Corp. ("Legacy")

On December 1, 1999, the company acquired all of the outstanding common shares of Legacy for aggregate consideration of $1,263,000 consisting of $112,000 ($95,000 cash and costs of acquisition of $17,000) and 3,028,000 common shares at $0.38 (Cdn $0.56) per share. The company acquired $1,150,000 of assets and assumed $755,000 of

---

(tabular amounts expressed in 000's of U.S. dollars except where otherwise noted)

liabilities. Goodwill arising from this acquisition is being amortized over three years. Legacy designs and sells data storage systems and is based in Markham, Ontario. Subsequent to the acquisition, several key employees were released from the company and the web development office in Florida was closed (note 1(b)). As a consequence, management has determined that the future cash flows from the Legacy business were less than the unamortized carrying value of the long-lived assets acquired and has written down the balance of goodwill of $627,000.

e) Cheap Seats Inc. ("Cheap Seats")

On January 6, 2000, the company acquired all of the outstanding shares of Cheap Seats, a Los Angeles based airfare consolidator. The company acquired $10,002,000 of assets consisting primarily of airline relationships with a fair value of $6,732,000 (note 12) and $3,178,000 of liabilities. Goodwill arising from this acquisition and intangible assets acquired are being amortized over three years. The terms of the agreement include total consideration of $9,942,000 consisting of $4,392,000 ($4,337,000 cash and costs of acquisition of $55,000) and 5,000,000 common shares at $1.11 (Cdn $1.61) per share. At the time of closing, the company paid $5,000,000 in cash and the vendors advanced $500,000 to Cheap Seats pending resolution of certain working capital adjustments. Certain capital adjustments, as agreed with the vendors, resulted in a reduction of the purchase price by $663,000 which was applied to reduce goodwill. The company has determined that $2,500,000 of the purchase consideration paid, is returnable in accordance with a formula contained in the purchase agreement based on Cheap Seats' pre-tax net income for the twelve-month period ended November 30, 1999. This amount has been recorded as a non-current other receivable and has been applied to reduce goodwill. The purchase price may also be increased by up to $4,000,000 based on the increase in certain gross revenues for the period from October 1, 1999 to September 30, 2002, calculated in accordance with the terms of the agreement. The vendors have agreed to apply the $2,500,000 price adjustment noted above against any payment owing for the increase in gross revenues.

f) Bell Travel Systems ("Bell Travel")

On April 3, 2000, the company acquired all of the assets of Bell Travel Systems, a travel agent consortium based in Scotts Valley, California. Under the terms of the agreement, the company paid aggregate consideration of $3,718,000 consisting of $1,936,000 ($1,900,000 in cash and costs of acquisition of $36,000) and 690,558 common shares at $2.58 (Cdn $3.80) per share. The company acquired $1,823,000 of assets including the fair value of the agency network of $1,623,000, and assumed no liabilities. The difference between purchase price and fair value of assets acquired is allocated to goodwill and is being amortized over three years.

g) Cruise Shoppes America, Ltd. ("Cruise Shoppes")

On April 4, 2000, the company acquired all of the outstanding shares of Cruise Shoppes for aggregate consideration of $9,038,000 consisting of $1,836,000 ($1,800,000 in cash and costs of acquisition of $36,000) and 2,619,000 common shares at $2.75 (Cdn $4.00) per share with the number of shares subject to adjustment based on the trading price of the common shares on July 5, 2000. Subsequent to July 5, 2000, an additional 2,541,591 common shares were issued pursuant to the adjustment clause contained in the purchase agreement to maintain the value of total consideration at $9,002,000. The company acquired $4,477,000 in assets consisting primarily of an agency network with a fair value of $1,765,000 and $1,742,000 in liabilities. Goodwill arising from the acquisition is being amortized over three years.

(tabular amounts expressed in 000's of U.S. dollars except where otherwise noted)

h) Epoch Technology, Inc. ("Epoch")

On May 23, 2000, the company acquired Epoch, a tour wholesale software development company based in Dallas, Texas. Under the terms of the agreement, the company paid aggregate consideration of $10,231,000 consisting of $2,031,000 ($2,000,000 in cash and costs of acquisition of $31,000) and 3,280,000 common shares at $2.50 per share. Per the terms of the purchase agreement, the share consideration is subject to adjustment based on the price of the common shares of the company on August 22, 2000 up to a maximum of 3,280,000 common shares. On September 25, 2000, the company issued 3,280,000 additional shares. The company acquired $5,662,000 in assets consisting primarily of proprietary software rights with a fair value of $5,188,000 (note 12) and $1,919,000 in liabilities. Goodwill arising from this acquisition is being amortized over three years. To complete the acquisition, the company borrowed $1,975,000 from Aviation Group under a 12% note due February 28, 2001, or earlier, in certain events. This note payable has been repaid as at September 30, 2000. Aviation Group obtained the funds for this note from a $3,000,000 loan that has been guaranteed by the company.

i) Prosoft Corporation ("Prosoft")

On September 14, 2000, the company acquired all of the issued and outstanding shares of ProSoft for aggregate consideration of $2,994,000 consisting of costs of acquisition of $27,000 and 1,260,000 common shares at a deemed value of $2,967,000. An additional 420,000 common shares are contingently issuable subject to the completion of the vendors' two year employment contracts. The value of these contingently issuable shares is being recorded as compensation expense over the two-year employment term. If the employment contracts are terminated under the terms of the employment agreements or a resignation is tendered before the two-year term, the applicable affected vendor will not receive his share of the pro rata contingent common shares. The initial shares to be paid on closing and the 420,000 contingently issuable shares are adjustable based on the price of the company's shares on December 15, 2000. The share consideration was valued for purchase accounting as the maximum number of shares issuable under the agreement at the completion day price of $1.18 per share or $2,967,000 as this value is less than the otherwise guaranteed minimum value of the shares contemplated in the agreement. On December 15, 2000, 1,260,000 additional shares were determined to be issuable in accordance with the terms of the agreement. The company acquired $1,320,000 in assets and $965,000 in liabilities. Also, in connection with this transaction, the company issued 450,000 options to purchase common shares at a price of Cdn $1.70 per share for a period of three years and which vest one-third annually. Prosoft is a custom software programming company located in San Diego, California. Prosoft also holds 12% of the outstanding shares of SiteRabbit.com Inc. (note 6(j)).

j) SiteRabbit.com, Inc. ("SiteRabbit.com")

On September 14, 2000 the company acquired the remaining issued and outstanding shares of SiteRabbit.com for aggregate consideration of $8,403,000 consisting of costs of acquisition of $27,000 and 3,557,712 common shares at a deemed value of $8,376,000. The number of shares was adjustable based on the price of the company's shares on December 15, 2000. The share consideration was valued for purchase accounting as the maximum number of shares issuable under the agreement at the completion day price of $1.18 per share or $8,376,000 as this value is less than the otherwise guaranteed minimum value of the shares contemplated in the agreement. On December 15, 2000, 3,557,712 additional shares were determined to be issuable in accordance with the terms of the agreement. The company acquired $4,328,000 in assets consisting primarily of $3,744,000 in

---

(tabular amounts expressed in 000's of U.S. dollars except where otherwise noted)

proprietary software (note 12) and $2,207,000 in liabilities. Also, in connection with this acquisition, the company issued 669,000 options to purchase common shares at a price of Cdn $1.70 per share for a period of three years. Of these options, 50% vest immediately and the fair value is included in the purchase price. The fair value of the remainder will be accounted for as employee stock options. During the year, the company advanced SiteRabbit.com $100,000 to be used for software development and working capital. SiteRabbit.com predominantly develops and markets internet based application service products and is in the development stage. The goodwill arising from this acquisition and the intangible assets acquired are being amortized over three years.

Details of the fair value of net assets acquired and consideration given for the acquisitions, in aggregate, during the period since September 30, 1999 are as follows:

	$
Net non-cash assets acquired - at fair market values	
Assets acquired	34,027
Liabilities assumed	(12,373)
Less: Cash of acquired operations	(778)

Net non-cash assets acquired	20,876
Excess of cost of net assets over assigned value	
Goodwill	34,052
	54,928

Cash consideration (including costs of acquisition)	16,577
Promissory notes	1,000
Share capital issued	38,129
Less: Cash of acquired operations	(778)
	54,928

All acquisitions are accounted for using the purchase method and the results of operations of each entity acquired are included from the date of acquisition.

The unaudited pro forma consolidated revenues, loss and basic and diluted loss per share for the year ended September 30, 2000 are $18,590,000, ($67,385,000) and ($0.80), respectively, presented as if the acquisition of Mr. Cheaps Travel and Gotham Media Group, International Tours Inc., IT Cruise Inc. and GalaxSea Cruises and Tours, Inc., Express Vacations, Legacy, Cheap Seats, Bell Travel, Cruise Shoppes, Epoch, Prosoft and SiteRabbit had occurred on October 1, 1999. This summarized information does not purport to be indicative of what would have occurred had the acquisitions actually been made as of such dates or of results which may occur in the future.

The unaudited pro forma consolidated revenues, income and basic and diluted earnings per share for the year ended September 30, 1999 are $29,765,000, $(11,115,000) and $(0.17), respectively, presented as if the acquisition of Mr. Cheaps Travel and Gotham Media Group, International Tours, Inc., IT Cruise Inc. and GalaxSea Cruises and Tours, Inc., Express

(tabular amounts expressed in 000's of U.S. dollars except where otherwise noted)

Vacations, Legacy, Cheap Seats, Bell Travel, Cruise Shoppes, Epoch, Prosoft and Site Rabbit had occurred on October 1, 1998. This summarized information does not purport to be indicative of what would have occurred had the acquisitions actually been made as of such dates or of results which may occur in the future.

7 Advances and other receivables

In connection with the acquisition of Cheap Seats, the company is entitled to a return of $2,500,000 of the purchase consideration, which has not yet been returned pending resolution of any further amounts contingently due to the vendors (note 6(e)).

During the year ended September 30, 2000, the company advanced a total of $500,000 to a travel agency. These advances are unsecured and bear interest at 10% per annum and are due and payable in the event the company does not acquire the travel agency. Negotiations are currently continuing with management, shareholders and creditors of the travel agency, however, no agreement has been reached and there is no assurance an agreement will be reached. The travel agency has certain financial constraints and has not paid any interest on the loan, accordingly, the company has made an allowance of $500,000 and no interest income has been recognized.

The balance of advances relates to other potential acquisitions and business arrangements (note 16(a)) being investigated by the company.

8 Cash deposits for acquisitions

As at September 30, 1999, $4,898,000 was held by the company's lawyers in trust for the company's acquisitions of Mr. Cheaps Travel, Gotham Media Group, International Tours, Inc., IT Cruise Inc. and GalaxSea Cruises and Tours, Inc.

9 Security deposits

As at September 30, 2000, letters of credit totalling $452,000 have been issued to various hotels. These letters of credit are required as security under certain hotel agreements. During the year ended September 30, 2000, $nil has been drawn against these letters of credit. As at September 30, 2000, $386,000 has been deposited as security for these letter of credit agreements.

