

EZENET CORPORATION
1999 ANNUAL REPORT



EZENET CORPORATION

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Letter to Shareholders

By almost any measure, 1999 was a profitable and dynamic year for EZENET Corp. The year was marked with significant advances in our technologies and expanding market opportunities. Thanks to the strength and vision of our Board of Directors, management and staff, EZENET was able to overcome challenges and capitalize on a number of growth opportunities last year. EZENET is poised for further growth and successes in the years ahead. Your Company has enjoyed a 20-year history of profitable operations — a remarkable feat for an information technology (IT) company. Our continued investments in R&D, our product enhancements and development, combined with new strategic partnerships and targeted acquisition strengthened our enviable position as a leader in developing software and IT solutions for financial institutions and to realize growth in our newly formed product software division.

For the period ended December 31, 1999, the Company had another record year of revenues and cash flow. Revenues were \$3,206,448 an increase of 33 per cent over the previous year. Cash flow from operations for the year also reached a record of \$926,506 an increase of 50 per cent over the prior year. The net earnings after taxes of \$261,734 are after implementing a write-off policy with respect to R&D expenses.

The Board of Directors headed by Haron Ezer, Chairman and Chief Executive Officer appointed Kasra Meshkin as President and COO to lead EZENET's future growth in business and technological developments. Haron Ezer, the founder of the company, has instilled a strong foundation, culture, and direction for EZENET to which Kasra Meshkin's technological expertise, experience with the company, and vision can build upon. With Kasra Meshkin's direction and Haron Ezer's guidance, combined with a solid management team behind them and a formidable Board of Directors, EZENET is well prepared for the future expansion and rapid development which lies ahead. Your company is poised to establish a global presence as a leading developer of software and IT solutions for the financial and Internet markets across Internet and wireless communications.

Our new President and Chief Operating Officer, Kasra Meshkin, who lead the development of EZENET's impressive technological infrastructure, brings his internal experiences at EZENET, and technological expertise, necessary for the company's success as Kasra assumes this new role. Kasra will spearhead the future growth and expansion of your Company as its head of day-to-day operations and chief corporate visionary.

NEW FINANCING

The Company completed a significant financing deal worth \$50,000,625 with the assistance of a syndicate of investment dealers lead by Octagon Capital Corporation and included, Salman Partners Inc. and Acumen Capital Finance Partners Inc. to ensure continued advancements in R&D, product development, corporate growth and new markets.

The proceeds of this Special Warrant Offering will be used to further develop our banking software, and front-end wireless and Internet solutions for banks and financial service companies that complement EZENET's existing back-end infrastructure. This includes the development of enhanced security software, marketing and sales force expansion into the United States, development of Linux financial applications and strategic acquisitions related to these matters. A portion of the funding will also be dedicated to further expansion of the Product Software Division of the Company, including InstaBase.

Your Company is well prepared for significant growth and expansion in all facets of the business. EZENET's strong management team, coupled with key additions to the Company, will enable EZENET to further strengthen its position as a technological leader for the financial industry as we enhance our financial solutions across wireless and Internet technologies. With new financing secured, we are ready to move forward with innovative solutions to generate new revenue streams and enhance shareholder value.

ACQUISITIONS AND JOINT VENTURES

In large part due to EZENET's market capitalization, we are in an enviable cash-positive position to undertake joint ventures and acquire related companies that will help us grow.

- In April, EZENET Corp. acquired netSTOR Technologies, Inc., a developer of products that improve Internet communication. Their iCACHE™ web caching "appliance" dramatically improves web surfing performance for Internet Service Providers, Network Service Providers and corporations. The recently announced ip/EDGE product allows network designers and administrators to build scalable and fault tolerant web sites.
- EZENET plans to continue to search for companies that will fit with and help further the Company's corporate and product visions.

NEW PRODUCTS AND SERVICES

Last year, our research and development team met significant new product development milestones such that this year we are able to offer an enhanced product lineup. Our latest banking software for the AIX 4.3-based family of IBM RS6000(tm) servers is now market ready.

