

Ezenet Corp.
(formerly Norah Capital Corp.)

Consolidated Financial Statements

December 31, 1999 and 1998

AUDITORS' REPORT

To the Shareholders of
Ezenet Corp.
(formerly Norah Capital Corp.)

We have audited the consolidated balance sheet of **Ezenet Corp. (formerly Norah Capital Corp.)** as at **December 31, 1999** and the consolidated statements of earnings and retained earnings and cash flows for the year 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 audit.

We conducted our audit 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, 1999** and the results of its operations and cash flows for the years then ended, in accordance with generally accepted accounting principles.

The financial statements as at December 31, 1998 and for the year then ended were audited by other auditors, who issued an unqualified audit report dated March 3, 1999.

"DAREN, MARTENFELD, CARR, TESTA AND COMPANY LLP"
(Signed)

February 8, 2000
(except for note 15 which is as of March 23, 2000)

Ezenet Corp.

(formerly Norah Capital Corp.)

Consolidated Balance Sheet:

As at December 31, 1999 and 1998

	Note	1999	1998
Assets			
Current			
Cash and short-term investments		\$ 170,469	\$ 95,610
Accounts receivable		230,361	175,188
Prepaid expenses and sundry assets		94,052	16,621
Income taxes recoverable		34,390	29,441
		529,272	316,860
Capital assets	3	426,990	434,985
Product development costs	4	1,478,300	479,925
		\$ 2,434,562	\$ 1,231,770

Liabilities

Current			
Accounts payable and accrued liabilities		\$ 140,401	\$ 151,616
Future income tax liability		403,800	131,120
		544,201	282,736

Shareholders' Equity

Capital stock	5	1,245,322	565,729
Retained earnings		645,039	383,305
		1,890,361	949,034
		\$ 2,434,562	\$ 1,231,770

Approved by the Board "Haron Ezer" Director "Terence Rogers" Director
(signed) (signed)

Ezenet Corp.

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Consolidated Statements of Earnings and Retained Earnings

For the Years Ended December 31, 1999 and 1998

	Note	1999	1998
Revenue		\$ 3,206,448	\$ 2,345,708
Expenses			
Direct product and service costs		401,682	310,718
Research and development		181,400	-
Salaries and benefits		1,331,926	1,113,517
Administration		378,766	288,885
Professional fees		86,325	28,219
Investor relations		81,243	-
Amortization		210,692	209,422
		2,672,034	1,950,761
Earnings before income tax		534,414	394,947
Income taxes:			
Current		-	(14,717)
Future		272,680	131,120
		272,680	116,403
Net earnings		261,734	278,544
Retained earnings at beginning of year		383,305	104,761
Retained earnings at end of year		\$ 645,039	\$ 383,305
Earnings per share	9		
Basic		\$ 0.04	\$ 0.09
Fully diluted		\$ 0.02	\$ 0.09

Ezenet Corp.

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Consolidated Statements of Cash Flow:

For the Years Ended December 31, 1999 and 1998

	1999	1998
Cash flows from operating activities:		
Net earnings for year	\$ 261,734	\$ 278,544
Add (deduct) items not affecting cash		
Amortization	392,092	209,422
Future income taxes	272,680	131,120
	926,506	619,086
Changes in non-cash working capital items		
Accounts receivable	(52,663)	(77,392)
Prepaid expenses and sundry assets	(77,431)	37,423
Income taxes payable	(4,949)	(44,058)
Accounts payable and accrued liabilities	(11,214)	21,289
	780,249	556,348
Cash flows from investing activities:		
Purchase of capital assets	(222,698)	(7,110)
Investment in product development costs	(1,099,775)	(479,925)
Business acquisition	198,432	-
	(1,124,041)	(487,035)
Cash flows from financing activities:		
Issuance of capital stock	418,651	101,350
Loans payable	-	(106,430)
	418,651	(5,080)
Increase in cash during the year	74,859	64,233
Cash at beginning of year	95,610	31,377
Cash at end of year	\$ 170,469	\$ 95,610

Supplemental Disclosures

	1999	1998
1. Cash paid for income taxes	\$ 11,189	\$ 14,824
2. Cash acquired from business acquisition (Note 2)		

Ezenet Corp.

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Notes to Consolidated Financial Statement:

December 31, 1997 and 1998

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

These financial statements include the accounts of the company and its wholly-owned subsidiary, Ezenet Inc.