In addition, $134,000 represents the amount held as security for an irrevocable letter of credit issued to the Airline Reporting Corporation ("ARC") to comply with the applicable regulations for travel agencies in the United States. During the period, $400,000 was remitted to the company's merchant bank card processor to be held as a deposit. The remaining balance of $98,000 consists of customer deposits held in trust for remittance to cruise lines.

(15)

(tabular amounts expressed in 000's of U.S. dollars except where otherwise noted)

10 Property, plant and equipment

Property, plant and equipment consist of the following:

	Cost $	Ac amo
Automobiles	40	
Office and computer equipment and furniture	3,210	
Manufacturing equipment	77	
Leasehold improvements	253	
	3,580	

	Cost $	Ac amo
Office and computer equipment and furniture	56	

11 Programming library

On November 15, 1999, the company acquired 120 episodes of the television program "The Travel Magazine", except for certain home video rights and television distribution agency rights, for an aggregate consideration of $3,422,000 paid by the issuance of 2,855,883 common shares at $1.16 (Cdn $1.75) per share. All programming contained in this library consists of completed episodes.

Pursuant to an agreement dated October 1, 1999, as amended on January 21, 2000, the company entered into an arrangement to acquire 130 future episodes of "The Travel Magazine" to be produced over the next 24 months. The company issued 1,146,497 shares at $2.76 (Cdn $4.13) per share to First Property Holdings Inc. Under the agreement the company must pay a further $1,800,000 in cash only upon delivery of the 40 new episodes which is non-refundable. The company paid $300,000 of this amount during the period. After receiving the first 40 future episodes, the company has the right to terminate the arrangement. If the company does not terminate the arrangement, the company will be committed to acquire the remaining 90 episodes for $50,000 per episode or $4,500,000 in aggregate.

During the year ended September 30, 2000, the company received thirteen episodes and reclassified $1,149,000 from advances for programming services to programming library. Subsequent to the year end, the company received the balance of the first 40 episodes.

travelbyus.com ltd.
Notes to Consolidated Financial Statements
As at September 30, 2000 and 1999 and for the period from January 1, 1999 to September 30, 1999

(tabular amounts expressed in 000's of U.S. dollars except where otherwise noted)

The costs capitalized to date are categorized as follows:

Completed programs - released
Advances for future programming services - in development

The company's policy is to amortize capitalized costs for these episodes using the ratio that current gross revenues, from licensing for broadcast, bears to the estimated unrecognized ultimate gross revenues as of the beginning of the year. No revenue has been earned to September 30, 2000 from this programming library. Expected amortization for the next twelve months is $147,000 and the total expected amortization for the next three years is $1,121,000. In addition, it is expected that amortization of 80% of the capitalized cost at September 30, 2000 will be reached in 2004. It is reasonably possible that those estimates of anticipated future gross revenues will be significantly reduced in the near term. Delays in completion of episodes and other factors may indicate that the costs of the episodes exceed the fair value of such episodes. Further, the company may decide not to acquire the additional 90 episodes. As a result, the carrying amount of the programming library and the advances may be reduced materially in the near term.

The amount recorded as advances for programming services will be reclassified as programming library based on the program costs per episode upon receipt of each episode.

The company has assessed the estimated fair value of the programming library and future programming services and determined those amounts to be impaired. The Company has written down the carrying values by $5,381,000 to the estimated fair value. These write-downs were based on the Company's estimate of the fair values of the episodes received during the year and the Company's estimate of the fair value of future services to be received. If the company does not terminate the arrangement, the company will be committed to acquire the remaining 90 episodes for $50,000 per episode or $4,500,000 in aggregate.

(17)

travelbyus.com ltd.

Notes to Consolidated Financial Statements
As at September 30, 2000 and 1999 and for the period from January 1, 1999 to September 30, 1999

(tabular amounts expressed in 000's of U.S. dollars except where otherwise noted)

12 Software and other assets

	Cost $	Accumulated amortization and write-down $
Proprietary software (note 6(h) and (j))	8,932	590
800-i-TRAVEL	910	46
Trademarks	550	99
Agency network (note 6(b), (f) and (g))	5,123	1,147
Airline relationships (note 6(e))	6,730	1,661
Assembled workforce, management contracts and other	2,823	336
Contract rights (note 12(b))	7,013	7,013
	32,081	10,892

a) On December 7, 1999, the company acquired the right to the 800-i-TRAVEL numbers and a system which utilizes a telephone switching technology that will route customers' calls to their closest member travel agency or to the company's call center. The vendor, a U.S. partnership which included a former officer of the company, was paid 350,000 common shares at $2.35 (Cdn $3.46) per share and warrants to purchase 50,000 common shares at $1.00 per share. The warrants are exercisable only upon certain performance conditions and expire on December 7, 2002 (fair value of $89,000). Performance criteria are fulfilled if certain minimum numbers of customer calls to the two 1-800 numbers have been achieved prior to May 2001 or the average trading price of the company's common shares during November 2000, had been at least $4.00 per common share, which it was not. In addition, the vendors will receive a royalty of $0.10 per call for a period of 48 months to commence once the company's network of member agents are linked to the system. No royalties have been paid or are payable to September 30, 2000. In the event that certain performance criteria are not fulfilled, the vendors may exercise an automatic right to re-acquire the right to the numbers and system for no consideration. If the company determines that it no longer seeks to utilize these numbers and system, the company has the right to transfer the numbers and system back to the vendors for no consideration. As at September 30, 2000, the performance criteria noted above have not yet been fulfilled. Accordingly, measurement uncertainty is considered to exist with respect to the recoverability of the carrying value of this asset. A more definitive assessment will be made in due course.

b) On July 20, 2000, the company acquired the rights to a wireless contract through the purchase of all of the issued and outstanding shares of Muffin Communications Ltd., an inactive company, for aggregate consideration of $7,013,000 consisting of $300,000 cash and costs of acquisition of $13,000, and 1,000,000 common shares at the guaranteed price of $6.70 per common share. Per the terms of the agreement, the share consideration was subject to adjustment based on the price of the common shares of the company on December 15, 2000. Because the market value of the stock at December 15, 2000 was below the guaranteed price of $6.70, additional shares will be issued or cash will be paid to maintain the value of share consideration at $6,700,000. The combination of shares and/or cash in respect of this adjustment may be determined by the company.

(18)

travelbyus.com ltd.
Notes to Consolidated Financial Statements
As at September 30, 2000 and 1999 and for the period from January 1, 1999 to September 30, 1999

(tabular amounts expressed in 000's of U.S. dollars except where otherwise noted)

Due to the significant uncertainty about the level of revenues expected to be derived from the underlying wireless customer base, the company has written-off the costs associated with the acquisition of the wireless contract in the current period. Management is currently in negotiations with the vendor as to the required number of shares and amount of cash required to compensate the vendor. Subsequent to September 30, 2000, the Company has accrued for $6,310,000 as a contingency as the Company's share price was below the guaranteed value of $6.70 per share.

c) The recoverability of the carrying value of software and other assets is subject to significant uncertainty (note 1(b)). Management's estimates of recoverable amounts are subject to change in the near term and these revised estimates may indicate that the unamortized costs exceed the estimated recoverable amounts. As a result, the carrying value of the amounts recorded in software and other assets may be reduced materially in the near term. In addition, the estimates of the useful lives of the respective assets may change.

13 Debentures

a) Senior redeemable debentures and deferred financing costs

As at September 9, 1999, the company issued 12.5% senior redeemable debentures for gross proceeds of $8,130,000 (Cdn. $11,950,000). The debentures earn interest at 12.5% per annum, payable semi-annually, and mature on September 9, 2001. The company may repay the debentures at any time. A senior fixed and floating charge covering all assets of the company has been granted as security.

Attached to each $1,000 debenture were warrants to purchase 800 common shares at $0.46 (Cdn $0.68) per common share. The warrants expire at the earlier of September 9, 2001 and ten days following notice by the company of an amended expiry date. The company has the right to amend the expiry at any time that the daily closing price of the company's common shares has exceeded $0.93 (Cdn. $1.36) for a period of ten trading days. In September 2000, the company exercised its right to accelerate the expiry date of the warrants. As at September 30, 2000, all but 200,000 share purchase warrants were exercised. In October 2000, the remaining warrants were exercised.

The proceeds received on the debentures have been allocated to the debentures and the warrants based on the relative fair values of the respective instruments. The debentures were initially recorded at $4,140,000 and the warrants at $3,989,000. The discount on the debenture resulted in an effective annual rate of approximately 40% and is being accreted over the term of the debenture.

Costs related to the issuance of the debentures and warrants amounted to $1,270,000, which has been allocated to deferred financing costs and warrants in the amounts of $647,000 and $623,000, respectively, based on the relative fair values of the two instruments. Included in costs related to issuance is the amount of $550,000 related to 700,270 share purchase warrants issued to the agents as an 8% commission based on an estimated fair value of $0.785 warrant. The warrants are to purchase 700,270 common shares at $0.46 (Cdn $0.68) per share and expire on September 9, 2001.

On March 9, 2000, the company repaid debentures with a face value of $1,697,000 for aggregate consideration of $1,697,000. The settlement resulted in an extraordinary loss of $727,000 based on a carrying

(19)

travelbyus.com ltd.
Notes to Consolidated Financial Statements
As at September 30, 2000 and 1999 and for the period from January 1, 1999 to September 30, 1999

(tabular amounts expressed in 000's of U.S. dollars except where otherwise noted)

value for a proportionate share of the debt on the settlement day of $970,000 and a proportionate share of deferred financing costs of $108,000.

b) Convertible debenture

During June 2000, the company completed a private placement of 2,000,000 common shares at $2.50 per share for proceeds of $5,000,000 from Travel24.com. Travel24.com also invested $3,000,000 in a convertible, callable, redeemable, secured debenture due on June 16, 2002 with interest payments payable quarterly in arrears at LIBOR plus 1% until such time that the debenture is paid in full. This debenture is convertible at the option of the holder, at any time, for such number of common shares of the company that is determined by dividing the outstanding principal amount by $3.00 (note 1a). The effective interest rate on this debenture, taking into account the estimated value of the conversion feature based on the amended conversion price, is approximately 20%. Subsequent to year end, a further $750,000 was borrowed from Travel24.com and the conversion price for the total amount borrowed was reduced to $2.00 per share.

