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Ezenet ANNUAL REPORT 2000





"We will take the lead in providing customer-centric wealth management technologies for the financial services industry that enable our customers to dominate in their own marketplace. Our complementary acquisition strategy coupled with our industry expertise will steer us as we continue to build our value proposition with both our customers and investors."

Haron Ezer, Chairman and founder, Ezenet Corp.

Historical Milestones

	Founded in 1978 by Haron Ezer Ezenet was a private company until 1999
1999	March – Ezenet Corp. lists on the Alberta Stock Exchange (now the CDNX) through a reverse takeover of Norah Capital Corporation
2000	March – Raises \$50 million on the CDNX April – Acquires netSTOR Technologies Inc., fast track to Internet and wireless capability August – Begins trading on the Toronto Stock Exchange September – Acquires Wealth Management Solutions Inc.
2001	February – Acquires Fitech Inc.



March, 2001

The acquisitions made were immediately accretive to the Company's performance and have added considerably to our revenue, customer base and product and service offerings. Our revenues increased 143% and we expanded our human resources skills base from 25 to 115 people. The solutions we have implemented for our blue chip customer base have helped Ezenet to become recognized as the leading provider of customer-centric wealth management technologies for the financial services industry.

We will continue to focus our expansion strategy on securing companies and strategic partnerships that broaden our product and services functionality and open up new markets for our current product offerings.

>> *Netstor Inc., a developer of proprietary network server appliances, acquired in April, has allowed us to fast-track Internet and wireless capability for our products.*

>> *The February 2001 acquisition of Fitech Inc. added a vast array of financial planning and sales tools that assist financial institutions with branding their image in a web-based environment, leading to increased sales and long-term customer loyalty. Fitech's products can be used concurrently with the CORE system, enabling the cross-sale of current products within our collective customer base.*

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eWealth Management Technology

Wealth management was the largest profit generator for many of North America's financial institutions last year. This business is predicted to grow annually by 15 to 20% over the next 3 to 5 years. Traditionally, profits are derived from fee-based revenues from the top 10 to 15% of clients, measured by assets. Large financial institutions are now seeking to profitably expand their wealth management services to a greater proportion of their customers. In order to accomplish this, they will need to move from a product-centric to a customer-centric business strategy.*

Ezenet has the systems capability to provide this total solution for our customers, accessible through a variety of delivery channels – wireless, Internet, call centre or branch. Ezenet empowers customers of financial institutions by providing end-to-end software that aggregates and manages customer account data from multiple sources, integrated with personal financial planning tools.

Over 70 financial institutions have placed their trust in Ezenet to support many of their key business processes, supporting over \$45 billion in assets. In the year 2000, Ezenet built the infrastructure and resources to further capitalize on our relationships with financial institutions through enhanced products, improved customer service and a stronger senior management team. As your new President and CEO, I bring over 20 years experience as an executive in the financial services industry, including five years as President of Footprint Software Inc., and most recently as President and founder of Wealth Management Solutions Inc.

With approximately \$38 million cash in the bank, a solid business and aggressive execution plans, we will continue utilizing this capital to invest in the expansion of our application systems, and to develop new markets for our products and services. As the market continues to disfavour the technology sector and funding becomes more difficult, Ezenet management believes that additional high quality acquisition opportunities will arise. Our strong cash position will allow us to capitalize on these opportunities where they will accelerate our strategy.

I would like to thank our employees for their support and dedication, our investors for their continuing faith in the future of Ezenet and our board of directors for their invaluable contributions as we continue our growth and expansion strategy.



*Jay Cashmore
 President and CEO*

* Source: U.S. Bancorp



eWealth Management Technology

Ezenet provides customer-centric technologies for financial institutions to expand their wealth management business. Ezenet's software is the first to manage and aggregate customer account information, integrated with personal financial planning tools and enable straight-through transaction processing. Ezenet helps financial institutions increase sales, retain customers and build brand loyalty by positioning them as THE preferred source for their customers' personal financial planning.

Personalization: creating a personal financial plan

Ezenet's fully integrated on-line personal financial planning capability consolidates all information about the customer, both within one institution and aggregated from other institutions. Traditionally, financial institutions have separate processing systems for various products, which means the data is not easily combined. Ezenet's solution crosses the traditional "silos" that partition the information, and provides an on-line view of all customer holdings.

Communication: personal goal planning and tracking

Ezenet's comprehensive suite of financial planning tools guides customers through a consistent sales process to create and review their personal financial goals and track their performance. Customers can then proceed to execute plans based on professional investment recommendations provided by their institution, or elect a self-directed choice. Ezenet's automated tools and sales processes ensure a consistent customer "conversation" across all delivery channels.

Transactions: real time, convenient access

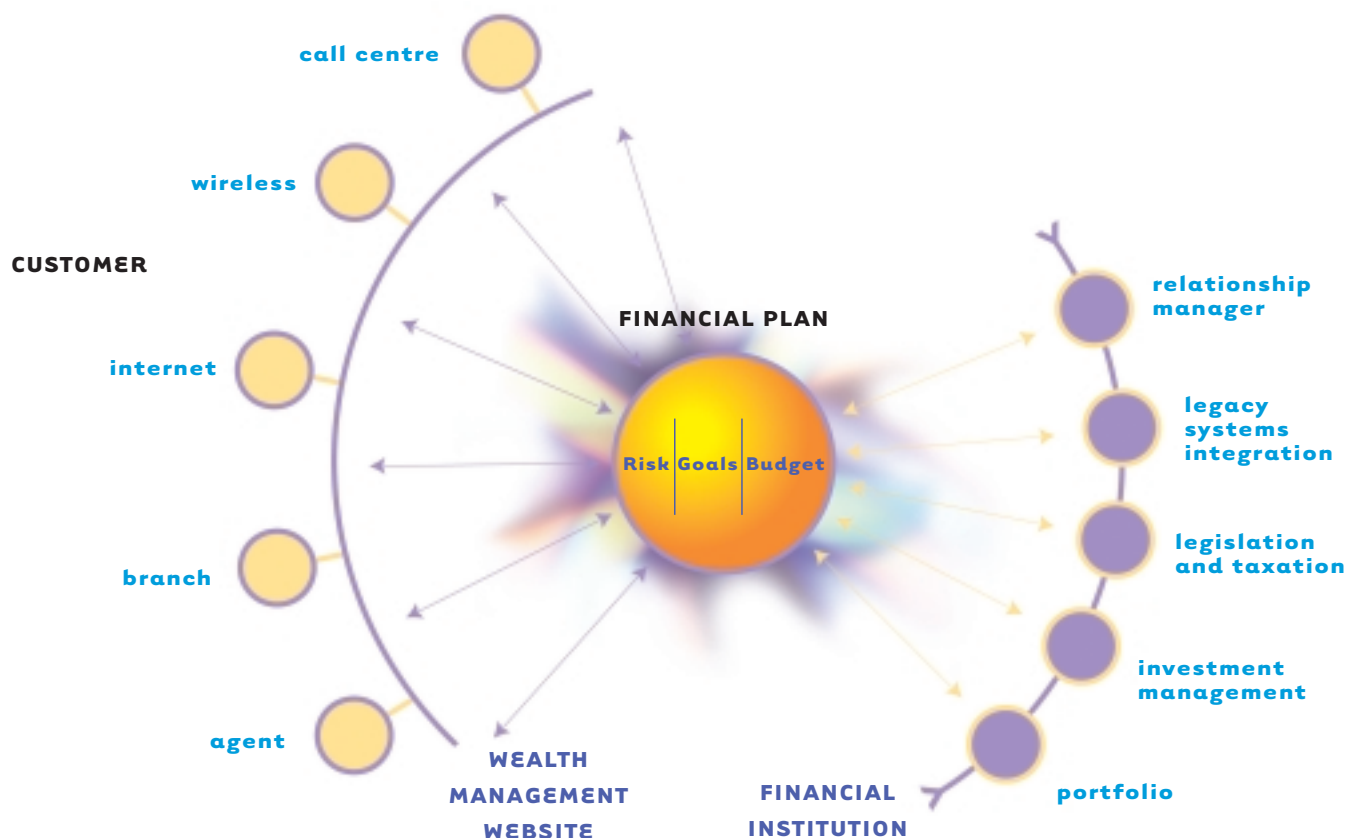
Ezenet's transaction driven architecture offers an enterprise view of the client, holding all events, financial and non-financial, on-line. Accessible over multiple delivery platforms, recommended reallocation of asset mix transactions are automatically handled, real time, 24 x 7. Provided as a turn key solution or linked to current legacy systems, Ezenet's modular architecture protects current customer investments.