We continued building on the momentum in our Product Software Division and significantly improved our well-reviewed consumer SOHO (Small Office/Home Office) software, InstaBase. InstaBase has begun to sell on the world market, and with established key alliances, vital contacts, and current marketing strategy, InstaBase is well positioned to realize substantial success in the upcoming year. Product line extensions in this division are in the research and development stage with product launches planned in 2000, thus building and contributing to the success of this division.

WORLDWIDE CHANNEL PARTNERSHIPS AND NEW REVENUE MODELS

EZENET has begun wireless development, using tools and development kits available from leading wireless technology providers. The Company will be allocating resources to the development of financial and other services for an advanced wireless model. As the technology constantly changes, EZENET will continue to devote itself to be at the forefront of technology, which is essential for the company's future. EZENET's movement to wireless and the Linux platform is an effort to further enhance EZENET's core banking and financial services solutions offered to the financial marketplace. We're energized by this new direction and intent on remaining a leading solutions provider across the latest technologies including Internet and Wireless communications.

Additionally, in our Product Software Division, EZENET added new distribution channels with major software distributors such as COMP USA, Staples-Business Depot, and Future Shop, while expanding our channel program overseas with agreements with Softline and Guildsoft in Europe. Furthermore, a strategic

alliance signed with ValueWeb, a major worldwide web hosting company, demonstrates our dedication to establishing targeted alliances for the growth of our innovative software products.

U.S. EXPANSION

Company Director Jeffrey Coyne, who assumed the position of President of U.S. operations, will be the perfect springboard for EZENET to enter the U.S. marketplace. Jeffrey Coyne will begin an aggressive campaign to bring the EZENET banking system and other technological solutions to the expansive U.S. financial sector. Mr. Coyne, who resides in North Carolina, graduated with a Bachelor of Arts degree from the University of California at Berkeley in 1976 and holds a Juris Doctor degree from the Duke University School of Law in 1979. He has been a senior lecturing fellow at Duke University School of Law since 1994. Mr. Coyne was also a former partner of Coudert Brothers, Attorneys at Law, New York and Graham and James, Attorneys at Law, San Francisco.

OTHER SIGNIFICANT MANAGEMENT CHANGES

In order for a company to succeed as a leading technology company, it is essential that they attract and retain quality and highly skilled employees. EZENET recognizes the extreme importance of its employees and that this industry is based on intellectual capital. Since the beginning of the company, Haron Ezer established a positive and enjoyable working environment thereby influencing creativity and development for the company. As EZENET continues to expand, aggressive efforts will be made to ensure that this atmosphere and unique culture remains. EZENET's aggressive acquisition program combined with our competitive salary and stock option plans will enable the company to attract the brightest people in the world, while our culture will enable the company to retain those minds. Our recent senior appointments include:

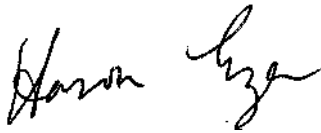
- Jeffrey C. Coyne has been elected to the Board of Directors of EZENET in January 2000 and has most recently assumed the role as our President of U.S. Operations. Jeffrey is Chairman of the Board of Directors of Valu-net International, Ltd., ("VNE" on the Canadian Venture Exchange); a Toronto based Internet related business and Chairman of the Board of Directors and CEO of Rebel Asset Management, Ltd., of Chapel Hill, North Carolina. He has been involved in a number of companies active in research and development of laser products for military applications, construction of condominium projects in California and Aruba and shopping malls in Aruba and Southern California. He was, formerly, Chairman of the Board of Directors and CEO of Divi Hotels, Inc., ("DIVI" on the NYSE), owner and operator of seventeen hotels, casinos and timeshare clubs in the Caribbean.
- Gary Guthro, CA, has been appointed Chief Financial Officer. Gary comes to EZENET from Home Capital Group Inc. where he held the position of Vice President of Finance. He brings a wealth of experience and knowledge in managing the finances of a publicly traded company.