14 Capital stock

a) On May 14, 1998, the company completed a private placement of 4,000,000 common shares at $0.08 (Cdn. $0.12) per share for proceeds of $321,000 (net of costs of $11,000) (note 1a).

b) During the period ended September 30, 1999, the company completed a private placement of 20,000,000 common shares at $0.04 (Cdn. $0.06) per share for gross proceeds of $810,000 (net proceeds $793,000).

c) On September 9, 1999, the company issued warrants to purchase a total of 10,260,270 common shares at $0.46 (Cdn. $0.68) per share in connection with the debenture financing (note 13(a)). These warrants expire on September 9, 2001. As of September 30, 2000, 752,770 of the warrants were outstanding.

d) On December 21, 1999, the company completed a private placement of 8,000,000 special warrants at a price of $1.69 (Cdn. $2.50) per special warrant for proceeds of $12,436,000 (net of costs of $1,084,000 excluding cost of compensation warrants), each special warrant being exchangeable, without additional consideration, into one common share and one half of a share purchase warrant, each whole warrant entitling the holder to purchase an additional common share for a price of $2.37 (Cdn $3.50) per share for a period of 15 months. The company filed a preliminary prospectus to qualify the common shares and share purchase warrants issuable upon exercise of the special warrants offering in March 2000. Since receipts for a final prospectus qualifying the issuance of the common shares and share purchase warrants were not issued by applicable regulatory authorities within 180 days of the closing of the special warrant offering, holders of the outstanding special warrants are entitled to receive 1.1 common shares (in lieu of one common share) upon the exercise of each special warrant. The agents were paid a commission of 7% of the gross proceeds of the special warrant offering together with compensation warrants entitling the agents to purchase that number of common shares equal to 10% of the number of special warrants placed at a price of $1.69 (Cdn $2.50) per share for a period of 15 months from the closing of the offering.

During the period, holders of special warrants exercised 1,007,000 special warrants into 1,077,700 common shares and 503,500 common share purchase warrants (note 1a). Of the 1,007,000 special warrants exercised, 707,000 were entitled to receive 1.1 common shares as they were exercised after the 180 day term. In December 2000, the remaining special warrants were exercised into 7,692,300 common shares and 3,496,500 common share purchase warrants (note 1a).

(tabular amounts expressed in 000's of U.S. dollars except where otherwise noted)

e) On December 21, 1999, the company completed a private placement of 4,000,000 units at a price of $1.69 (Cdn $2.50) per unit for proceeds of $6,243,000 (net of costs of $520,000, excluding cost of compensation warrants), each unit consisting of one common share and one half of a share purchase warrant, each whole warrant entitling the holder to purchase an additional common share at a price of $2.37 (Cdn $3.50) for a period of 15 months. The agent was paid a commission of 10% of gross proceeds together with warrants to purchase that number of common shares equal to 10% of the number of units placed at a price of $1.69 (Cdn $2.50) per share for a period of 15 months (400,000 warrants). As of September 30, 2000, 1,793,250 of the warrants at $2.37 (Cdn $3.50) per share and 185,000 of the warrants at $1.69 (Cdn $2.50) per share were outstanding (note 1a).

f) The ending accumulated other comprehensive income balance of $(306,000) (1999 - $94,000) consists of an accumulated unrealized loss on marketable securities of $156,000 (1999 - $94,000), and an accumulated unrealized foreign exchange translation adjustment of $(150,000) (1999 - $nil).

15 Income taxes

The company is subject to U.S. federal and state income taxes in the U.S. and Canadian federal and provincial taxes in Canada.

The loss from continuing operations before income tax of $73,704,000 reflects losses incurred in Canada and the U.S. of $14,089,000 and $59,615,000 respectively.

The company has non-capital losses for Canadian income tax purposes of approximately $8,867,000 which are available for carryforward to reduce future years' taxable income. These income tax losses expire as follows:

		$
Year ending September 30,	2001	120
	2002	-
	2003	614
	2004	848
	2005	1,178
	2006	2,068
Subsequent thereto		4,039
		8,867

In addition, the company has net capital losses of approximately $35,833,000 for application against net taxable capital gains of future years.

As at September 30, 2000, the company has non-capital losses for U.S. income tax purposes of approximately U.S. $11,757,000 (Cdn. $17,308,000) which are available for carryforward to reduce future years' taxable income of the U.S. companies. The losses expire in 2020.

(21)

travelbyus.com ltd.
Notes to Consolidated Financial Statements
As at September 30, 2000 and 1999 and for the period from January 1, 1999 to September 30, 1999

(tabular amounts expressed in 000's of U.S. dollars except where otherwise noted)

Net deferred income tax assets and liabilities are as follows:

	September 30, 2000 $	Sep
Deferred income tax assets		
Net operating loss carryforwards ($3,990 incurred in Canada and $4,709 incurred in the United States)	8,693	
Net capital loss carryforwards - Canada	9,137	
Share issue costs - Canada	196	
Deferred income tax liabilities		
Property, plant and equipment - United States	(177)	
Software and other assets - United States	(8,639)	
	9,210	
Valuation allowance	(9,210)	(
Net deferred income tax assets	-	

Management believes there is sufficient uncertainty regarding the realization of deffered income tax assets such that a full valuation allowance has been provided.

The income tax recovery (provision) for the year ended September 30, 2000 differs from the amount obtained by applying the applicable statutory income tax rates to loss before income taxes as follows:

	September 30, 2000 $	Sep

Combined statutory income tax rate	45%
Income tax recovery based on combined statutory rate	33,342
Effect of U.S. income tax rates for the year ended September 30, 2000	(4,618)
Non-deductible goodwill	(21,920)
Other non-deductible amounts	(733)
Change in valuation allowance	1,767
	7,838
Recovery	
Current	
Canada	-
U.S.	172
Deferred	
Canada	-
U.S.	3,574
	3,746
Valuation allowance related to acquired losses	609

(22)

travelbyus.com ltd.
Notes to Consolidated Financial Statements
As at September 30, 2000 and 1999 and for the period from January 1, 1999 to September 30, 1999

(tabular amounts expressed in 000's of U.S. dollars except where otherwise noted)

16 Commitments and contingencies

a) During June 2000, the company entered into an agreement with HealthyConnect.com Inc. ("HC.com"), a private health care related internet technology company. Pursuant to the terms of the agreement, HC.com will issue 1,200,000 common shares to the company upon confirmation of necessary technical specifications to establish links between their respective web-sites. The company will issue 1,000,000 common shares in exchange for a further 1,400,000 common shares of HC.com upon certain conditions (note 1a). Under the terms of the agreement, HC.com may request the company to acquire up to 1,200,000 common shares of HC.com at $2.50 per share for total cash consideration of $3,000,000 subject to satisfactory due diligence by and board approval of the company. The completion of these transactions is subject to the necessary regulatory approvals. No shares have been exchanged as at September 30, 2000. On August 8, 2000, the company provided a demand loan to HC.com for $175,000 at 6% interest. The loan is secured by 1,200,000 common shares of HC.com and is included in advances.

b) The company has entered into a financing and loan commitment with Doerge Capital Management whereby Doerge Capital Management directly and through its affiliates ("Doerge") agreed to purchase from the company up to $1,500,000 liquidation value of Series B preferred stock of Aviation Group, held by the company of which $750,000 was acquired prior to September 30, 2000 and $750,000 was acquired subsequent to September 30, 2000 and to provide to the company a line of credit for up to $10,000,000. The line of credit bears interest at 12% per annum, is collateralized by a security interest in substantially all the company's assets, subject to the security interests relating to the existing debentures, and expires on October 15, 2001. Doerge may elect to convert any amounts outstanding on the line of credit plus accrued and unpaid interest, to exchangeable common shares of the company at a conversion price of $2.00 per share. For each $1,000,000 drawn under the financing and loan commitment, the company will grant to Doerge warrants to acquire 100,000 common shares exercisable at $2.00 per share and expiring three years following their grant. The financing agreement restricts the company from paying dividends or entering into certain other transactions without the consent of the lender. Subsequent to year end, the company borrowed $3,000,000 under this facility.

c) The company has operating leases for the rental of office premises and equipment. Payments required under these leases are as follows:

	$
2001	1,281
2002	1,146
2003	735
2004	675
2005	477
Thereafter	7

	4,321
	=====

(tabular amounts expressed in 000's of U.S. dollars except where otherwise noted)

The company in turn has committed recoveries in accordance with contract terms on certain sub-lease agreements related to office premises as follows:

	$
2001	52
2002	52
2003	4

108

===

d) During the year ended September 30, 2000, the company agreed to guarantee a $3,000,000 promissory note issued by Aviation Group. The note bears interest at an annual rate of 12% and is payable in full on February 28, 2001. The company has paid interest payments of $90,000 in respect of interest payments with respect to this promissory note. In February 2001, the due date for the note was extended to March 31, 2001 with no amendment to any other terms of the promissory note (note 1a). The note is past due and the company is in discussions with the lender regarding settlement thereof (note 1a).

17 Related party transactions

a) During the year ended September 30, 2000, the company paid $274,000 (September 30, 1999 - $82,000) in consulting fees to companies controlled by officers and directors.

b) During the year ended September 30, 2000, the company paid or accrued legal fees totalling $662,000 (September 30, 1999 - $172,000) to a firm in which a director is a partner.

c) As at September 30, 2000, $143,000 (September 30, 1999 - $149,000; December 31, 1998 - $2,000) was due to a law firm in which a director is a partner.

d) During the year, Aviation Group, Global Leisure and travelbyus.com entered into a management services agreement under which travelbyus.com provides management and support for the operations of Global Leisure in consultation with management of Global Leisure for an initial term to June 30, 2001 with provision for termination by any of the parties to the agreement subject to certain conditions. The company provides management and support services, including office space, utilities, office equipment, staff support, bookkeeping, accounting, billing, collection, contract administration and other overhead services. To the extent funds are available, Global Leisure is required to pay to the company a servicing fee of $36 (Cdn $55) per paid passenger and a monthly retainer of Cdn $5,000 and to reimburse the company for direct advertising and marketing expenses and long distance, postage and delivery charges arising from Global Leisure's business. This management agreement expires September 1, 2001. For the year ended September 30, 2000, $170,000 has been charged to Global Leisure primarily as reimbursement of expenses. No management fees have been recognized during the year due to uncertainty of collection of the related amounts.

(24)

travelbyus.com ltd.
Notes to Consolidated Financial Statements
As at September 30, 2000 and 1999 and for the period from January 1, 1999 to September 30, 1999

(tabular amounts expressed in 000's of U.S. dollars except where otherwise noted)

18 Fair value of financial instruments

The fair value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their carrying value due to the relatively short term to maturity of these instruments. The fair value of the marketable securities is based on quoted market values. The fair value of the redeemable debentures has been determined by discounting the face value of the debenture and related semi-annual interest payments using an implicit rate equivalent to debt instruments without representation of detachable warrants. The fair value of the convertible debentures of $2,488,000 was determined by discounting the face value of the debenture and related interest payments using the implicit rate equivalent to debt instruments without representation of a conversion feature.

19 Concentration of credit risk

Financial instruments which potentially subject the company to concentrations of credit risk consist primarily of cash and cash equivalents and trade accounts receivable. The company limits its exposure to credit loss by placing its cash and cash equivalents on deposit with high credit quality financial institutions. Receivables arising from sales to customers are generally not significant individually and are not collateralized; as a result, management continually monitors the financial condition of its customers to reduce the risk of loss.

20 Segmented information

The company operates within three operating segments: Travel, Technology and Other. The Travel segment provides a broad range of travel products, targeted primarily at the leisure customer, including airfare, hotel rooms, cruise packages, and ground packages. Products and services are offered through the traditional travel agency base, 1-800 call centers and the internet. Included in the Travel segment are the operations of the following subsidiaries: Mr. Cheaps Travel, International Tours Inc., GalaxSea Cruises and Tours, Inc., Express Vacations, Cheap Seats, Bell Travel and Cruise Shoppes.