Accessible through any delivery channel – web, wireless, branch or agent – Ezenet's technology enables financial institution customers to access current and comprehensive information about their finances and be proactive in managing their financial affairs. Ezenet's proven technologies and industry expertise have helped major financial institutions brand their image in a web-based environment, increase sales and build long-term customer loyalty.

Market Size

» The global eWealth Management market will be worth US \$70 billion to financial service institutions by 2005. (Datamonitor)

» Number of users banking on the Internet is set to grow from 8.1 million in 1998 to 39.8 million in 2003. (IDC)



<Points of Access>

Ezenet's solution allows customers to choose their preferred method of accessing information and conducting transactions.



<Wealth Management Website>

Ezenet's eWealth Management technology profiles the customer's financial picture, offering a comprehensive suite of financial planning tools, allowing the customer to set and track goals, and enable transactions – regardless of the method of access.



<Financial Plan>

Ezenet's financial planning module is the heart of the system. It aggregates a customer's complete financial profile and enables comprehensive financial analysis, including budgeting, risk assessment, identification of financial goals and tracking and performance of those goals.



<Financial Institution>

Ezenet's financial services delivery and administration processing platform provides a single conduit into all back-end systems, as a series of component services or adapted to fit within the existing legacy environment. The framework encapsulates all customer accounts into one manageable relationship.

Management's Discussion and Analysis

The following is a detailed discussion and analysis of the financial condition and results of operations of Ezenet Corp. ("Ezenet" or the "Company") and its wholly owned subsidiaries for the years ended December 31, 2000 and 1999. It should be read in conjunction with the Consolidated Financial Statements of the Company and accompanying notes for 2000. This discussion and analysis includes the operations of its wholly owned subsidiaries Ezenet Inc., Wealth Management Solutions Inc. ("WMSI") and Ezenet USA.

OVERVIEW >> *In 1999, Ezenet Corp.'s sole subsidiary was Ezenet Inc. Ezenet Inc. developed a comprehensive suite of technology solutions for financial institutions. Ezenet Inc. also had a consumer software products division that developed and sold rapid Internet development tools, including "Instabase".*

In March 2000, the Company completed a Special Warrants financing which resulted in net proceeds of \$47,941,054. The Company used a portion of these proceeds to strengthen management, add technology and development personnel and expand its sales and marketing team. Ezenet also acquired two companies during the year. The assets of Netstor Inc. were purchased in April. Netstor developed proprietary server technology that was used to develop the Company's one step connectivity platform. The second acquisition was WMSI, which was completed in September. WMSI's product offerings include a customer-centric wealth management system, with a customer base that is complementary to Ezenet's, which provides opportunities to cross-sell respective company products.

PRODUCTS AND SERVICES >> *Ezenet provides integrated computer systems for both in-house and outsourced data processing to banks, brokers, trust companies, insurance companies and other financial institutions. The Company has developed banking application systems that incorporate support for financial instruments such as GIC, RRSP, RESP, RRIF, savings, chequing, line of credit, loan and mortgage administration programs, leasing systems and annuities. In addition, Ezenet provides a broad array of supporting services such as network services, web hosting, email, security protection, disaster recovery and Internet applications. These capabilities allow Ezenet to provide broader support, including processing, to smaller financial institutions.*

As a result of the WMSI acquisition, the Company now offers a customer-centric CORE platform that allows for consolidation and aggregation of a customer's accounts across and beyond the enterprise. Functionality supported includes RRSP, LIF, RRIF and RESP accounts holding savings, term instruments, funds and/or equities.

Ezenet provides software installation of its systems as well as conversion support. Many implementations require custom development, especially to interface with other FI systems and delivery channels. Once the Company's systems have been installed, on-going customer maintenance and support services are provided. Our systems can be provided either in-house or on an application service provider (ASP) basis.

With the recent acquisition of Fitech Inc. (February 2001), Ezenet now has an array of financial planning tools, including calculators and budgeting. These tools assist the customer of a financial institution to set out his/her goals and objectives, determine funding requirements for life events such as retirement and educational purposes, and plan a budget that can support these objectives. Fitech's products can be used concurrently with the CORE system. Product development plans include enabling end users to compare actual holdings against desired goals, so that investment recommendations can be made.

Management's Discussion and Analysis

Net earnings (loss)

	2000	1999	1998
Revenue	\$ 7,323,544	2,990,297	2,127,836
Expenses	10,486,831	2,455,883	1,732,889
Earning (loss) before taxes	(3,163,287)	534,414	394,947
Income taxes	(1,177,578)	272,680	116,403
Net earnings (loss)	\$ (1,985,709)	261,734	278,544

Three major items accounted for the loss in fiscal 2000:

- Write-off of product and development costs for a discontinued product in the amount of \$1,530,756;
- Reorganization expense of \$814,583;
- Building a sales and support infrastructure in the United States amounted to \$521,468.

These three non-core items total \$2,852,224. The first two items will not recur in 2001 and it is anticipated that the U.S. subsidiary will generate revenues in 2001.

Total revenues increased by 145% during the year. The breakdown of revenue and percentage relationship to total revenues is provided below.

Revenue	2000	%	1999	%	1998	%
Banking	\$ 5,245,410	71.6	2,665,661	89.1	2,030,891	95.4
Interest	1,905,000	26.0	5,060	0.2	7,609	0.4
Product software sales (Instabase)	81,143	1.1	272,674	9.1	12,409	0.6
Other	91,991	1.3	46,902	1.6	76,927	3.6
Total revenues	\$ 7,323,544	100.0	2,990,297	100.0	2,127,836	100.0

Banking revenue increased by 97%, from \$2,665,661 to \$5,245,410. Interest income increased significantly from \$5,060 in 1999 to \$1,905,000 in 2000, as a result of investing funds received from the Special Warrants financing. The average rate of return on cash and short-term investments was 5.56% for the year.