- Marc Nicolas, former EZENET Director has been appointed Chief Technology Officer. Marc has considerable IT and Wireless experience; he has provided services to numerous Internet Service Providers and Telecom Companies including Bell Canada, FONOROLA, Sprint Canada and TIW.
- Terry Rogers has been appointed Vice President of Financial Systems. Terry has been with EZENET for more than 5 years. He was responsible for business development, sales, system design and customer relations. Terry has an extensive background in corporate finance and operations and formerly served as EZENET's CFO.
- Ian Guthrie has been appointed Director of Research & Development. Ian has been in charge of the "Projects" division of EZENET's R&D during the past two years. Ian is an expert in UNIX system administration, Project Management, Network Security, Database Design and all aspects of Web and Internet Applications.
- Jeff Lucas has been appointed Director of Information Systems. Jeff has been Manager Computer Operations, Network Services for the past five years. He is an expert in NT system administration, network design & connectivity, hardware and remote network management.
- Gordon Ramer has retired from his position as Vice President effective February 29, 2000. Gordon has been with EZENET since 1984, and has been key in the development of EZENET's current products and services. Gordon will continue to contribute to the Company in a consulting role. We thank Gordon for the valuable contributions he has made to the Company.

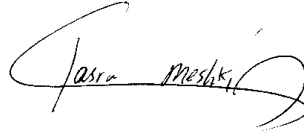
COMPETITION

While other IT solutions providers faced stiff competition, due to our diverse product offering and wide-ranging skill set, competition was not as much of an issue for EZENET. That said, we took careful note of our software and wireless competitors within the financial services industry. We believe that we have a winning combination of technological infrastructure, intellectual capital, financial stability and product diversification that will enable us to grow into a market leader as an IT solutions provider for the financial services sector.

In closing, we offer our sincere thanks to EZENET's employees. It is your spirit, intellect, and unfailing commitment that is making our goals a reality. Our thanks are also extended to our valued shareholders for your confidence in the Company. As we move forward, we assure you that all effort will be put into realizing our combined visions for EZENET.

A handwritten signature in black ink, appearing to read 'Haron Ezer', with a stylized, cursive script.

Haron Ezer,
Chairman and CEO

A handwritten signature in black ink, appearing to read 'Kasra Meshkin', with a stylized, cursive script.

Kasra Meshkin,
President and COO



Ezenet Corp., (CDNX:EZE), headquartered in Toronto, Ontario, is a leader in providing complete back-end solutions to financial institutions. Ezenet offers a comprehensive, industry-leading, modular, IP based back-end solution that allows institutions to rapidly scale new services and products. In partnership with Ezenet, financial institutions are able to provide enhanced services to their customers including on-line mortgage and leasing applications, robust security, and soon, interactive on-line banking and wireless connectivity. The company also has a consumer software products division that sells rapid Internet development tools including "InstaBase" that has received rave reviews in prominent publications such as PC World, CNN, PC Magazine and Business Week.

The Company has enjoyed a 20-year history of profitable operations. In 1996, Ezenet embarked on a significant growth and development phase, to expand all aspects of the business. Ezenet has positioned itself as a preferred supplier of solutions to 30 blue chip clients such as Bank of Montreal, Home Capital Group and CIT. Ezenet's financial services business has grown at 50% per annum over the last 3 years. To date, Ezenet has financed its growth internally from earnings and cash flow and is debt free.

EZENET'S FINANCIAL SOLUTIONS

Ezenet has developed a comprehensive suite of back-end connectivity and IT solutions for financial institutions. The Company has developed an extensive array of proprietary applications for financial instruments that few competitors are able to match. Ezenet brings to its customers all the financial software packages, network services, security, and Internet applications required by Banks or Trust Companies.

Some of the software solutions the company provides are:

- Deposit Programs for GICs, RRSPs, RIFs, savings and checking accounts and lines of credit across multiple currencies;
- Loan programs including revolving and term loans mortgages and securitization of loans;
- Lease systems including portfolio tracking, management, and securitization; and
- Annuities including calculation and reporting.

Ezenet is able to offer the financial institutions a highly reliable and secure infrastructure over which they can run their applications. Ezenet currently operates a national wide area network in 7 cities running on 14 IBM RISC 6000 Systems. The company has developed an extensive portfolio of security solutions to complement its network management services that incorporate artificial intelligence algorithms.

Ezenet is also able to provide financial institutions with other enhanced services such as full Internet Access, Web Hosting, and Email services. Internet services are essential to any financial institution looking at Ezenet for technology and software solutions.