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
Furniture & equipment	- 20%, declining balance basis
Computer software	- 100% declining balance basis
Leasehold improvements	- straight-line over the term of the lease

Product Development Costs

Product development costs required to establish the technological and commercial feasibility of proprietary products are charged to operations when incurred. The Company defers costs incurred to develop its products once technological feasibility has been established. Amortization commences with the sale of the product in commercial quantities. Product 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 product development costs, including any events and circumstances which may have impaired the carrying value.

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. Revenue and expenses are translated at the rate of exchange at each transaction date. Gains or losses on translation are included in income.

Future Income Taxes

The Company has elected to adopt the new recommendations of the Canadian Institute of Chartered Accountants with respect to accounting for income taxes. Under the new recommendations, the liability method of tax allocation is used in accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities, and measured using substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. Prior to the adoption of the new recommendations, income tax expense was determined using the deferral method of tax allocation. This change in reporting was applied retroactively and does not have a significant impact on net earnings for the prior year.

Ezenet Corp.

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Notes to Consolidated Financial Statement:

December 31, 1999 and 1998

1. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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.

2. REVERSE TAKEOVER OF EZENET INC.

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) The comparative financial statements for the year ended December 31, 1998 are those of Ezenet Inc.
- iv) Control of the net assets and operations of Ezenet Corp. is deemed to be acquired by Ezenet Inc.
- v) 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.
- vi) The fair value of the assets acquired are as follows:

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

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Notes to Consolidated Financial Statement:

December 31, 1999 and 1998

3. CAPITAL ASSETS

	Cost	Accumulated Amortization	1999	Net 1998
Computer equipment	\$ 575,679	\$ 263,896	\$ 311,783	\$ 234,936
Computer software	232,091	227,334	4,757	102,531
Furniture & equipment	128,249	43,013	85,236	69,764
Leasehold improvements	50,669	25,455	25,214	27,754
	\$ 986,688	\$ 559,698	\$ 426,990	\$ 434,985

4. PRODUCT DEVELOPMENT COSTS

	1999	1998
Opening balance	\$ 479,925	\$ -
Costs incurred during year	1,179,775	479,925
Amortization during year	(181,400)	-
Closing balance	\$ 1,478,300	\$ 479,925

5. CAPITAL STOCK

Authorized

- unlimited 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
- unlimited 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
- unlimited common shares

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Notes to Consolidated Financial Statement:

December 31, 1999 and 1998

5. CAPITAL STOCK (Cont'd)

Issued

Amount in Dollars			
	Common Shares	Second Preferrec	Total
Existing share capital of Ezenet Inc., December 31, 1997	\$ 264,379	\$ -	\$ 264,379
Issued for cash (i)	101,350	-	101,350
Issued as consideration for software (ii)	200,000	-	200,000
Balance at December 31, 1998	565,729	-	565,729
Share conversion (iii)	(191,117)	191,117	-
Issued for cash (i)	398,651	-	398,651
Issued as consideration for services (ii)	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 March 5, 1999	933,060	292,262	1,225,322
Issued for cash (vi)	20,000	-	20,000
Balance at December 31, 1999	\$ 953,060	\$ 292,262	\$ 1,245,322

Number of Shares			
	Common Shares	Second Preferrec	Total
Existing outstanding shares of Ezenet Corp. on incorporation (iv)	2,500,000	-	2,500,000
Issued pursuant to initial public offering (v)	2,000,000	-	2,000,000
Balance at December 31, 1998	4,500,000	-	4,500,000
Shares issued to effect reverse take-over (Note 2)	2,960,000	3,000,000	5,960,000
Balance at March 5, 1999	7,460,000	3,000,000	10,460,000
Issued for cash (vi)	200,000	-	200,000
Balance at December 31, 1999	7,660,000	3,000,000	10,660,000

- i) During the year, but prior to the reverse takeover 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.
- During the year, but prior to the reverse takeover transaction (note 2), Ezenet Inc. issued 350,000 common shares as partial consideration for consulting services rendered.

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Notes to Consolidated Financial Statement:

December 31, 1999 and 1998

5. CAPITAL STOCK (Cont'd)

- ii) During the year, but prior to the reverse takeover transaction (note 2), Ezenet Inc. issued 400,000 common shares for software and 60,000 common shares for consulting services valued at \$260,000.
- iii) During the year, but prior to the reverse takeover 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 1 Class A share for each Class B share converted.
- (iv) During the year, but prior to the reverse takeover transaction (note 2), Ezenet Corp. issued 2,500,000 common shares to the founding shareholders of the corporation prior to the removal by the corporation of its private company restrictions.
- (v) During the year, but prior to the reverse takeover transaction (note 2), Ezenet Corp. issued 2,000,000 common shares pursuant to an initial public offering dated August 14, 1998.
- (vi) Subsequent to the reverse takeover 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.