The Technology segment designs and manufactures electronic data storage systems and develops internet accessible travel reservations systems. Included in this segment are the operations of Legacy, Epoch, Prosoft and SiteRabbit.com.

The Other segment consists of the advertising and associate marketing operations of International Tours Inc., GalaxSea Cruises and Tours, Inc. and Cruise Shoppes.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

For the years prior to September 30, 1999, the company had a single operating segment which encompassed its mining operations which were discontinued (note 21). As a result of the significant change in the direction of the company, segmented information for the year ended December 31, 1998 would reflect only corporate expenses.

travelbyus.com ltd.
Notes to Consolidated Financial Statements
As at September 30, 2000 and 1999 and for the period from January 1, 1999 to September 30, 1999

(tabular amounts expressed in 000's of U.S. dollars except where otherwise noted)

		Consolidated		Travel		Techno	
		September 30, 2000 $	Continuing operations for the period from January 1, 1999 to September 30, 1999 $	September 30, 2000 $	Continuing operations for the period from January 1, 1999 to September 30, 1999 $	September 30, 2000 $	Conti opera fo period Janua 19 Sept 30,
Revenue from external customers	(1)	12,369	-	10,296	-	1,060	
Operating (loss) income before amortization of capital assets, goodwill and other intangibles		(25,749)	(900)	(25,982)	(900)	(352)	
Amortization of capital assets, goodwill and other intangibles	(1)	38,343	54	20,356	54	17,027	
Operating loss		(64,092)	(954)	(46,338)	(954)	(17,379)	
Interest expense		29	-	1	-	28	
				(46,339)	(954)	(17,407)	
Write-down of investment		4,860	-				
Corporate interest expense		967	191				

Corporate interest income		(327)	(5)			
Extraordinary loss from repayment of debentures		727	-			
Loss for the period		(70,348)	(1,140)			
Capital expenditures		2,007	-	1,972	-	35
Additions to goodwill		34,052	-	17,517	-	16,366
Total assets	(2)	35,322	8,480	21,976	8,480	11,472

(26)

travelbyus.com ltd.
Notes to Consolidated Financial Statements
As at September 30, 2000 and 1999 and for the period from January 1, 1999 to September 30, 1999

(tabular amounts expressed in 000's of U.S. dollars except where otherwise noted)

21 Discontinued operations

As described in note 1, the company discontinued its mining activities and accordingly the results of operations from these operating activities have been disclosed separately from those of continuing operations for the periods presented. During the period ended September 30, 1999, the company discontinued all mining activities and abandoned its South American mineral property interests. No gain or loss arose on the disposal of assets related to these discontinued operations. The company had no revenues and no other income or loss from these discontinued operations other than those already disclosed in the consolidated statement of operations and deficit for the periods presented.

The assets and liabilities of the company relate to its continuing operations.

22 Stock options and warrants

The company has a Stock Option Plan that provides for the granting of options to purchase common shares to directors, officers, employees and consultants of the company (note 1a). The number of common shares reserved for issuance under the Stock Option Plan shall not exceed 10,000,000 common shares or a greater number as approved by the shareholders of the company. Terms of the options shall not be for a period less than one year or longer than ten years. The option price shall be fixed by the directors of the company subject to price restrictions imposed by the regulators. All options were granted at or above market value at the date of grant. Accordingly, no current or deferred compensation expense has been recorded in the periods presented.

Stock option transactions

	Options exercisable at end of period	Shares
Balance outstanding - December 31, 1997	-	1,837,000
Options granted during the year	-	1,075,000
Options expired during the year	-	(1,737,000)
Options exercisable at end of year	350,000	-
Balance outstanding - December 31, 1998	-	1,175,000
Options granted during the year	-	2,725,000
Options exercised during the year	-	(550,000)
Options expired during the year	-	(675,000)
Options exercisable at end of year	350,000	-
Balance outstanding - September 30, 1999	-	2,675,000
Options granted during the period	-	6,072,000
Options exercised during the period	-	(847,200)
Options expired during the period	-	(451,000)
Options exercisable at end of period	2,775,467	-
Balance outstanding - September 30, 2000	-	7,448,800

(tabular amounts expressed in 000's of U.S. dollars except where otherwise noted)

The following table summarizes information about options outstanding at September 30, 2000:

Range of exercise prices Cdn. $		Range of exercise prices U.S. $		Number outstanding at September 30, 2000	Weight re contra
0.12	1	0.08	1	250,000	30
0.46	1	0.31	1	301,300	43
0.55	2	0.36	2	89,000	46
0.79	1	0.52	1	600,000	45
1.00	1	0.66	1	500,000	46
1.50	2	2.26	2	175,000	34
1.50	2	2.26	2	126,500	59
1.50	5	2.26	5	120,000	59
1.62	1	1.07	1	175,000	60
1.65	2	2.49	2	220,000	59
1.65	1	1.09	1	675,000	50
1.70	2	1.13	2	466,500	36
1.70	4	1.13	4	864,000	36
2.05	2	3.09	2	33,000	58
2.35	2	1.56	2	180,000	56
2.77	2	1.84	2	91,500	56
2.80	2	1.86	2	350,000	57
3.20	3	2.12	3	200,000	16
3.25	2	2.16	2	90,000	56
3.30	2	2.19	2	21,000	54
3.40	1	2.26	1	12,000	20
3.30	2	2.19	2	250,000	51
3.75	2	2.49	2	50,000	4
3.75	2	2.49	2	109,500	55
3.80	2	2.52	2	16,500	53
3.90	1	2.59	1	100,000	52
4.04	2	2.68	2	4,500	52
4.08	2	2.71	2	4,500	53
4.28	2	2.84	2	1,126,500	52
4.29	2	2.85	2	31,500	52
4.39	2	2.91	2	3,000	55
4.47	2	2.97	2	18,000	54
4.50	2	2.99	2	105,000	54
4.90	2	3.25	2	75,000	52

(28)

travelbyus.com ltd.
Notes to Consolidated Financial Statements
As at September 30, 2000 and 1999 and for the period from January 1, 1999 to September 30, 1999

(tabular amounts expressed in 000's of U.S. dollars except where otherwise noted)

(3) Options vest at specific dates as follows:

50,000 on May 8, 2000
50,000 on August 6, 2000
50,000 on November 5, 2000
50,000 on February 3, 2001

(4) Options vest per six-month period, with 1/2 vesting immediately and 1/2 vesting in the remaining six months.

(5) Options vest over a two-year period, with 1/2 vesting in each year.

Warrant transactions

The following table summarizes information about the company's warrant activity:

	Number of underlying shares (note 1a)	Exercise p Cd
Warrants outstanding - December 31, 1998	-	
Issued	10,260,270	
Warrants outstanding - September 30, 1999	10,260,270	
Issued	11,753,500	
Exercised	(10,936,250)	0.68 -
Warrants outstanding - September 30, 2000	11,077,520	0.68 -

Warrants outstanding at September 30, 2000 are due to expire from March 21, 2001 to December 7, 2002.

(29)

travelbyus.com ltd.
Notes to Consolidated Financial Statements
As at September 30, 2000 and 1999 and for the period from January 1, 1999 to September 30, 1999

(tabular amounts expressed in 000's of U.S. dollars except where otherwise noted)

Pro forma compensation costs

Had the company determined compensation costs based on fair value at the date of grant for its awards under the method for determining fair value prescribed by Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation" the company's pro forma loss and loss per share would be as follows:

	September 30, 2000 $	Period January to Septe 19
Loss for the period	(70,348)	(1,
Additional compensation expense	(1,574)	
Pro forma net loss	(71,922)	(1,
Pro forma basic loss per common share	(0.95)	(0
Pro forma diluted loss per common share	(0.95)	(0

The pro forma compensation expense reflected above has been estimated using the Black Scholes option pricing model. Assumptions used in the pricing model included:

a) risk-free interest rate of between 5.40% - 5.84%;

b) expected volatility of 90%;

c) expected dividend yield of $nil; and

d) an estimated average life of one to three years.

23 Subsequent events

a) The company completed a merger with Aviation Group, an aviation services company based in Dallas, Texas effective January 24, 2001. Aviation Group provides services and products to airline companies and other aviation firms primarily in the United States. The company has become an indirect subsidiary of Aviation Group. The arrangement resulted in a change in control of Aviation Group and former travelbyus.com ltd. shareholders own directly or indirectly more than 90% of Aviation Group's outstanding common stock. Through Aviation

Group, the company acquired 100% of Global Leisure, a provider of discount air and land vacation packages. Aviation Group has issued $16,500,000 of 9% convertible preferred shares and 4,250,000 warrants to Global Leisure debt and equity-holders to acquire Global Leisure. In connection with the business combination of Aviation Group and Global Leisure, a financing arrangement was completed whereby $5,000,000 was invested in Aviation Group by the company through the purchase of 500 shares of Series B preferred stock from Aviation Group

(30)

(tabular amounts expressed in 000's of U.S. dollars except where otherwise noted)

at $10,000 per share (paid during March 2000 (note (5)); approximately U.S. $1,372,000 (Cdn. $2,000,000) invested in Aviation Group by private investors in the purchase of 750,000 shares of Aviation Group common stock at approximately U.S. $1.77 (Cdn. $2.67) per share; and approximately U.S. $10,949,000 (Cdn. $16,500,000) invested in Aviation Group by private investors in the purchase of approximately 1,650 units of Aviation Group Series B preferred stock and Series C warrants, at a price of U.S. $7,000 (Cdn. $10,000) per unit, each unit consisting of one share and 750 warrants. Aviation Group used these funds to acquire control of Global Leisure and to service indebtedness of Global Leisure.

The following summary unaudited pro forma combined financial information reflects the above described arrangement as if it had occurred as of December 31, 2000 with respect to the pro forma balance sheet information, and as of October 1, 1999 with respect to the pro forma results of operations, and is based on the audited consolidated financial statements of travelbyus.com as at and for the year ended September 30, 2000, and on the audited consolidated financial statements of Aviation Group as at and for the year ended June 30, 2000 (including Global Leisure) and the unaudited consolidated financial statements of the respective entities as at December 31, 2000.

Assets	9
Liabilities	5
Shareholders' Equity	4
Liabilities and Shareholders' Equity	9
Revenue	2

Cost of Sales and Services	
General and administrative	4
Depreciation, amortization and impairment	11
Interest expense - net	
Other	
Loss before income tax	(15
Income tax recovery	
Net loss	(15
Basic and diluted loss per share	

(31)

travelbyus.com ltd.
Notes to Consolidated Financial Statements
As at September 30, 2000 and 1999 and for the period from January 1, 1999 to September 30, 1999

(tabular amounts expressed in 000's of U.S. dollars except where otherwise noted)

The basic and diluted loss per share has been calculated using the outstanding common shares of both travelbyus.com ltd. and Aviation Group as at their respective year ends, as the completion of the Arrangement resulted in travelbyus.com shareholders receiving one exchangeable share in travelbyus.com for each common share they currently own. In connection with the consummation of the Arrangement, Aviation Group effected a one-for-five reverse split of its own common stock and increased its authorized number of shares of common stock from 10,000,000 to 250,000,000. Accordingly each five exchangeable shares may be exchanged by the holder for one share of Aviation Group common stock. The exchangeable shares of travelbyus.com not previously exchanged will be automatically exchanged into Aviation Group common stock on January 1, 2003 or earlier on the occurrence of certain events. The exchangeable shares will entitle their holders to dividends and other rights that are, as nearly as practicable, economically equivalent to those of Aviation Group common stock. They will also entitle their holders to vote at meetings of Aviation Group shareholders through a voting trust.