Sources of banking revenue	2000	%	1999	%	1998	%
Application service provider fees (outsourcing)	\$ 2,753,374	52.5	1,851,968	69.5	1,531,558	75.4
Maintenance and support	1,085,817	20.7	210,835	7.9	71,962	3.5
Consulting and product development	818,259	15.6	193,800	7.3	175,800	8.7
Sales of software licenses and installation services	282,023	5.4	80,055	3.0	43,730	2.2
Miscellaneous revenue	305,937	5.8	329,003	12.3	207,841	10.2
	\$ 5,245,410	100.0	2,665,661	100.0	2,030,891	100.0

Management's Discussion and Analysis

It is expected that the percentage trends indicated in the previous chart will continue into 2001, as a number of projects currently under proposal will require considerable consulting and development. It is the Company's intention to continue to focus on building its base of recurring revenue – outsourcing and maintenance services will add to this base. With the addition of Fitech Inc., the Company expects that the amount of license revenue will increase as a percentage of total banking revenue.

A breakdown of operating expenses as a percentage of revenue follows:

Operating expenses	2000	%	1999	%	1998	%
Direct product and service costs	\$ 339,675	4.6	185,531	6.2	92,846	4.4
Amortization and write-off of product development costs	1,530,756	20.9	181,400	6.1	-	-
Salaries and benefits	5,588,810	76.3	1,331,926	44.5	1,113,517	52.3
Administration	1,752,578	23.9	378,766	12.7	288,885	13.6
Professional fees	382,146	5.2	86,325	2.9	28,219	1.3
Investor relations	150,733	2.1	81,243	2.7	-	-
Amortization (capital assets and goodwill)	742,133	10.1	210,692	7.0	209,422	9.8
	\$ 10,486,831	143.2	2,455,883	82.1	1,732,889	81.4

DIRECT PRODUCT AND SERVICE COSTS >> Direct product and service costs amounted to \$339,675 in 2000, compared to \$185,531 in the previous year. Included in this total were Instabase expenses, which accounted for \$172,597 in 2000 compared to \$73,918 in 1999. The amount of expense, net of Instabase, was \$167,079 in 2000 compared to \$111,613 in 1999. The majority of the difference (\$55,466) is a royalty expense, which amounted to \$65,379 in fiscal 2000. The royalty is related to the WMSI acquisition, and reflects an investment in the original development of the CORE system. Other miscellaneous expenses are for purchases, computer repair and maintenance, on-line Internet services and line monitoring services.

PRODUCT DEVELOPMENT COSTS >> Product development cost of \$479,925 was incurred on software development and marketing for the Instabase product in 1998 and a further \$1,179,775 during 1999. This total amount (\$1,659,700) was set up on the balance sheet to be amortized over a three-year period. The product's first sale took place in September 1999 and \$181,400 was amortized in 1999. This left a balance of \$1,478,300 as at December 31, 1999. In the first quarter of 2000, a further \$52,456 of cost was incurred relating to the Instabase product.

The Company has now discontinued the Instabase product line. Our experience to date has indicated that significant additional investment would be required in order to keep Instabase competitive in its market, and the potential return in terms of additional sales does not warrant this investment. As a result of the decision to exit this market, total deferred development and marketing costs of \$1,478,300 plus \$52,456 were written off in full during the year (a total of \$1,530,756).

SALARIES AND BENEFITS >> Salaries and benefits increased from \$1,331,926 in 1999 to \$5,588,810 in 2000, an increase of \$4,256,884. There were three major items that accounted for this increase:

- During the year, Ezenet reorganized its senior management structure. An unusual charge in the amount of \$814,583 was incurred as a result of this reorganization. (See note 10 in the consolidated financial statements).
- Placement fees amounted to \$177,415 in fiscal 2000, compared to \$54,180 in 1999. Placement agencies were used in order to attract and hire the professional staff required to support the growth of our business.
- Salaries increased from \$969,575 in 1999 to \$3,907,325 in 2000. Overall, the number of employees increased from 25 to 94 during the year, with the addition of WMSI (50), USA employees (5) and the building of the Company's infrastructure (14). Benefits as a percentage of salaries decreased slightly from 11.7% in 1999 to 10.1% in 2000.

Management's Discussion and Analysis

ADMINISTRATION >> General administrative expenses increased from \$378,766 in 1999 to \$1,752,578 in 2000. Office rent increased from \$130,068 in 1999 to \$633,582 in 2000. This accounted for 37% of the difference between the two years. Office rent in 2000 was comprised of Ezenet Inc. offices at 5160 Yonge St. (occupied in June 2000), Ezenet USA and WMSI. Monthly rent has increased from \$13,300 (90 Eglinton Ave. E.) to \$87,900 for the three locations.

Travel, parking, advertising and promotions expenses increased from \$26,167 in 1999 to \$213,277 in 2000. This accounts for 14% of the increase in expense year over year. Travel consists of trips to and from the U.S. subsidiary, courses and customer-related expenses. Advertising and promotion covers news releases, hiring advertisements and promotional items.

All of the other expenses are volume related. They have increased relative to the number of personnel coupled with the fact that the Company is now operating out of three offices.

PROFESSIONAL FEES >> Professional fees are comprised of legal and consulting, agency fees and audit fees. The total amount of professional fees has increased from \$86,325 in 1999 to \$382,146 in 2000.

Legal and consulting increased from \$48,625 in 1999 to \$267,645. Of this total in 2000, approximately \$79,000 was for public relation fees. There was no related expense in 1999. The majority of the remainder was for legal fees. Agency fees were \$56,821 in 2000, compared to nil in 1999. Audit fees accounted for \$57,680 of the 2000 expense, compared to \$37,700 in 1999.

INVESTOR RELATIONS >> Investor relations expense is comprised of stock exchange listing and filing fees, shareholder information and investor relations. The total amount increased from \$81,243 in 1999 to \$150,733 in 2000. Listing fees accounted for \$50,721 of the 2000 expense. This relates to expenses incurred for Ezenet being listed on the Canadian Venture Exchange (CDNX) and later on the Toronto Stock Exchange (TSE). There was no equivalent expense in 1999. Third party investor relations contract fees amounted to \$84,883 in 2000 compared to \$81,243 in 1999.

AMORTIZATION >> Amortization increased from \$210,692 in 1999 to \$742,133 in 2000. Amortization in 2000 includes goodwill relating to the acquisitions of Netstor and WMSI, which amounted to \$358,605. Capital assets increased from \$426,990 in 1999 to \$1,576,813 in 2000 because of acquisitions and internal expansion; amortization of these assets was \$383,528 in 2000, compared to \$210,692 in 1999.

INCOME TAXES >> The combined federal and provincial corporate tax rate amounts to 44% in fiscal 2000. Based on a pre-tax loss of \$3,163,287 in 2000, the expected income tax would be a recovery of \$1,391,846. The actual recovery for financial statement purposes is \$1,177,578, a difference of \$214,268.

The current year's recoverable tax amount is reduced by the effect of goodwill, which is not deductible for tax purposes. Therefore the income tax recovery is reduced by \$157,787 (or 44% of \$358,605 of goodwill). The remaining difference of \$56,481 is made up of a number of items including meals and entertainment, difference between CCA and NBV on the WMSI capital assets purchased, and a loss carry forward difference.

Management's Discussion and Analysis

Balance sheet data	2000	1999	1998
Cash and short-term investments	\$ 40,452,760	170,469	95,610
Product development costs	-	1,478,300	479,925
Goodwill	7,784,541	-	-
Capital stock	52,372,387	1,245,322	565,729

CASH AND SHORT-TERM INVESTMENTS >> Cash and short-term investments totaled \$40,452,760 at December 31, 2000, compared to \$170,469 as at December 31, 1999. The balance as at December 31, 2000, is made up of a redeemable term deposit of \$7,735,000, a government of Canada bond of \$15,918,102, bankers' acceptances of \$16,497,216 and a bank balance of \$302,442.