6. STOCK OPTIONS

The company has the following stock options outstanding:

Number of Options	Exercise Price	Expiry Date
450,000	\$0.10	September 17, 2003
570,000	\$1.35	September 27, 2004
20,000	\$4.15	(i)

- (i) 20,000 options were granted to new employees. 10,000 options expire on December 6, 2004 and the remaining 10,000 options expire on January 11, 2005. These options vest as follows:

5,000	December 6, 2000
5,000	January 11, 2001
5,000	December 6, 2001
5,000	January 11, 2002

- (ii) The company has an employee stock option plan. Under the plan, options for services and employee stock option plans will not exceed 10% of the issued and outstanding shares. In addition, the aggregate number of shares so reserved for issuance to one person shall not exceed 5% of the issued and outstanding shares.

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Notes to Consolidated Financial Statement:

December 31, 1999 and 1998

7. INCOME TAXES

Future income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Future income tax liabilities result primarily from amounts not deductible for accounting purposes until future periods. Future income tax assets result primarily from operating tax loss carry forwards and have been offset against future income tax liabilities.

There is no current income tax liability as a result of timing differences on deductible expenditures.

As at December 31, 1999, loss carryovers of approximately \$559,000 are available to reduce future taxable income. The losses expire as set out below:

2005	\$ 103,000
2006	456,000
	\$ 559,000

8. COMMITMENTS

The company is committed to various lease agreements including premises, off-site backup premises and leased vehicles expiring from October 31, 2000 to February 28, 2002.

2000	\$ 46,007
2001	40,175
2002	13,490
	\$ 99,672

9. EARNINGS PER SHARE

The earnings per share amounts were calculated using the weighted average number of shares outstanding during the year ended December 31, 1999 - 6,799,726 (1998 - 2,960,000) after giving effect to the reverse take-over on March 5, 1999.

Fully diluted earnings per share were calculated assuming that all of the 1,070,000 (1998 - nil) 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 (1998 - nil) convertible preferred shares outstanding at December 31 had been converted to common shares at the date of issuance.

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Notes to Consolidated Financial Statement:

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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.

- Consulting fees of \$190,758 (1998 - \$470,667) were paid to officers and directors or companies owned by officers and directors of the company.

11. FINANCIAL INSTRUMENTS

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

12. INFORMATION BY INDUSTRY SEGMENT

Ezenet Corporation 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.

1999	Banking Services	Software Products	Total
Revenue	\$ 2,933,774	\$ 272,674	\$ 3,206,448
Amortization	\$ 210,692	\$ -	\$ 210,692
Research and development	\$ -	\$ 181,400	\$ 181,400
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 expenditure	\$ 147,698	\$ 75,000	\$ 222,698
Product development expenditure	\$ 27,500	\$ 1,152,275	\$ 1,179,775

1998	Banking Services	Software Products	Total
Revenue	\$ 2,345,708	\$ -	\$ 2,345,708
Amortization	\$ 209,422	\$ -	\$ 209,422
Earnings before income taxes	\$ 394,947	\$ -	\$ 394,947
Total assets	\$ 751,845	\$ 479,925	\$ 1,231,770
Total liabilities	\$ 151,616	\$ 131,120	\$ 282,736
Capital asset expenditures	\$ 7,110	\$ -	\$ 7,110
Product development expenditures	\$ -	\$ 479,925	\$ 479,925

Ezenet Corp.

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Notes to Consolidated Financial Statement:

December 31, 1999 and 1998

13. COMPARATIVE FIGURES

The comparative figures were prepared by other auditors who issued an unqualified audit opinion.

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

14. UNCERTAINTY DUE TO THE YEAR 2000 ISSUE

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect the entity, including those related customers, suppliers, or other third parties, have been fully resolved.

15. SUBSEQUENT EVENT

Subsequent to year end, the company issued 4,444,500 special warrants at \$11.25 for consideration of \$50,000,625 pursuant to an offering completed on March 23, 2000. Each special warrant entitles the holder to one common share and one-half common share purchase warrant without additional payment. Two common share purchase warrants are exercisable into one common share at an exercise price of \$12 per warrant.

In connection with the offering, the agents received \$3,750,047 and 444,450 units consisting of one option and one-half common share purchase warrant. Each option entitles the agents to purchase one common share at a price of \$11.25 per common share within two years from the completion of the offering.