Many of the adjustments made to arrive at the pro forma financial information including the fair value of warrants and preferred shares are based on preliminary estimates, and are therefore subject to change. This unaudited pro forma combined financial information is not indicative of the financial position or results of operations which would have actually occurred if the transactions described above had occurred at the dates presented or of results which may occur in the future based on the actual effective date of the arrangement.

b) In late December 2000, the company executed agreements relating to a $2,500,000 loan from DCM Asylum LLC, (a company related to Doerge Capital Management) of which $1,000,000 was funded to the company in October 2000. This loan matured on February 15, 2001. The company has amended the loan agreement and extended the maturity date to May 15, 2001. All other terms remain unchanged. The loan bears interest at 12% annually. In connection with the original loan, the company issued warrants to purchase 250,000 of its common shares at an exercise price of $2.00 per share expiring in December 2005. As consideration for the amendment of the maturity date, a further 250,000 warrants were issued with an exercise price of $0.50 per share (note 1a). The loan is collateralized by security interests in 150 shares of Series B preferred stock of Aviation Group owned by the company and essentially all of the assets of Mr. Cheaps Travel, Ltd., Gotham Media Group, Ltd. and travelbyus-Travel Magazine Incorporated, which are subsidiaries of the company.

c) In late December 2000, the company borrowed $1,500,000 from DCM KG LLC (a company related to Doerge Capital Management). The loan bears interest at 12% per year and matured on February 5, 2001. The company has amended the loan agreement and extended the maturity date to June 5, 2001. All other terms remain unchanged. The loan is secured by the guaranty of Travelbyus Cruise Operations, Inc. and Cheap Seats, Inc., which are subsidiaries of the company, and the grant of a security interest on essentially all of the assets of Cruise Shoppes and Cheap Seats. In connection with the original loan, the company granted warrants to purchase 300,000 common shares at an exercise price of $1.00 per share expiring on December 29, 2003 (note 1a). As consideration for the amendment of the maturity date, a further 150,000 warrants were issued with an exercise price of $0.50 per share (note 1a). The loan is also convertible at the option of the lender into common shares of travelbyus.com at a conversion price of the lessor of $1.00 per exchangeable share or the seven-day weighted average trading price of Aviation Group's common stock, calculated on a pre-reverse stock split basis, plus a premium of 5% (note 1a).

d) In late December 2000, the company borrowed $2,000,000 from Amadeus NMC Holding, Inc. This loan bears interest at 8% per year and is repayable in eight equal installments payable quarterly commencing on March 31, 2001 and with a final instalment due November 30, 2002. The loan is convertible into travelbyus.com ltd. common shares at any time

(32)

(tabular amounts expressed in 000's of U.S. dollars except where otherwise noted)

at a conversion price equal to the weighted average trading price for the common shares or exchangeable shares on The Toronto Stock Exchange for the greater of one day and the 10 days weighted average prior to the date of delivery of the conversion notice (note 1a). The balance of the loan will be automatically converted into common shares or exchangeable shares of the company if and when Amadeus makes an equity investment in the company (note 1a). The company's chief executive officer, Bill Kerby, pledged 6,083,334 common shares in the company that were beneficially owned by him to collateralize this loan (note 1a). The installment payment became past due on April 1, 2001. The Company is in discussions with the lender regarding settlement of this payment.

e) In early January 2001, the company borrowed $1,000,000 from Aberdeen Strategic Capital LP. This loan bears interest at 12% per year and matured on February 29, 2001 (note 1a). In connection with the original loan, the company granted warrants to purchase 200,000 common shares at an exercise price of $1.00 per share expiring on December 29, 2003. The Company has subsequently extended the maturity date to April 27, 2001. There have been no changes to the other terms of the loan. The loan is collateralized by the guaranty of Cheap Seats, Inc. and a security interest in essentially all the assets of Cheap Seats and Travelbyus Cruise Operations Inc., which are subsidiaries of the company. The loan is convertible into common shares of the company at a conversion price of the lessor of $1.00 per share or the seven-day weighted average trading price of Aviation Group's common stock, calculated on a pre-reverse stock split basis, plus a premium of 5%.

f) Subsequent to September 30, 2000, the company also borrowed $3,000,000 on the line of credit referred to in note 16(b). Under the agreement, Doerge is entitled to 300,000 share purchase warrants which have not been issued (note 1a). A further $750,000 was advanced by Travel24.com (note 13(b)).

(33)

travelbyus.com ltd.

Consolidated Balance Sheets as at December 31, 2000 (unaudited) and September 30, 2000, and Consolidated Statements of Operations and Deficit and Cash Flows for the three months ended December 31, 2000 and 1999 (unaudited)
(Prepared by management - expressed in U.S. dollars)

travelbyus.com ltd.
Consolidated Balance Sheets
Three-month period ended December 31, 2000 is unaudited

(Prepared by management under U.S. GAAP - expressed in 000's of U.S. dollars)

Dece

(Una

Assets

Current assets
Cash and cash equivalents
Accounts receivable and prepaid expenses
Inventory and barter credits
Marketable securities

Investment in and advances to Aviation Group (note 3)

Advances and other receivables

Security deposits

Deferred financing costs - net of accumulated amortization of $399 (September 30, 2000 - $303)

Programming library (note 4)

Property, plant and equipment - net of accumulated amortization of $929 (September 30, 2000 - $851)

Software and other assets - net of accumulated amortization of $5,923 (September 30, 2000 - $3,879) 1

3

=====

travelbyus.com ltd.
Consolidated Balance Sheets ...continued
Three-month period ended December 31, 2000 is unaudited

(Prepared by management under U.S. GAAP - expressed in 000's of U.S. dollars)

	Dece
	(Una
Liabilities	
Current liabilities	
Bank indebtedness	
Accounts payable and accrued liabilities (notes 4 and 5)	1
Due to related parties	
Customer deposits	
Advances	
Loans (notes 6(a) and (b))	1

	3
Deferred tax liability	
Loans (note 6(b))	

	3

Shareholders' Deficiency (no equity as per current year PWC Standard)	
Common stock (note 6)	
Authorized	
Unlimited number of common shares without par value	
Issued	
104,696,869 common shares (September 30, 2000 - 96,804,569)	14
Additional paid-in capital	
Advances for future programming services (note 4)	
Warrants, options and special warrants (note 10)	
Cumulative translation adjustment	
Accumulated other comprehensive loss - net of tax of $nil	
Deficit	(15

	3
	=====

Going concern (note 1)
Commitments and contingencies (note 8)
Subsequent events (note 11)

Approved by the Board of Directors

/s/ John Craig Director /s/ Bill Kerby Director

John Craig Bill Kerby

The accompanying notes are an integral part of these consolidated financial statements.

travelbyus.com ltd.
Consolidated Statements of Operations and Deficit
AThree-month period ended December 31, 2000 and 1999 is unaudited

(Prepared by management under U.S. GAAP - expressed in 000's of U.S. dollars except for per share amounts)

	Thre
	(U
Revenues	
Travel product sales	
Travel commissions	
Associate marketing program	
Advertising	
Technology sales	
Expenses	
Cost of travel product sales	
Cost of services	
Cost of technology product sales	
Advertising	
Amortization of goodwill	
Amortization of software and other assets	
Amortization of property, plant and equipment	
Foreign exchange loss (gain)	
General and administration	
Interest	
Interest and other income	
Website costs	
Write down of advances (note 3)	
Write down programming library (note 4)	
Contingency (note 5)	
	2
Loss before income tax	(2
Income tax (expense) recovery	(

Loss for the period	(1
Deficit - Beginning of period	(14
Deficit - End of period	(15
Basic and diluted loss per common share	
Weighted average number of common shares outstanding	104,05

The accompanying notes are an integral part of these consolidated financial statements.

travelbyus.com ltd.
Consolidated Statement of Cash Flows
Three-month period December 31, 2000 and 1999 is unaudited

(Prepared by management under U.S. GAAP - expressed in 000's of U.S. dollars)

	Thre
	(Una
Cash flows from operating activities	
Loss for the period	(1
Items not affecting cash	
Amortization of property, plant and equipment	
Amortization of goodwill	
Amortization of software and other assets	
Interest accreted on convertible debentures (note 5)	
Amortization of deferred financing costs	
Advances for programming library (note 4)	
Financing fee warrants (note 5(b) and (c))	
Income tax expense (recovery)	(
Write-off of advances (note 3)	
Net change in non-cash working capital items:	
Accounts receivable and prepaid expenses	
Inventory and barter credits	
Decrease in security deposits	
Accounts payable and accrued liabilities	
Due to related parties	
Customer deposits	

Cash flows from investing activities
Cash paid for acquisitions
Advances
Funds in trust
Purchase of property, plant and equipment
Investment (note 3)
Proceeds from disposal of investment (note 3)

Cash flows from financing activities
Bank indebtedness
Proceeds from issuance of debentures (note 5)
Payment of debentures
Issue of special warrants
Private placement
Exercises of options and warrants
Subscriptions received

Foreign exchange effect on cash

Increase (decrease) in cash and cash equivalents
Cash and cash equivalents - Beginning of period

Cash and cash equivalents - End of period

The accompanying notes are an integral part of these consolidated financial statements.

travelbyus.com ltd.
Notes to Consolidated Financial Statements
Three-month period ended December 31, 2000 is unaudited

(Prepared by management - tabular amounts expressed in 000's of U.S. dollars except where otherwise noted)

1 Nature of operations and going concern

a) Basis of preparation of interim financial statements

The consolidated financial statements of travelbyus.com ltd. (the company) included herein have been prepared by the company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to such rules and regulations. While we believe that the disclosures are adequately presented, it is suggested that these consolidated condensed financial statements be read in conjunction with the audited consolidated financial statements for the year ended September 30, 2000. There have been no material changes in the accounting policies followed by the company during the three months ended December 31, 2000.

Interim results are subject to variations and are not necessarily indicative of the results of operations for a full fiscal year. In the opinion of management, adjustments (which include only normal recurring adjustments) necessary for a fair statement of the results of the interim periods shown have been made.

b) The company completed a merger with Aviation Group, an aviation services company based in Dallas, Texas on January 24, 2001. Aviation Group provides services and products to airline companies and other aviation firms primarily in the United States. The company has become an indirect subsidiary of Aviation Group. The arrangement resulted in a change in control of Aviation Group and former travelbyus.com ltd. shareholders own directly or indirectly more than 90% of Aviation Group's outstanding common stock. Through Aviation Group, the company acquired 100% of Global Leisure, a provider of discount air and land vacation packages. Aviation Group has issued $16,500,000 of 9% convertible preferred shares and 4,250,000 warrants to Global Leisure debt and equity-holders to acquire Global Leisure. In connection with the business combination of Aviation Group and Global Leisure, a financing arrangement was completed whereby $5,000,000 was invested in Aviation Group by the company through the purchase of 500 shares of Series B preferred stock from Aviation Group at $10,000 per share (paid during March 2000; approximately U.S. $1,372,000 (Cdn. $2,000,000) invested in Aviation Group by private investors in the purchase of 750,000 shares of Aviation Group common stock at approximately U.S. $1.77 (Cdn. $2.67) per share; and approximately U.S. $10,949,000 (Cdn. $16,500,000) invested in Aviation Group by private investors in the purchase of approximately 1,650 units of Aviation Group Series B preferred stock and Series C warrants, at a price of U.S. $7,000 (Cdn. $10,000) per unit, each unit consisting of one share and 750 warrants. Aviation Group used these funds to acquire control of Global Leisure and to service indebtedness of Global Leisure.