The significant increase in cash and short-term investments resulted from the Special Warrants financing completed on March 23, 2000, which netted proceeds of \$47,941,054. This was reduced by a normal course issuer bid under which 130,900 common shares were repurchased, using \$595,709 in Company funds. The net change in cash flow from financing activities amounted to \$47,164,080. Uses of cash and short-term investments included the purchase of capital assets in the amount of \$1,103,400 and the cash outlay relating to business acquisitions of \$5,522,837 for a total of \$6,678,693. The remaining net amount of \$203,096 is made up of changes in non-cash working capital items.

PRODUCT DEVELOPMENT COSTS >> Product development costs totaling \$1,478,300 were recorded on the balance sheet as at December 31, 1999. These costs related to the development of the Instabase product. Instabase was developed as an entree for the Company into the worldwide market. Distribution and acceptance of the product proved difficult during fiscal 2000. The market is highly competitive and marketing costs are high. In order to support new web browsers, significant upgrades to the product would be required. Although revenue of \$272,674 was achieved in the last quarter of 1999 on the initial introduction of Instabase, only \$81,143 of revenue was generated during fiscal 2000. Given that the Company has elected to discontinue selling this product, total development costs to date were written off.

The Company has notified current licensees that no further development work will be done on the Instabase product, and support will be withdrawn at the end of June 2001. Attempts to sell the Instabase product to a software development company have so far proved unsuccessful, but are continuing.

GOODWILL >> Goodwill as at December 31, 2000, was \$7,784,541, compared to nil one year ago. The goodwill originated with two acquisitions that were completed in fiscal 2000.

The assets of Netstor Inc. were purchased on April 26 for 50,000 common shares, valued at \$15 per share, or \$750,000 plus \$22,300 in related expenses. The entire purchase price plus related expenses was allocated to goodwill. This amount will be amortized over 10 years — \$51,487 was amortized during the current year (May 1 to December 31).

The WMSI purchase was closed on September 6 for \$5,000,000 in cash and 505,051 common shares. In addition, there was an earn out provision that applied if banking revenues exceeded \$5 million in 2000. For each dollar over \$5 million, the earn out provided for \$1 in cash and .101 common shares. Total banking revenue for fiscal 2000, net of bad debts, amounted to \$5,083,910, which will result in a further payment of \$83,910 in cash and issuance of 8,475 common shares.

The value of the share component was recorded as \$2,909,094. Additional expenses of \$403,407 were incurred relating to the acquisition. All of the above, net of retained earnings in WMSI of \$1,046,319 resulted in goodwill of \$7,370,846. This amount will be amortized over 10 years — \$307,119 was amortized during the year (from August 1 to December 31).

Management's Discussion and Analysis

CAPITAL STOCK >> Capital stock increased from \$1,245,322 to \$52,372,387 as at December 31, 2000. A number of transactions affected capital stock during the year – the Special Warrants financing, a normal course issuer bid, exercise of stock options, and conversion of preferred shares to common shares.

On March 23, 2000, a total of 4,611,200 special warrants were issued at a price of \$11.25. Of this total, 166,700 were issued to the agents of the transaction as partial payment of their fee. The gross proceeds from the issuance were \$51,876,000. Fees paid to agents totaled \$3,750,047 (\$1,874,672 in cash and 166,700 common shares valued at \$11.25 totaling \$1,875,375). In addition, share issue costs, net of future tax benefits, totaled \$184,899, for total costs of \$3,934,946. Net proceeds from the Special Warrants transaction were \$47,941,054.

In addition, the two acquisitions made during the year both had a common share component. The first acquisition was Netstor Inc., at which time 50,000 common shares were issued with a prescribed value of \$15 per share, for a total capital value of \$750,000. The second acquisition was WMSI, at which time 505,051 shares were issued for a total capital value of \$2,909,094.

Ezenet announced a normal course issuer bid on October 2, 2000, to commence on October 5. For the three months ended December 31, 2000, a total of 130,900 common shares were repurchased and cancelled. The total cost of repurchasing the shares was \$595,709. An assigned value of \$509,333 was applied to the shares, which represented the average cost of the common shares at the time of repurchase. The difference of \$86,376 was charged to retained earnings, which resulted in a net change to capital stock of \$509,333.

A total of 25,000 stock options were exercised at \$0.10 and 25,000 options were exercised at \$1.35. This resulted in new capital of \$36,250.

Finally, 3,000,000 preferred shares were outstanding on December 31, 1999, in the amount of \$292,262. These shares were convertible to common shares on a 1:1 basis. During the year all of the preferred shares were converted to common. This transaction had no effect on the capital stock, as it merely shifted the capital from preferred share capital to common share capital.

LIQUIDITY AND CAPITAL RESOURCES >>

Cash flows from (used in)	2000	1999	1998
Operating activities	\$ (203,096)	780,249	556,348
Investing activities	(6,678,693)	(1,124,041)	(487,035)
Financing activities	47,164,080	418,651	(5,080)
Net increase in cash and short-term investments	\$ 40,282,291	74,859	64,233

The Company has consistently generated a positive operating activity cash flow. The exception in 2000 results from a one-time reorganization charge of \$814,583 that is explained under "salaries and benefits" (see note 10, financial statements). Investing activities in 2000 resulted from the acquisitions of Netstor and WMSI. Investing activities in 1999 and 1998 were related to product development costs. Financing activities in 2000 reflect the Special Warrants offering proceeds net of the normal course issuer bid.

The Company had \$40.5 million in cash reserves at the end of the year. Historically Ezenet has had either a minimal burn rate or has generated a positive operating cash flow. The Company is focused on preserving these cash reserves and employing them in the most efficient manner. The Company believes that its current cash balances will be sufficient for the foreseeable future.

Management's Discussion and Analysis

RESEARCH AND DEVELOPMENT >> The research and development group is focused on exploring new technologies that can be utilized within our core business units. Highlights of the year included the launch of the Ezenet One Step Connectivity Platform, a system for rapidly developing and deploying wireless and Internet applications, based on hardware and software technology that was acquired from Nestor Inc. and combined with Ezenet-developed Java technology.

In 2001, the R & D group will focus on the emerging technology supporting account aggregation and customer financial management. A growing number of banks and third party aggregators in North America are using screen scraping technologies to electronically extract and aggregate information from multiple bank web sites to satisfy the needs of customers.

ACQUISITION STRATEGY >> The Company has made three acquisitions to date (March, 2001) and continues to seek additional acquisitions in both Canada and the United States. Ideal candidates would be companies that have complementary products and skill bases and that operate in the same business sector as Ezenet – financial services. As the technology market continues to be battered and funding becomes more difficult, Ezenet management believe that additional high quality opportunities will present themselves to the Company. The acquisitions made in 2000 are now contributing to the Company's performance and have added considerably to products, customers and revenue potential. The Company completed the acquisition of Fitech Inc. on February 2, 2001, to further broaden its offerings. The addition of Fitech's products has also strengthened Ezenet's expansion into the U.S by broadening the products and services portfolio.