- Ezenet's current client roster includes the following *Blue Chip* clients:

Bank of Montreal	Merrill Lynch Canada
Home Capital Group	CIT Capital
M.R.S. Trust Company (Division of Mackenzie Financial)	First Marathon Mortgage Corporation
Effort Trust Company	Peoples Trust Company
Maple Trust Company	AGF Trust Company
National Bank (Maple Financial)	Household Trust Company D)
IOF Foresters	Westbury Canadian Life Insurance (Subsidiary of Royal Bank of Canada)

- Ezenet intends to leverage its existing client base in the following ways:
 - Providing enhanced services to the existing clients;
 - Cross selling current products to existing clients; and
 - Reference clients for adding new clients.

US Expansion: Ezenet intends to expand into the United States, taking advantage of the growing service migration from IBM AS400 series computers to RS6000. The company estimates that over 90% of North American's 20,000 small financial institutions will potentially be migrating to the new IBM R6000 series of computers from the prior generation of AS400 series computers. The company believes it is well positioned to facilitate the transition given that the Company is an approved IBM solutions provider.

EZENET'S CONSUMER SOFTWARE PRODUCT DIVISION

EZENET's product software division, has developed its first software, InstaBase, for the SOHO (small office / home office) market and end computer user, that allows for the rapid deployment of an online database. InstaBase has been endorsed by many major publications and users worldwide. Worldwide distribution has been established in the U.S., Canada, the United Kingdom, and Germany along with key alliances.

In the development and marketing of InstaBase, the Company has garnered necessary contacts and skills to produce more world class software which will allow for Internet productivity and ease of use, and to efficiently and profitably bring those products to market. EZENET's Product Software Division is well equipped to realize substantial growth as it moves from a one title company to a provider of Easy Internet software for the SOHO and consumer market.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This should be read in conjunction with Ezenet Corp.'s consolidated financial statements and the accompanying notes.

Overview

I am pleased to report that the financial results for the year ended December 31, 1999 represented another outstanding success for your company. For the period ended December 31, 1999, the company had another record year of revenues and cash flow. Revenues were \$3,206,448 an increase of 33% over the previous year. Cash flows for the year from operations also reached a record of \$926,506, an increase of 50% over the prior year. The net earnings after taxes of \$261,734 are after implementing a write off policy with respect to R&D expenses. During the last quarter of the year, the company began adding staff and resources in anticipation of our expansion into the United States. Our recent very successful warrants offering which raised \$48,000,000, will fund this and our other expansion efforts in the future.

Effective January 1, 2000, new increased selling prices will come into effect for most client services. The revenues for the year were a record for the company and continued 12 quarters of continuous growth in revenues. The company continues to invest heavily in R&D and expansion from internally generated funds and from the \$500,000 private placement closed in the early part of 1999.

Revenues

During the period, company revenues increased by 36% over 1998 revenues of \$2,345,708. Much of this was from the licensing fees associated with increased use of the banking software and new applications developed for existing clients. In the last half of the year, revenues from the test marketing of the INSTAbase product generated revenues of \$150,000. Many of the company's clients had indicated to us that they were holding off on new projects until after the Y2K issue was resolved. After the end of the year, we have had numerous requests for new development from most of our clients that will result in increased revenues in 2000. In addition, selling price increases were implemented on existing services effective January 1, 2000.

Operating Expenses

Direct product and service costs. These costs increased by 30% over 1998 and are related primarily to the hardware maintenance and software packaging costs. In the

fourth quarter, the company used internally generated cash flows to launch the new packaging and marketing of the newest version of InstaBase. These costs represent the first operational costs for this product and we expect to enjoy increased revenues from this product in this fiscal year and beyond.

Research and Development During the period, the company invested \$1,099,775 in new research of a number of new and existing products. These funds were generated internally and from a \$500,000 private placement in January of 1999. During the period, the company implemented a policy of writing off the deferred costs of development and the charge in the year amounted to \$181,400. In the first quarter of 2000, the company will, at the request of new institutional investors pursuant to the \$50,000,000 Special Warrant offering, adopt a policy of expensing all R&D expenses as incurred.

Salaries and Benefits. Costs increased during the period by \$218,419 or 19.6%. The costs in the high tech profession are increasing rapidly and attracting new staff requires that existing staff be kept at or near current salary levels in the industry. It is expected that most of these costs will be passed on to clients through increased fees.