The following summary unaudited pro forma combined financial information reflects the above described arrangement as if it had occurred as of December 31, 2000 with respect to the pro forma balance sheet information, and as of October 1, 1999 with respect to the pro forma results of operations, and is based on the audited consolidated financial statements of travelbyus.com as at and for the three months ended December 31, 2000, and on the audited consolidated financial statements of Aviation Group as at and for the three months ended December 31, 2000 (including Global Leisure).

(1)

(Prepared by management - tabular amounts expressed in 000's of U.S. dollars except where otherwise noted)

Assets	9
Liabilities	5
Shareholders' Equity	4
Liabilities and Shareholders' Equity	9
Revenue	
Cost of Sales and Services	
General and administrative	
Depreciation, amortization and impairment	1
Interest expense - net	
	(2
Loss before income tax	
Income tax recovery	
Net loss	(1
Basic and diluted loss per share	

The basic and diluted loss per share has been calculated using the outstanding common shares of both travelbyus.com ltd. and Aviation Group as at their respective year ends, as the completion of the Arrangement resulted in travelbyus.com shareholders receiving one exchangeable share in travelbyus.com for each common share they currently own. In connection with the consummation of the Arrangement, Aviation Group effected a one-for-five reverse split of its own common stock and increased its authorized number of shares of common stock from 10,000,000 to 250,000,000. Accordingly, each five exchangeable shares may be exchanged by the holder for one share of Aviation Group common stock. The exchangeable shares of travelbyus.com not previously exchanged will be automatically exchanged into Aviation Group common stock on January 1, 2003 or earlier on the occurrence of certain events. The exchangeable shares will entitle their holders to dividends and other rights that are, as nearly as practicable, economically equivalent to those of Aviation Group common stock. They will also entitle their holders to vote at meetings of Aviation Group shareholders through a voting trust. All outstanding warrants, convertible instruments and other commitments to issue shares of travelbyus.com are exchangeable into exchangeable shares of travelbyus.com.

Many of the adjustments made to arrive at the pro forma financial information including the fair value of warrants and preferred shares are based on preliminary estimates, and are therefore subject to

---

(Prepared by management - tabular amounts expressed in 000's of U.S. dollars except where otherwise noted)

change. This unaudited pro forma combined financial information is not indicative of the financial position or results of operations which would have actually occurred if the transactions described above had occurred at the dates presented or of results which may occur in the future based on the actual effective date of the arrangement.

All share and per share information for the company in these financial statements is based on the share capital of the company prior to this merger except where otherwise noted. As a result of the merger, the shareholders of the company no longer have an effective interest in travelbyus.com and therefore the shareholders should refer to the financial statements of Aviation Group.

c) Going concern

These financial statements have been prepared using generally accepted accounting principles ("GAAP") applicable to a going concern. The company incurred a net loss before write-off and amortization of goodwill of approximately $33,204,000 during the year ended September 30, 2000, and had an accumulated deficit of approximately $140,540,000 and a working capital deficiency of approximately $10,883,000 at the end of the fiscal year and continued to incur losses subsequent to the year end. The company used cash of approximately $11,820,000 to fund operations during the most recent year. In addition, substantially all of the company's assets are provided as security for various financings. Management estimates that financing facilities currently available are insufficient to maintain operations and repay obligations due or coming due in the coming year and the company will require new sources of financing in order to continue its operations and satisfy its obligations in the normal course. Accordingly, the use of GAAP applicable to a going concern may not be appropriate because substantial doubt exists with respect to the company's ability to continue as a going concern.

Management is addressing this situation by attempting to raise additional financing, by eliminating redundant and unnecessary costs following its recent acquisitions and by working to realize the revenue potential of its recent acquisitions and products and services. However, the company's current business model has a limited operating history and its recent acquisitions have yet to be fully integrated. Subsequent to year end, the company raised a total of $9,250,000 in various debt financings (note 6) and has signed a letter of intent and is undergoing due diligence with Amadeus NMC Holding, for financing which, in the opinion of management, would be sufficient to enable it to continue operations for the next fiscal year.

Although there is no assurance that the company will be successful in these actions, management is confident that it will be able to secure the necessary financing and improvement in operating cash flow to enable it to continue as a going concern. Accordingly, these financial statements do not reflect adjustments to the carrying value of assets and liabilities, the estimated useful lives of assets, the reported revenues and expenses and balance sheet classifications used that would be necessary if the going concern assumption were not appropriate. Such adjustments could be material.

(3)

travelbyus.com ltd.
Notes to Consolidated Financial Statements
Three-month period ended December 31, 2000 is unaudited

(Prepared by management - tabular amounts expressed in 000's of U.S. dollars except where otherwise noted)

2 Summary of significant accounting policies

Revenue recognition

The company provides internet related software development and support services primarily to member agents. Revenue related to these services is recognized rateably over the period these services are performed, provided collectibility is reasonably assured.

Loss per share

Basic loss per share is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding during the period. Common shares outstanding include shares issuable for little or no cash consideration and for which all necessary conditions have been satisfied. Diluted loss per share is computed using the treasury stock method by including other potential common stock from exercise of stock options and warrants in the weighted average number of common shares outstanding for a period, if dilutive.

The following table sets forth the computation of loss per share:

Thre

20
(Unau

Loss for the period	(1
Weighted average number of shares outstanding	
Common shares	97,82
Special warrants	6,23
	104,05
Basic and diluted loss per common share	

Diluted loss per common share excludes a maximum of 26,507,979 additional common shares issuable pursuant various option, warrant, debenture and acquisition agreements and subsequent to the year end the company issued or agreed to allow the issue of shares pursuant to various agreements (notes 7 and 10).

3 Investments in and advances to Aviation Group, Inc.

During the three months ended December 31, 2000, the company advanced $4,302,000 to Aviation Group. As the amounts were not considered recoverable, the company has written off the advances made during the quarter. In addition, the company sold to Doerge Capital Management (note 7(b)) preferred shares of Aviation Group in the amount of $750,000 for proceeds of $750,000.

(4)

travelbyus.com ltd.
Notes to Consolidated Financial Statements
Three-month period ended December 31, 2000 is unaudited

(Prepared by management - tabular amounts expressed in 000's of U.S. dollars except where otherwise noted)

4 Programming library

During the three months ended December 31, 2000, the company received the balance of the first 40 episodes and has therefore reclassified the remaining balance of advances for programming services to the programming library. In addition, the company capitalized and accrued for the remaining balance of advances due of $1,500,000 with respect to the 40 new episodes. These advances were written off during the period to bring the carrying value of the programming library down to the estimated fair value.

The costs capitalized to date are categorized as follows:

Dec

(Un

Completed programs - unreleased
Advances for future programming services - in development

--

==

5 Software and other assets

Pursuant to the terms of the share purchase agreement for Muffin Communications Ltd., the share consideration given for the rights to the wireless contract was subject to adjustment based on the trading price of the common shares of travelbyus.com on December 15, 2000. The combination of shares and/or cash to be paid or given to maintain the total consideration of $6,700,000 or $6.70 per share pursuant to the adjustment formula, has not yet been decided by travelbyus.com. The required value of additional consideration of $6,310,000 has been included in accrued liabilities as at December 31, 2000 and expensed in the period due to the continued significant uncertainty about the level of revenues expected to be derived from the underlying wireless customer base.

6 Loans

a) Short term borrowings

Dec

(Un

DCM Asylum LLC (i)
DCM KG LLC convertible loan (ii)
Promissory note (iii)
Related party loan (iv)

Less: Current portion

Long-term portion

===

b) Long-term debt

Dece

(una

Senior redeemable debenture	
Travel 24.com convertible debenture (i)	
Amadeus NMC Holding convertible debenture (ii)	
	1
Less current portion	
Long-term portion	

(6)

travelbyus.com ltd.
Notes to Consolidated Financial Statements
Three-month period ended December 31, 2000 is unaudited

(Prepared by management - tabular amounts expressed in 000's of U.S. dollars except where otherwise noted)

7 Common stock

	Numbe common
Balance - September 30, 2000	96,80
Common shares issued on exercise of share purchase warrants	20
Common shares issued on exercise of special warrants (a)	7,69
Balance - December 31, 2000 (unaudited)	104,69

a) In December 2000, the remaining special warrants outstanding of 6,993,000 at September 30, 2000 were exercised into 7,692,300 common shares and 3,496,500 (allocated value of $3,675,000) common share purchase warrants (note 1b).

8 Commitments and contingencies

a) During June 2000, the company entered into an agreement with HealthyConnect.com Inc. ("HC.com"), a private health care related internet technology company. Pursuant to the terms of the agreement, HC.com will issue 1,200,000 common shares to the company upon confirmation of necessary technical specifications to establish links between their respective web-sites. The company will issue 1,000,000 common shares in exchange for a further 1,400,000 common shares of HC.com upon certain conditions. Under the terms of the agreement, HC.com may request the company to acquire up to 1,200,000 common shares of HC.com at $2.50 per share for total cash consideration of $3,000,000 subject to satisfactory due diligence by and board approval of the company. The completion of these transactions is subject to the necessary regulatory approvals. No shares have been exchanged as at December 31, 2000. On August 8, 2000, the company provided a demand loan to HC.com for $175,000 at 6% interest. The loan is secured by 1,200,000 common shares of HC.com and is included in advances.

b) The company has entered into a financing and loan commitment with Doerge Capital Management whereby Doerge Capital Management directly and through its affiliates ("Doerge") agreed to purchase from the company up to $1,500,000 liquidation value of Series B preferred stock of Aviation Group, held by the company of which $1,500,000 was acquired as at December 31, 2000 and to provide to the company a line of credit for up to $10,000,000.

The line of credit bears interest at 12% per annum, is collateralized by a security interest in substantially all the company's assets, subject to the security interests relating to the existing debentures, and expires on October 15, 2001. Doerge may elect to convert any amounts outstanding on the line of credit plus accrued and unpaid interest, to exchangeable common shares of the company at a conversion price of $2.00 per share. For each $1,000,000 drawn under the financing and loan commitment, the company will grant to Doerge warrants to acquire 100,000 exchangeable common shares exercisable at $2.00 per share and expiring three years following their grant. The financing agreement restricts the company from paying dividends or entering into certain other transactions without the consent of the lender. Subsequent to December 31, 2000, the company borrowed $3,000,000 under this facility.