U.S. EXPANSION STRATEGY >> Ezenet established its US presence during 2000. In the third quarter report, it was stated that the Company had redirected its U.S. expansion strategy to incorporate WMSI's CORE solution. It was anticipated that this modification in approach would delay revenue generation by up to six months, however the ultimate revenue potential for the upgraded product would be greater. The initial prototype of CORE for the U.S. market has now been released. The U.S. product portfolio was strengthened with the addition of the Fitech financial services planning and sales tools product suite in the first quarter of 2001. The Fitech solution portfolio has a shorter sales cycle, which management believes should result in commencement of revenues earlier than would have been the case with CORE being the sole product offering.

Ezenet's growth and success to this point has been generated exclusively from the Canadian financial services market. The Company will continue to focus on building opportunities in Canada as the framework for conducting financial business continues to change and evolve. In addition, Ezenet's management is also evaluating international opportunities and strategic partnerships outside the U.S.

OUTLOOK >> Ezenet expects to continue its high double-digit growth in 2001 and beyond. This growth will come from three main initiatives:

- Cross-selling current solutions within financial institutions where we already do business;
- Expansion to new geographic markets, particularly building on our existing U.S. operation;
- Building our revenue base through acquisitions specifically oriented at adding business functionality to our existing systems and/or providing market penetration in our target markets.

This is a watershed year for Ezenet. Wealth management is the most active area of business growth in many financial institutions today. As opportunities for new fee-based services move 'down market' to a larger proportion of a financial institution's customer base, cost benefit can only be achieved through more fully automated processing solutions. Ezenet offers a range of systems that satisfy this need.

With the substantial cash reserves and a strong management team in place, Ezenet is poised for continued success in the coming years.

Statement of Management's Financial Responsibility

The management of Ezenet Corp. has prepared and is responsible for the integrity and objectivity of the consolidated financial statements and related financial information in this annual report. The statements are prepared in conformity with generally accepted accounting principles consistently applied. The financial statements reflect management's informed judgment and estimation as to the effect of events and transactions that are accounted for or disclosed.

Management maintains a system of internal control. The system, which undergoes continual evaluation, is designed to provide reasonable assurance that assets are safeguarded and records are adequate for the preparation of reliable financial data. In determining the extent of the system of internal control, management recognizes that the cost should not exceed the benefits derived. The evaluation of these factors requires estimates and judgment by management.

Daren, Martenfeld, Carr, Testa and Company, LLP, Chartered Accountants were engaged to render an opinion as to whether management's financial statements present fairly, in all material aspects, Ezenet Corp.'s financial condition and operating results in accordance with generally accepted accounting principles. The scope of their engagement included a review of the internal control systems, tests of the accounting records and other auditing procedures to the extent deemed necessary to render their opinion on the financial statements. Their report is presented herein.

The Board of Directors has appointed three of its non-employee members as an Audit Committee. The Committee meets periodically with management and the independent auditors, who have free access to this Committee without management present, to discuss the results of their audit work and their evaluation of the internal control structure and the quality of financial reporting.



Gary Guthro
Chief Financial Officer
Ezenet Corp.



Jay Cashmore
President and CEO
Ezenet Corp.

Auditors' Report

To the Shareholders of Ezenet Corp.

We have audited the consolidated balance sheets of Ezenet Corp. as at December 31, 2000 and 1999, and the consolidated statements of operations, retained earnings (deficit) and cash flows for the years then ended. 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 standards. 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.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2000 and 1999, and the results of its operations and cash flows for the years then ended, in accordance with generally accepted accounting principles.

DAREN, MARTENFELD, CARR, TESTA AND COMPANY LLP

A handwritten signature in cursive script that reads "Daren, Martenfeld, Carr, Testa and Company LLP".

February 12, 2001


Consolidated Balance Sheets

As at December 31, 2000 and 1999

	Note	2000	1999
Assets			
Current			
Cash and short-term investments		\$ 40,452,760	\$ 170,469
Accounts receivable		1,385,924	230,361
Prepaid expenses and sundry assets		219,366	94,052
Income taxes recoverable		669,056	34,390
		42,727,106	529,272
Capital assets	3	1,576,813	426,990
Goodwill		7,784,541	-
Future income tax assets	4	882,493	-
Product development costs	5	-	1,478,300
		\$ 52,970,953	\$ 2,434,562
Liabilities			
Current			
Accounts payable and accrued liabilities		\$ 2,120,112	\$ 140,401
Future income tax liabilities	4	-	403,800
		2,120,112	544,201
Shareholders' Equity			
Capital stock	6	52,372,387	1,245,322
Retained earnings (deficit)		(1,521,546)	645,039
		50,850,841	1,890,361
		\$ 52,970,953	\$ 2,434,562

See accompanying notes.

Approved by the Board


Haron Ezer
Chairman

Trevor Jones
Director

Consolidated Statements of Earnings

For the Years Ended December 31, 2000 and 1999

	Note	2000	1999
Revenue			
Banking services		\$ 5,245,410	\$ 2,665,661
Software products		81,143	272,674
Interest and other income		1,996,991	51,962
		<u>7,323,544</u>	<u>2,990,297</u>
Expenses			
Salaries and benefits		5,588,810	1,331,926
Administration		1,752,577	378,766
Professional fees		382,146	86,325
Direct product and service costs		339,676	185,531
Investor relations		150,733	81,243
Amortization		742,133	210,692
Amortization and write-off of product development costs	5	1,530,756	181,400
		<u>10,486,831</u>	<u>2,455,883</u>
Earnings (loss) before income taxes		<u>(3,163,287)</u>	<u>534,414</u>
Income taxes			
Future		(1,177,578)	272,680
Net earnings (loss)		<u>\$ (1,985,709)</u>	<u>\$ 261,734</u>
Earnings (loss) per share	9		
Basic		\$ (0.19)	\$ 0.04
Adjusted basic		\$ (0.15)	N/A
Fully diluted		N/A	\$ 0.02

See accompanying notes.

Consolidated Statements of Retained Earnings (Deficit)

For the Years Ended December 31, 2000 and 1999

	Note	2000	1999
Net earnings (loss)		\$ (1,985,709)	\$ 261,734
Retained earnings at beginning of year		645,039	383,305
Dividends on preferred shares		(94,500)	-
Excess of cost over carrying amount of shares purchased for cancellation	8	(86,376)	-
Retained earnings (deficit) at end of year		<u>\$ (1,521,546)</u>	<u>\$ 645,039</u>

See accompanying notes.

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2000 and 1999

	2000	1999
Cash flows from operating activities		
Net earnings (loss) for year	\$ (1,985,709)	\$ 261,734
Add (deduct) items not affecting cash		
Amortization	742,133	210,692
Future income taxes	(1,177,578)	272,680
Amortization and write-off of product development costs	1,530,756	181,400
	(890,398)	926,506
Changes in non-cash working capital items		
Accounts receivable	(219,128)	(52,663)
Prepaid expenses and sundry assets	(107,467)	(77,431)
Income taxes payable	(19,174)	(4,949)
Accounts payable and accrued liabilities	1,033,071	(11,214)
	(203,096)	780,249
Cash flows from investing activities		
Purchase of capital assets	(1,103,400)	(222,698)
Investment in product development costs	(52,456)	(1,099,775)
Business acquisition (Note 2)	(5,522,837)	198,432
	(6,678,693)	(1,124,041)
Cash flows from financing activities		
Issuance of capital stock	48,125,953	418,651
Shares purchased pursuant to a normal course issuer bid	(595,709)	-
Payment of preferred share dividends	(67,500)	-
Exercise of stock options	36,250	-
Expenditures re: issuance of capital stock	(334,914)	-
	47,164,080	418,651
Increase in cash position during year	40,282,291	74,859
Cash position at beginning of year	170,469	95,610
Cash position at end of year	\$ 40,452,760	\$ 170,469
Cash position consists of:		
Cash and cash equivalents	\$ 16,799,658	\$ 70,469
Short-term investments	23,653,102	100,000
	\$ 40,452,760	\$ 170,469

Supplemental Disclosure

Cash paid for income taxes, net of refunds received	\$ 33,153	\$ 11,189
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See accompanying notes.