Administration. These costs increased during the period by \$89,881 or 31%. It is expected that these costs will increase substantially in 2000 as the company ramps up the sales and marketing effort in the United States. The company will add three to four new staff in this area during the year.

Investor Relations. With the listing of the company for trading in March of 1999, the company engaged the services of an investor relations firm. It is expected that these costs will increase as well in 2000 as the number of investors increases.

Interest Income. The company did not have material amounts of interest income in 1999. It is expected that our income from this source will increase significantly in 2000. The company raised approximately \$47,000,000 net of costs and fees of the issue in March of 2000 and this will generate approximately \$1.5 million in revenues in 2000.

Management Responsibility for Financial Statements

The accompanying consolidated financial statements of Ezenet Corp. have been prepared by management in accordance with generally accepted accounting principles consistently applied. The most significant of these accounting principles have been set out in Note 1 to the financial statements. Recognizing that the company is responsible for both the integrity and objectivity of the financial statements, management is satisfied that these financial statements have been appropriately prepared within reasonable limits of materiality.

The Board of Directors has appointed an Audit Committee consisting of two non-management directors and one management director. The committee meets periodically during the year to review with management and the auditors any significant accounting and auditing matters and to review and finalize the annual financial statements of the company along with the independent auditor's report prior to the submission of the financial statements to the Board of Directors for final approval. The Audit Committee also reviews any significant weakness in the company's systems of internal control reported by the auditors. The financial information throughout the text of this annual report is consistent with the information presented in the financial statements. The auditor's opinion is based on an independent and objective examination of the company's financial results for the year, conducted in accordance with generally accepted auditing standards. The examination encompasses an understanding and evaluation by the auditors of the company's accounting and internal control systems, as well as obtaining a sound understanding of the company's business. The external auditors conduct appropriate tests of the company's transactions and obtain sufficient audit evidence in order to provide them with reasonable assurance that the financial statements are presented fairly, in all material respects, in accordance with generally accepted accounting principles, thus enabling them to issue their report to the shareholders.

Darren, Martenfeld, Carr, Testa and Company LLP, Chartered Accountants, having been appointed by the shareholders of the company to serve as the company's external auditors, have examined the consolidated financial statements of the company for the years ended December 31, 1997 and 1996 and have reported thereon in their February 8, 2000 report as set out on the following page.

Haron Ezer
Chairman & CEO

SHAREHOLDERS INFORMATION

Directors

Haron Ezer
Toronto, Canada
Chairman & CEO

Kasra Meshkin
Toronto, Canada
President & COO

Terrence W. Rogers
Toronto, Canada
VP Financial Systems

W.T. David Murray
Toronto, Canada
Helmsdale Financial Inc.

Jeffrey C. Coyne
Chaple Hill, United States
President of US Operations

Gerald M. Soloway
St. Catherines, Canada
President & CEO , Home Savings
and Loan Corp.

Officers

Haron Ezer
Chairman & CEO

Kasra Meshkin
President & COO

Terrence W. Rogers
VP Financial Systems Inc.

Gary Guthro
Chief Financial Officer

Marc Nicholas
Chief Technology Officer

Jeffrey C. Coyne
President of US Operations

CORPORATE INFORMATION

CORPORATE OFFICES

Ezenet Inc.
*Suite 940, 90 Eglinton Ave. East
Toronto, Ontario
Canada M4P 2Y3*

AUDITORS

Daren, Martenfeld, Carr, Testa & Co.
Toronto, Canada

LEGAL COUNSEL

Burnett, Duckworth & Palmer
Calgary, Canada

INVESTOR RELATIONS CONTACT

Gary Perkins
President, Surefund Capital Corp.
Toronto, Canada

REGISTRAR AND TRANSFER AGENT

Montreal Trust
Toronto, Canada

SHARES LISTED

Canadian Venture Exchange (CDNX)

ANNUAL GENERAL MEETING

*Ezenet's annual general meeting of
shareholders will be held at 4:00 p.m.
on Tuesday, May 30, 2000 at
Le Meridean / King Edward Hotel,
located at 37 King Street East,
Toronto, Canada*

WEBSITE

Additional information about the corporation
can be found at our website
www.ezenet.com