(Prepared by management - tabular amounts expressed in 000's of U.S. dollars except where otherwise noted)

c) During the year ended September 30, 2000, the company agreed to guarantee a $3,000,000 promissory note issued by Aviation Group. The note bears interest at an annual rate of 12% and was payable in full on February 28, 2001. In February, 2001, the due date for the note was extended to March 16, 2001 with no amendment to any other terms of the promissory note. The note is past due and the Company is in discussions with the lender regarding settlement thereof.

9 Segmented information

The company operates within three operating segments: Travel, Technology and Other. The Travel segment provides a broad range of travel products, targeted primarily at the leisure customer, including airfare, hotel rooms, cruise packages, and ground packages. Products and services are offered through the traditional travel agency base, 1-800 call centers and the internet. Included in the Travel segment are the operations of the following subsidiaries: Mr. Cheaps Travel, International Tours Inc., GalaxSea Cruises and Tours, Inc., Express Vacations, Cheap Seats, Bell Travel and Cruise Shoppes.

The Technology segment designs and manufactures electronic data storage systems and develops internet accessible travel reservations systems. Included in this segment are the operations of Legacy, Epoch, Prosoft and SiteRabbit.com.

The Other segment consists of the advertising and associate marketing operations of International Tours Inc., GalaxSea Cruises and Tours, Inc. and Cruise Shoppes.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies in the September 30, 2000 consolidated financial statements.

(8)

travelbyus.com ltd.
Notes to Consolidated Financial Statements
Three-month period ended December 31, 2000 is unaudited

(Prepared by management - tabular amounts expressed in 000's of U.S. dollars except where otherwise noted)

		Consolidated		Travel		Technolog
		Three months ended December 31,		Three months ended December 31,		Three months December
		2000 $ (Unaudited)	1999 $ (Unaudited)	2000 $ (Unaudited)	1999 $ (Unaudited)	2000 $ (Unaudited)
Revenue from external customers	(1)	2,379	2,080	1,670	1,568	565
Operating (loss) income before amortization of capital assets, goodwill and other intangibles		(9,606)	(2,316)	(9,606)	(2,592)	(692)
Amortization of capital assets, goodwill and other intangibles	(1)	2,112	418	2,054	390	35

Operating loss	(11,718)	(2,734)	(11,095)	(2,982)	(727)
Interest expense	10	3	-	-	10
			(11,095)	(2,982)	(737)
Write-down of investment	4,203	-			
Corporate interest expense	917	692			
Corporate interest income	(7)	(40)			
Loss for the period	(16,829)	(3,389)			
Capital expenditures	468	910	266	905	79

10 Stock options and warrants

The company has a Stock Option Plan that provides for the granting of options to purchase common shares to directors, officers, employees and consultants of the company. The number of common shares reserved for issuance under the Stock Option Plan shall not exceed 10,000,000 common shares or a greater number as approved by the shareholders of the company. Terms of the options shall not be for a period less than one year or longer than ten years. The option price shall be fixed by the directors of the company subject to price restrictions imposed by the regulators. All options were granted at or above market value at the date of grant. Accordingly, no current or deferred compensation expense has been recorded in the periods presented.

(Prepared by management - tabular amounts expressed in 000's of U.S. dollars except where otherwise noted)

Stock option transactions

	Options exercisable at end of period	Shares
Balance outstanding - September 30, 2000		7,448,800
Options granted during the period		547,000
Options exercised during the period		-
Options expired during the period		(406,500)
Options exercisable at end of period	3,483,967	-
Balance outstanding - December 31, 2000 (Unaudited)		7,589,300

Warrant transactions

The following table summarizes information about the company's warrant activity:

	Number of underlying shares	Exercise p Cd
Warrants outstanding - September 30, 2000	11,077,520	0.68 -
Issued on exercise of special warrants (note 6(a))	3,496,500	
Issued on debt financings (note 5(b) and (c)	550,000	1.50 -
Special warrants exercised	(6,993,000)	
Debenture warrants exercised	(200,000)	
Warrants outstanding - December 31, 2000 (unaudited)	7,931,020	0.68 -

Warrants outstanding at December 31, 2000 are due to expire from March 21, 2001 to December 18, 2005. The 800,000 compensation warrants issued to the agents expired unexercised on March 21, 2001.

The outstanding private placement warrants at September 30, 2000 consisting of 1,793,250 at $3.50 per share and 185,000 at $2.50 per share expired unexercised on March 21, 2001.

(10)

travelbyus.com ltd.
Notes to Consolidated Financial Statements
Three-month period ended December 31, 2000 is unaudited

(Prepared by management - tabular amounts expressed in 000's of U.S. dollars except where otherwise noted)

Pro forma compensation costs

Had the company determined compensation costs based on fair value at the date of grant for its awards under the method for determining fair value prescribed by Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation" the company's pro forma loss and loss per share would be as follows:

	Thre
	2
	(Una
Loss for the period	(1
Additional compensation expense	
Pro forma net loss	(1
Pro forma basic loss per common share	
Pro forma diluted loss per common share	

The pro forma compensation expense reflected above has been estimated using the Black Scholes option pricing model. Assumptions used in the pricing model included:

a) risk-free interest rate of between 5.40% - 5.84%;

b) expected volatility of 90%;

c) expected dividend yield of $nil; and

d) an estimated average life of one to three years.

(11)

travelbyus.com ltd.
Notes to Consolidated Financial Statements
Three-month period ended December 31, 2000 is unaudited

(Prepared by management - tabular amounts expressed in 000's of U.S. dollars except where otherwise noted)

11 Subsequent events

a) In early January 2001, the company borrowed $1,000,000 from Aberdeen Strategic Capital LP. This loan matured on February 29, 2001. In connection with the original loan, the company granted warrants to purchase 200,000 common shares at an exercise price of $1.00 per share expiring on December 29, 2003. The company has subsequently extended the maturity date to April 27, 2001. There have been no changes to the other terms of the loan. The loan is collateralized by the guaranty of Cheap Seats, Inc. and a security interest in essentially all the assets of Cheap Seats and Travelbyus Cruise Operations Inc., which are subsidiaries of the company. The loan is convertible into common shares of the company at a conversion price of the lessor of $1.00 per exchangeable share or the seven-day weighted average trading price of Aviation Group's common stock, calculated on a pre-reverse stock split basis, plus a premium of 5%.

b) Subsequent to December 31, 2000, the company borrowed $3,000,000 on the line of credit referred to in note 7(b). Under the agreement, Doerge is entitled to 300,000 share purchase warrants which have not been issued.

(12)

UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS

The following unaudited pro forma combined financial statements have been prepared to reflect the transactions described below as if they had all occurred as of December 31, 2000, with respect to the pro forma balance sheet, and as of October 1, 1999 with respect to the pro forma statements of operations. The transactions are as follows:

1. The issuance by Aviation Group of $16.5 million liquidation value of Series A convertible preferred stock and warrants in March 2000 to certain debt holders and the common stockholders and warrant holders of Global Leisure in exchange for retirement of the debt and cancellation of the outstanding common stock.

2. The sale of $21 million of Series B preferred stock and warrants in March 2000 by Aviation Group and the purchase of Series B preferred stock of Global Leisure and the retirement of Global Leisure debt and payables with the proceeds.

3. The acquisition of Aviation Group by travelbyus.com by the issuance of Aviation Group common stock to the travelbyus.com shareholders, resulting in the travelbyus.com shareholders owning approximately 95% of the outstanding common stock of Aviation Group.

4. The acquisitions by travelbyus.com of Cheap Seats, Inc. and Express Vacations, Inc. during the fourth calendar quarter of 1999, Cruise Shoppes America, Ltd. in April 2000, Epoch Technology Inc. in May 2000, Muffin Communication, Inc. in July 2000, and ProSoft Corporation and SiteRabbit.com in September 2000.

The pro forma financial statements combine the historical financial statements of the various companies and include adjustments to reflect the effects of the transactions described above. The pro forma financial statements are expressed in U.S. dollars. The pro forma statements of operations are presented based upon the September 30 fiscal year end of travelbyus.com. The fiscal year end of Express Vacations is also September 30. The statements of operations of the other entities, which do not have a September 30 fiscal year end are combined with the appropriate fiscal quarters to conform with the presentation. The pro forma statement of operations for the year ended September 30, 2000 includes (a) the statement of operations of Aviation Group for the year ended June 30, 2000; (b) the statement of operations of Global Leisure for the nine months ended March 31, 2000 (Global's operating results were consolidated into Aviation Group beginning April 1, 2000); and (c) the statement of operations for Epoch Technology for the eight months ended May 31, 2000, Express Vacations for the one month period ending October 31, 1999, Cheap Seats for the three months ending December 31, 1999, Cruise Shoppes for the six months ending March 31, 2000 and ProSoft and SiteRabbit for the eleven months ended August 31, 2000, all of which are prior to these companies' acquisition and consolidation into the statement of operations of travelbyus.com. The acquisition of Muffin is effectively an asset acquisition. Therefore, the operations of Muffin are excluded from the pro forma statement of operations.

The acquisition of Global Leisure by Aviation Group effectively occurred as of March 31, 2000 and was accounted for as a purchase and reflected in the Aviation Group historical financial statements beginning March 31, 2000. The acquisition of Aviation Group, following its acquisition of Global Leisure, by travelbyus.com is accounted for as a purchase combined with a recapitalization of travelbyus.com under the capital structure of Aviation Group.

Several of the adjustments in the pro forma financial information are based on preliminary estimates, subject to change upon obtaining more information about specific assets acquired and liabilities assumed and performing more detailed appraisals and valuations of the assets acquired. Accordingly, adjustments may be made to the purchase price allocations to the businesses acquired by travelbyus.com and Aviation Group, the purchase price allocation on the acquisition of Aviation Group by travelbyus.com (including the allocation of the purchase price to the Aviation Group non travel business to be sold) and the estimates of the useful lives of the assets acquired.

The unaudited pro forma combined financial statements should be read in conjunction with the accompanying notes and with the historical financial statements of the various companies involved in the transactions described above, which are included herein (in the case of travelbyus.com) or in other filings of the Company.

The unaudited pro forma combined financial statements are not indicative of the financial position or results of operations of travelbyus.com which would actually have occurred if the transactions described above had occurred at the dates presented or which may be obtained in the future.

AVIATION GROUP, INC. AND TRAVELBYUS.COM, LTD
UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2000
(expressed in U.S. Dollars)

	Aviation Group	Global	travelbyus	10 Othe Compan
Revenues, net	$ 817	$ 5,578	$ 12,369	$
Expenses:				
Cost of sales and services			5,963	
General and administrative expenses	5,717	18,325	20,868	
Depreciation, amortization and impairment	1,332	552	56,211	
Income (loss) from operations	(6,232)	(13,299)	(70,673)	(
Other income (expense):				
Other	(62)	-	(22)	
Interest expense	(353)	(3,152)	(2,672)	
Total other income (expense)	(415)	(3,152)	(2,694)	
Income (loss) from continuing operations before income taxes	(6,647)	(16,451)	(73,367)	(
Income tax recovery (expense)			3,746	
Income (loss) from continuing operations	$ (6,647)	$ (16,451)	$ (69,621)	$ (
Income (loss) from continuing operations per share - basic and diluted	$ (1.94)		$ (0.92)	
Weighted average shares outstanding	3,419		76,072	

See notes to Pro Forma Adjustments.