Notes to Consolidated Financial Statements

December 31, 2000 and 1999

1. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION >> These financial statements include the accounts of the company and its wholly-owned Canadian subsidiaries, Ezenet Inc. and Wealth Management Solutions Inc., and its U.S subsidiary, Ezenet U.S.A. Inc.

CASH AND SHORT-TERM INVESTMENTS >> Cash consists of cash in the bank and highly liquid investments with maturities of three months or less at the time of purchase. Short-term investments consist of highly liquid investments with original maturities greater than three months but less than one year when purchased and are carried at cost plus accrued interest.

CAPITAL ASSETS >> Capital assets are recorded at cost and are amortized over their estimated useful lives at the following annual rates:

Computer equipment	- 30% declining balance basis
Computer software	- straight-line over two years
Furniture and equipment	- 20% declining balance basis
Vehicles	- 30% declining balance basis
Leasehold improvements	- straight-line over the term of the lease

GOODWILL >> Goodwill represents the excess of the cost of acquisitions over the fair value of the identifiable net assets acquired and is amortized on a straight line-basis over ten years. On an ongoing basis, management evaluates the carrying value of goodwill to determine if there has been a permanent decline in value based on the current and expected earnings of each underlying business.

FUTURE INCOME TAXES >> The company follows the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on temporary differences between financial reporting and tax bases of assets and liabilities, as well as for the benefit of losses available to be carried forward to future years for tax purposes. Future income tax assets and liabilities are measured using substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. Future income tax assets are recorded in the financial statements if realization is considered more likely than not.

RESEARCH AND DEVELOPMENT COSTS >> Research costs are charged to operations when incurred. Development costs are expensed in the year incurred unless they meet the deferral criteria under generally accepted accounting principles for deferral and amortization. Amortization commences with the successful commercial production or use of the product. Deferred development costs are amortized using the straight-line method over the estimated selling life of the product to a maximum of three years.

On an ongoing basis, management reviews the valuation and amortization of deferred development costs. If, in any year, any particular product is found to have insufficient market potential to recover the investment, any unamortized balance in respect of that product will be charged to operations.

SHARE ISSUANCE COSTS >> Costs incurred in respect of raising capital are charged to capital stock as a reduction of the equity proceeds.

USE OF ESTIMATES >> The preparation of financial statements in conformity 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 amount of revenue and expenses during the year. Actual results could differ from those estimates.

Notes to Consolidated Financial Statements**REVENUE RECOGNITION >>**

- (i) *License revenue is recognized when a contract with a customer has been executed, the product delivered and accepted, and the ultimate collection is reasonably assured.*
- (ii) *Installation, training and customer service revenues are recognized as the services are provided.*
- (iii) *Software maintenance and data processing support revenues are recognized as the services are provided.*
- (iv) *Revenues from consulting and development work are recognized as the services are provided. The amounts billed represent the work accomplished.*
- (v) *The company defers revenue on its balance sheet for products and services that have been billed but do not qualify for revenue under the company's revenue recognition policy.*

FOREIGN CURRENCY >> *Monetary assets and liabilities denominated in foreign currencies are translated to Canadian dollars at exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities are translated at rates of exchange at each transaction date. Transactions included in operations are translated at the average exchange rate for the period. Gains or losses on translation are included in income.*

The company's U.S. subsidiary is considered an integrated foreign operation and its accounts are translated using the temporal method. Under this method, monetary assets and liabilities denominated in U.S. dollars are translated into Canadian dollars at the year-end exchange rate. Other assets and liabilities are translated at historical exchange rates. Revenue and expenses are translated at average rates prevailing during the year, except for amortization which is translated at historical rates. Translation gains and losses are included in income.

INVESTMENT TAX CREDITS >> *Investment tax credits are accrued when qualifying expenditures are made and there is reasonable assurance that the credits will be realized. The company accounts for the investment tax credits using the cost reduction method.*

STOCK-BASED COMPENSATION PLAN >> *The company maintains a stock-based compensation plan, which is described in Note 7. No compensation expense is recognized for this plan when stock options or shares are issued to employees. Any consideration received from plan participants upon exercise of stock options or purchase of shares is credited to share capital.*

Notes to Consolidated Financial Statements

2. ACQUISITIONS

Year Ended December 31, 2000

During the year, the company completed the following acquisitions, each of which was accounted for by the purchase method. Accordingly, the accompanying financial statements include the results of operations of the acquired companies from the effective date of acquisition.

(i) NetStor Technologies Inc. ("NetStor")

On April 26, 2000, the company acquired all of the net assets of NetStor for \$772,300 including costs, from directors and officers of Ezenet Corp. The purchase price was settled by the issuance of 50,000 common shares of the company.

(ii) Wealth Management Solutions Inc. ("WMSI")

On September 6, 2000, the company acquired 100% of the issued and outstanding common shares of WMSI for \$8,417,165 including costs. The purchase price was settled by the issuance of 505,051 common shares of the company and a cash payment of \$5,000,000.

Details of the assets acquired and the consideration given are as follows:

Assets Acquired:	WMSI	NetStor
Assets	\$ 1,498,265	\$ -
Liabilities	(451,947)	-
Goodwill	7,370,847	772,300
	<u>\$ 8,417,165</u>	<u>\$ 772,300</u>

Consideration:		
Cash	\$ 5,000,000	\$ -
Issuance of common shares	2,909,094	750,000
Acquisition costs	508,071	22,300
	<u>\$ 8,417,165</u>	<u>\$ 772,300</u>
Cash paid net of cash acquired	<u>\$ 5,500,537</u>	<u>\$ 22,300</u>

Notes to Consolidated Financial Statements**Year Ended December 31, 1999**

On March 5, 1999, Ezenet Corp. entered into a formal agreement with the shareholders of Ezenet Inc. for the acquisition of the 2,960,000 outstanding Class B common shares and 3,000,000 outstanding Class A preference shares of Ezenet Inc. in exchange for 2,960,000 common shares and 3,000,000 second preferred shares of Ezenet Corp. Since this transaction resulted in the shareholders of Ezenet Inc. acquiring control of Ezenet Corp., this transaction was treated for accounting purposes as a reverse take-over acquisition of Ezenet Corp. by Ezenet Inc.

Application of reverse take-over accounting results in the following:

- (i) The consolidated financial statements are issued under the name of the legal parent, Ezenet Corp., but are considered to be a continuation of the financial statements of the legal subsidiary, Ezenet Inc.
- (ii) As Ezenet Inc. is deemed to be the acquirer for accounting purposes, its assets and liabilities are included in the consolidated financial statements at their historical carrying values.
- (iii) Control of the net assets and operations of Ezenet Corp. is deemed to be acquired by Ezenet Inc.
- (iv) The fair value of Ezenet Corp.'s net assets at the date of the reverse take-over is recorded as an increase to the stated capital amount of the consolidated entity.
- (v) The fair value of the assets acquired are as follows:

Cash	\$ 198,432
Other current assets	2,510
<u>Total purchase price</u>	<u>\$ 200,942</u>

3. CAPITAL ASSETS

	Cost	Accumulated Amortization	2000	Net 1999
Computer equipment	\$ 1,089,724	\$ 421,440	\$ 668,284	\$ 311,783
Computer software	658,171	357,587	300,584	4,757
Furniture and equipment	467,437	87,949	379,488	85,236
Vehicles	7,418	1,113	6,305	-
Leasehold improvements	297,289	75,137	222,152	25,214
	<u>\$ 2,520,039</u>	<u>\$ 943,226</u>	<u>\$ 1,576,813</u>	<u>\$ 426,990</u>

Notes to Consolidated Financial Statements

4. INCOME TAXES

The following table reconciles income taxes calculated at combined Canadian federal/provincial tax rates with the income tax expense in the consolidated financial statements:

	2000	1999
Earnings (loss) before income taxes	\$ (3,163,287)	\$ 534,414
Statutory rate	44%	44.8%
Expected income tax expense	(1,391,846)	239,417
Non-deductible amortization of goodwill	157,787	-
Other	56,481	33,263
Income tax expense	\$ (1,177,578)	\$ 272,680

The temporary differences that give rise to future income tax assets and future income tax liabilities are presented below:

	2000	1999
Amounts related to tax loss and credit carry forwards	\$ 475,329	\$ 246,000
Non-deductible reserves and accruals	359,267	-
Capital assets	(72,115)	600
Share issue costs	120,012	-
Product development costs	-	(650,400)
Closing balance	\$ 882,493	\$ (403,800)

As at December 31, 2000, loss carryovers of approximately \$1,028,746 are available to reduce future taxable income. The losses expire as set out below:

2004	\$ 75,279
2005	28,779
2006	83,804
2007	840,884
	\$ 1,028,746

5. PRODUCT DEVELOPMENT COSTS

	2000	1999
Opening balance	\$ 1,478,300	\$ 479,925
Costs incurred during the year	52,456	1,179,775
Costs amortized or written off during the year	(1,530,756)	(181,400)
Closing balance	\$ -	\$ 1,478,300

Notes to Consolidated Financial Statements**6. CAPITAL STOCK****Authorized**

unlimited	<i>first preferred shares, voting, cumulative cash dividend of 3% per annum, payable semi-annually on the first day of January and July in each year, convertible any time up to the second anniversary of the issuance on the basis and at the rate of one common share for each preferred share</i>
unlimited	<i>second preferred shares, voting, cumulative cash dividend of 3% per annum, payable semi-annually on the first day of January and July in each year, convertible any time up to the second anniversary of the issuance on the basis and at the rate of one common share for each preferred share</i>
unlimited	<i>common shares</i>

Issued

	Amount in Dollars		
	Common Shares	Second Preferred	Total
Existing share capital of Ezenet Inc., December 31, 1998	\$ 565,729	\$ -	\$ 565,729
Share conversion (i)	(191,117)	191,117	-
Issued for cash (ii)	418,651	-	418,651
Issued as consideration for services (iii)	60,000	-	60,000
Issued for net assets of Ezenet Corp., pursuant to reverse take-over (Note 2)	99,797	101,145	200,942
Balance at December 31, 1999	953,060	292,262	1,245,322
Special warrants issued - net (iv)	47,941,054	-	47,941,054
Shares purchased and cancelled pursuant to a normal course issuer bid (Note 8)	(509,333)	-	(509,333)
Acquisition of NetStor (Note 2)	750,000	-	750,000
Acquisition of WMSI (Note 2)	2,909,094	-	2,909,094
Stock options exercised (v)	36,250	-	36,250
Preferred share conversion (vi)	292,262	(292,262)	-
Balance at December 31, 2000	\$ 52,372,387	\$ -	\$ 52,372,387

Notes to Consolidated Financial Statements

	Number of Shares		
	Common Shares	Second Preferred	Total
<i>Balance at December 31, 1998</i>	<i>4,500,000</i>	<i>-</i>	<i>4,500,000</i>
<i>Shares issued to effect reverse take-over (Note 2)</i>	<i>2,960,000</i>	<i>3,000,000</i>	<i>5,960,000</i>
<i>Issued for cash (ii)</i>	<i>200,000</i>	<i>-</i>	<i>200,000</i>
<i>Balance at December 31, 1999</i>	<i>7,660,000</i>	<i>3,000,000</i>	<i>10,660,000</i>
<i>Special warrants issued (iv)</i>	<i>4,611,200</i>	<i>-</i>	<i>4,611,200</i>
<i>Shares purchased and cancelled pursuant to a normal course issuer bid (Note 8)</i>	<i>(130,900)</i>	<i>-</i>	<i>(130,900)</i>
<i>Acquisition of NetStor (Note 2)</i>	<i>50,000</i>	<i>-</i>	<i>50,000</i>
<i>Acquisition of WMSI (Note 2)</i>	<i>505,051</i>	<i>-</i>	<i>505,051</i>
<i>Stock options exercised (v)</i>	<i>50,000</i>	<i>-</i>	<i>50,000</i>
<i>Preferred share conversion (vi)</i>	<i>3,000,000</i>	<i>(3,000,000)</i>	<i>-</i>
<i>Balance at December 31, 2000</i>	<i>15,745,351</i>	<i>-</i>	<i>15,745,351</i>

(i) Prior to the reverse take-over transaction (Note 2), Ezenet Inc. converted all outstanding Class A common shares to Class B common shares at the rate of 0.375 Class B shares for each Class A outstanding. Subsequently, the company converted 3,000,000 Class B common shares to Class A preference shares at the rate of one Class A share for each Class B share converted (i).

(ii) Prior to the reverse take-over transaction (Note 2), Ezenet Inc. issued 1,000,000 common shares for total share capital of \$500,000 pursuant to a private placement completed January 22, 1999.

Prior to the reverse take-over transaction (Note 2), Ezenet Inc. issued 350,000 common shares as partial consideration for consulting services rendered.

Subsequent to the reverse take-over transaction, Ezenet Corp. issued 200,000 common shares for \$20,000 following the exercise of stock options granted to the agent under the corporation's initial public offering.

(iii) Prior to the reverse take-over transaction (Note 2), Ezenet Inc. issued 400,000 common shares for software and 60,000 common shares for consulting services valued at \$260,000.

(iv) On March 23 of the current year, the company issued 4,611,200 special warrants at a price of \$11.25. 166,700 of these warrants were issued to the Agents as partial payment of their fee. 4,444,500 special warrants were converted to one common share and one-half common share purchase warrant. The net proceeds to Ezenet from the sale of the special warrants was \$48,125,953 after deducting fees in the amount of \$3,750,047 paid by the Corporation to the Agents (including the 166,700 special warrants issued to the agents and cash in the amount of \$1,874,672).

(v) During the year, 25,000 share options were exercised at a price of \$0.10 and 25,000 share options were exercised at a price of \$1.35.

(vi) During the year, the company's 3,000,000 outstanding preferred shares were converted to common shares during the year at a rate of one to one.