AVIATION GROUP, INC. AND TRAVELBYUS.COM, LTD
UNAUDITED PRO FORMA COMBINED STATEMENT OF
OPERATIONS FOR THE THREE MONTHS ENDED
DECEMBER 31, 2000
(expressed in thousands of U.S. dollars)

	Aviation Group	travelbyus	Pro Forma Adjustments
Revenues, net	$ 481	$ 2,379	
Expenses:			
Cost of sales and services		427	
General and administrative expenses	1,277	6,757	
Depreciation, amortization and impairment	1,240	14,320	(1,24
Loss from operations	(2,036)	(19,125)	1,24
Other income (expense):			
Interest and other	22	29	
Interest expense	(319)	(927)	
Other expense			
Total other income (expense)	(297)	(898)	
Loss from continuing operations before income tax	$ (2,333)	$ (20,023)	$ 1,24
Income tax recovery		3,194	
Loss from continuing operations	$ (2,333)	$ (16,829)	$ 1,24
Income (loss) from continuing operations per share - basic and diluted	$ (2.35)	$ (0.16)	
Weighted average shares outstanding	991	104,053	(83,11

See notes to Pro Forma Adjustments.

TRAVELBYUS.COM, LTD
UNAUDITED PRO FORMA COMBINED BALANCE SHEET
DECEMBER 31, 2000

(expressed in thousands of U.S. dollars)

	Aviation Group	travelbyus	Pro Forma Adjustment
Cash and cash equivalents	$ 265	$ 1,564	
Accounts receivable	281	2,314	
Inventory and barter credits	1,310	798	
Other current assets	3,565	213	(1,2
Assets held for sale	2,568		
Total current assets	7,989	4,889	(1,2
Property and equipment, net	167	3,129	
Programming library		1,839	
Goodwill	44,935		15,8 (3,5 (8,4
Software, contracts and other intangible assets		19,145	
Non current assets held for sale	3,983		
Other assets	209	3,981	
Total assets	$ 57,283	$ 32,983	$ 2,6
Notes payable and current maturities of long-term debt	7,574	15,089	
Accounts payable and accrued expenses	8,496	16,952	1,0 (4,1
Liabilities of discontinued operations	5,346		
Total current liabilities	21,416	32,041	(3,1
Deferred tax liability		892	
Long-term debt	25	1,000	
Total liabilities	21,441	33,933	(3,1

- Continued -

UNAUDITED PRO FORMA COMBINED BALANCE SHEET

DECEMBER 31, 2000
(expressed in thousands of U.S. dollars)

	Aviation Group	travelbyus	Pro Forma Adjustment
Preferred stock	31,500		(1,0 (3,5 (10,5
Common stock	10	149,072	2 (149,0
Other stockholders' equity	23,991	7,347	(2 149,0 14,8 4,0 (23,9 2,0
Accumulated earnings (deficit)	(19,659)	(157,369)	19,6 4,1
Total stockholders' equity	35,842	(950)	5,7
Total liabilities and stockholders' equity	$ 57,283	$ 32,983	$ 2,6

See notes to Pro Forma Adjustments.

Notes to Unaudited Pro Forma Adjustments

1. Adjustment to record the acquisition of Aviation Group by travelbyus.com and the recapitalization of travelbyus.com by recording the approximate market value of the shares of common stock, options and warrants held by the Aviation Group shareholders at the common share price immediately preceding the announcement of the merger with travelbyus.com. The shares of common stock, options and warrants held by Aviation Group's shareholders are treated as an issuance of new equity by travelbyus.com. 4,956,722 shares of Aviation Group common stock at the quoted price of $3.00 per share results in an adjustment to stockholders' equity of approximately $14,870,000. The value of the options and warrants of $4,050,000 results in an additional adjustment to stockholders' equity. The values of the options and warrants are estimated using the Black Scholes option pricing model. These amounts, as well as approximate transaction costs incurred of $1,000,000 are allocated to the identifiable net assets of Aviation Group based upon the estimated fair market values of those assets with the remainder of $48,836,000 assigned to goodwill. The goodwill that was recorded on the Aviation Group balance sheet at December 31, 2000 of $44,935,000 (net of accumulated amortization of approximately $4,000,000) was increased by $15,838,000 as an adjustment to reflect the effect of the acquisition. The adjustment also includes the removal of Aviation Group's other stockholders' equity and accumulated deficit accounts. An additional adjustment eliminates $3,500,000 of Series B preferred stock of Aviation Group owned by travelbyus.com. The offset of the elimination of the

preferred stock owned by travelbyus.com is to goodwill, because travelbyus.com had written off the investment against earnings prior to December 31, 2000. The adjustments to goodwill also include a $8,438,000 reduction to the value of the Series A preferred stock on the Aviation Group balance sheet (and a corresponding $2,063,000 increase to common stock) to reflect the value of the underlying common stock into which the Series A was subsequently converted.

The components of the purchase adjustment are as follows:

Value of shares issued	$ 14,870,000	
Value of warrants and options	4,050,000	
Transaction costs	1,000,000	
Other	10,000	
Total consideration and costs		$ 19,930,000
Fair value of identifiable assets	$ (11,098,000)	
Fair value of liabilities	21,441,000	
Fair value of preferred stock	18,563,000	
Net obligations acquired		28,906,000
Goodwill		$ 48,836,000

Certain amounts in the purchase calculation above are based on the preliminary estimates and the final amounts may differ.

2. Adjustment to record a $1 million payment related to arranging the Series B preferred stock sale. The payment of this amount was contingent on completion of the transactions.

3. Adjustment to record the $0.01 per share par value of the Aviation Group shares of common stock to be issued to travelbyus.com shareholders, 104,697,000 shares outstanding at December 31, 2000, and reflect the reorganization of travelbyus.com's shareholders' equity accounts to Aviation Group's capital structure.

4. Adjustment to eliminate $4,122,000 of advances made to Aviation Group by travelbyus.com. The advances were recorded in accounts payable and accrued expenses on the Aviation Group balance sheet and had been charged off against earnings by travelbyus.com.

5. Adjustment to record the effect of the amortization of the goodwill recorded upon the purchase of Global Leisure over 10 years as if the acquisition had occurred October 1, 1999 of $3,675,000 for the year ended September 30, 2000, and the impairment of the remaining value of the goodwill recorded for the acquisition of Aviation Group of $50,761,000. The impairment of the remaining value of the goodwill resulted because due to uncertainty regarding funding necessary to permit the combined company sufficient time to fully implement its business plan, projected future cash flows may be insufficient to support the carrying value of the goodwill.

6. Adjustment to record the reduction in interest expense of $2,799,000 for the retirement of approximately $26.0 million in Global Leisure debt, as if the retirement had occurred at October 1, 1999. The average effective interest rate on the retired debt was approximately 14% for the year ended

September 30, 2000.

7. Adjustment to record the effect of the amortization of the software, contracts, and other intangibles, recorded upon the purchases of Cheap Seats, Cruise Shoppes, Epoch Technology, and SiteRabbit as if these acquisitions had occurred at October 1, 1999. The software, contracts and other intangibles are amortized over three years for each company. All goodwill associated with the acquisitions, as well as the intangible assets associated with the acquisition of Muffin, were written off by travelbyus.com during the year ended September 30, 2000. The amortization for Cheap Seats, Cruise Shoppes, Epoch Technology, and SiteRabbit are included in the travelbyus.com historical statements of operations for the year ended September 30, 2000 beginning January 1, 2000, April 1, 2000, June 1, 2000, and September 1, 2000, respectively. The pro forma adjustments record the additional amounts which would have been recorded if the acquisitions had occurred at the beginning of the periods. The amounts of the adjustments are as follows:

	Year ended September 30, 2000
Cheap Seats	$ 595,000
Epoch Technology	1,287,000
Pro Soft	510,000
Cruise Shoppes	405,000
SiteRabbit	1,253,000
Total	$ 4,050,000

An additional adjustment is made to record the increase in amortization of goodwill recorded upon the acquisition of Aviation Group by travelbyus.com. This adjustment is $740,000 for the year ended September 30, 2000. The amortization adjustment that is recorded for the three months ended December 31, 2000 is to remove the $1,240,000 recorded in the Aviation Group historical financial statements for that period, because the goodwill is assumed to be written off for pro forma purposes at the end of the September 30, 2000 year as discussed in Note 5 above.

8. Adjustment to the number of weighted average shares outstanding as if the share exchange between Aviation Group and travelbyus.com and the common stock issued in the acquisitions of Cheap Seats, Express Vacations, Epoch Technology, Cruise Shoppes, Muffin, ProSoft and SiteRabbit had occurred at October 1, 1999. The adjustments for the shares issued in the share exchange between Aviation Group and travelbyus.com are reductions of 49,147,000 and 76,892,000 for the year ended September 30, 2000 and the three months ended December 31, 2000, respectively. These amounts give effect to a one for five reverse split of the common stock, which occurred after December 31, 2000, and was reflected in the Aviation Group historical numbers but not in the travelbyus.com historical numbers. The adjustment for shares issued to acquire the companies is a total of 4,264,000 for the year ended September 30, 2000 after giving effect to the reverse split referred to above. Unexercised common stock options, warrants and convertible securities are not considered because their effect would be antidilutive.

9. Adjustment to record compensation expense for effect of $987,000 of contingent stock consideration to be issued two years after the acquisition of ProSoft if the individuals are still employed at that time. The expense is accrued over the two year period and an adjustment of $494,000 is recorded for the year ended September 30, 2000 to reflect the expense as if it had been accrued since October 1, 1999.

10. The operations of Express Vacations, Cheap Seats, Cruise Shoppes, Epoch Technology, ProSoft and SiteRabbit are combined as "other companies" in the pro forma statement of operations for the year ended September 30, 2000 and are presented for the periods prior to November 1, 1999, January 6, 2000, April 3, 2000, May 23, 2000, September 14, 2000 and September 14, 2000, respectively, after which the operations of these companies are consolidated with the historical statement of operations of travelbyus.com.

11. Adjustment to the number of weighted average shares outstanding as if the sale of 750,000 shares of common stock by Aviation Group and 930,000 common shares by travelbyus.com in connection with these transactions had occurred at October 1, 1999. The adjustment for the year ended September 30, 2000 (after giving effect to the reverse split referred to in Note 8 above) is 252,000 shares.

12. Adjustment to record the interest expense that would be incurred on a $3 million borrowing by Aviation Group in connection with these transaction, as if the borrowing had occurred at October 1, 1999. The stated interest rate is 12% and the note is due nine months after issuance. The borrowing includes five-year warrants to purchase 225,000 shares (before reverse split) at $2.125 per share. The interest expense is $527,000 for the year ended September 30, 2000, which includes $257,000 for the amortization of the discount on the debt related to the value of the warrants issued with the debt. The adjustment, after considering $101,000 recorded in the historical financial statements, is $426,000 for the year ended September 30, 2000.