Notes to Consolidated Financial Statements

7. STOCK OPTIONS

The company maintains a Stock Option Plan (the "Plan") for the benefit of directors, officers, employees and any other person the board of directors of the Corporation determines is providing key services to the Corporation or any of its subsidiaries or affiliates. The maximum number of common shares reserved for issuance with respect to the Plan is 2,450,000. Options pursuant to the Plan are granted at the discretion of the Board of Directors, and have an exercise price of not less than that from time to time permitted by the stock exchange on which the shares are listed. No options are exercisable for a period exceeding five years from the date the option is granted.

The following summarizes the stock option activities for the years ended:

	2000		1999	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Beginning balance	1,040,000	\$ 0.86	450,000	\$ 0.10
Granted	1,062,000	12.98	590,000	1.44
Exercised	(50,000)	0.72	-	-
Cancelled/expired	(115,000)	7.52	-	-
Outstanding at year-end	1,937,000	\$ 7.11	1,040,000	\$ 0.86
Exercisable at year-end	1,833,710	\$ 7.27	1,020,000	\$ 0.80

The company has the following stock options outstanding at December 31, 2000:

Number of Options	Exercisable	Exercise Price	Expiry Date
425,000	425,000	\$ 0.10	September 17, 2003
495,000	454,210	\$ 1.35	September 24, 2004
35,000	27,500	\$ 4.15	January 20, 2005
872,000	872,000	\$ 14.00	April 27, 2005
110,000	55,000	\$ 6.48	August 15, 2005
1,937,000	1,833,710		

8. NORMAL COURSE ISSUER BID

During the year, the company commenced a program to repurchase up to 690,000 of its outstanding common shares for cancellation during the one-year period ending October 4, 2001. The cost of any shares purchased by the company pursuant to the normal course issuer bid were charged as a reduction to capital stock according to the assigned value of the shares repurchased, calculated as the average per common share at the transaction date. Any discrepancy between the assigned value and the cost to acquire the shares was charged to retained earnings.

During the year, the company repurchased 130,900 of its outstanding common shares for \$595,709 with an aggregate assigned value of \$509,333. The difference of \$86,376 has been reflected as an adjustment to retained earnings.

Notes to Consolidated Financial Statements

9. EARNINGS (LOSS) PER SHARE

Basic earnings per share amounts were calculated using the weighted average number of shares outstanding during the year ended December 31, 2000 — 10,694,677 (1999 — 6,799,726, after giving effect to the reverse take-over on March 5, 1999).

Adjusted basic earnings per share amounts were calculated as though the conversion of preferred shares had taken place at the beginning of the year.

Since the company incurred a loss in 2000, fully diluted loss per share is not applicable. For the prior period, fully diluted earnings per share were calculated assuming that all of the 1,040,000 options to purchase common shares outstanding at December 31 had been exercised at the beginning of the respective year and that all of the 3,000,000 convertible preferred shares outstanding at December 31 had been converted to common shares at the date of issuance.

10. RELATED PARTY TRANSACTIONS

During the reporting period, the company had the following transactions with related parties that have not been disclosed elsewhere in the financial statements.

Year Ended December 31, 2000

Included in salaries and benefits expense is \$814,583 in severance costs resulting from the resignation of the company's chief executive officer. Due to the timing of the related payments, an amount of \$239,583 is included in accounts payable and accrued liabilities representing unfunded severance costs at year end. The former officer continues to be a director of the company.

Year Ended December 31, 1999

Consulting fees of \$190,758 were paid to officers and directors or companies owned by officers and directors of the company.

11. COMMITMENTS

The company and its subsidiaries are committed to non-cancelable operating leases for premises, off-site backup premises and equipment. Minimum payments are required as follows:

2001	\$ 1,194,450
2002	1,098,466
2003	959,326
2004	704,782
2005	328,128
	<u>\$ 4,285,152</u>

12. FINANCIAL INSTRUMENTS

The carrying values of short-term investments, accounts receivable and accounts payable and accrued liabilities approximate fair values due to the relatively short term maturities of these instruments.

13. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's financial statement presentation.

Notes to Consolidated Financial Statements

14. INFORMATION BY INDUSTRY SEGMENT

Ezenet Corp. has two reportable segments which offer different products and services and are managed separately. The industry segments can be classified as banking services and software products. The accounting policies of the segments are the same as those described in Note 1. The company accounts for any intersegment transfers at the exchange amount. There are no intersegment sales.

	Banking Services	Software Products	Total
2000			
Operating revenue	\$ 5,245,410	\$ 81,143	\$ 5,326,553
Interest and other income	1,996,991	-	1,996,991
Amortization	742,133	1,530,756	2,272,889
Earnings (loss) before income taxes	(1,541,077)	(1,622,210)	(3,163,287)
Total assets	52,951,264	19,688	52,970,952
Total liabilities	2,120,112	-	2,120,112
Capital asset expenditures	1,103,399	-	1,103,399
Product development expenditures	-	52,456	52,456

	Banking Services	Software Products	Total
1999			
Operating revenue	\$ 2,665,661	\$ 272,674	\$ 2,938,335
Interest and other income	51,962	-	51,962
Amortization	210,692	181,400	392,092
Earnings (loss) before income taxes	611,749	(77,335)	534,414
Total assets	776,374	1,658,188	2,434,562
Total liabilities	145,681	398,520	544,201
Capital asset expenditures	147,698	75,000	222,698
Product development expenditures	27,500	1,152,275	1,179,775

Geographical Information

	Canada	United States	Total
2000			
Operating revenue	\$ 5,326,553	\$ -	\$ 5,326,553
Interest and other income	1,996,216	775	1,996,991
Amortization	2,268,661	4,228	2,272,889
Losses before income taxes	(2,642,594)	(520,693)	(3,163,287)
Total assets	52,880,517	90,435	52,970,952
Total liabilities	2,114,346	5,766	2,120,112
Capital asset expenditures	1,064,151	39,248	1,103,399
Product development expenditures	52,456	-	52,456

The company commenced activity in the U.S. in 2000.

15. SUBSEQUENT EVENTS

Effective January 1, 2001, two of the company's wholly-owned subsidiaries, Ezenet Inc. and Wealth Management Solutions Inc. amalgamated. The amalgamated entity is operating as Ezenet Inc.

On February 2, 2001, the company acquired 100% of the issued and outstanding common shares of Fitech Inc., a private company. The purchase price was satisfied by the issuance of 300,000 common shares of the company and \$2,750,000 in cash.

CORPORATE INFORMATION

Registrar and Transfer Agent:

Montreal Trust Company of Toronto and
Calgary, Canada.

2001 Annual General Meeting:

Wednesday, May 30, 2001 (10 am) Toronto Stock
Exchange, Conference Centre

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Audit Committee

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Shares Listed: Toronto Stock Exchange 'EZE'
Total shares issued and outstanding as of
December 31, 2000: 15,745,351

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Vancouver, British Columbia

Jay Cashmore,
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Chief Executive Officer, Ezenet Corp.

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Ezenet USA

Terence W. Rogers,
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Ezenet Corp.

Kasra Meshkin,
Toronto, Ontario

Senior Management Team

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President, U.S. Operations

Gary Guthro, C.A.,
Chief Financial Officer

Marc Nicholas,
Chief Technology Officer

Terry Rogers, C.A.,
VP, Business Development

Andrew Semple,
VP, Product Architecture and Development

Todd McQuaid,
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VP, Financial Planning and Sales Technology



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