



MARCH 31, 2000
First Quarter Report

EZENET CORP.**TO OUR SHAREHOLDERS:**

Your Company has entered fiscal 2000 poised for growth and expansion. A timely raising of capital has provided Ezenet Corp. with the resources to embark on an ambitious, yet conservative strategy of core business, geographical and product expansion.

For the period ended March 31, 2000, a net loss of \$47,925 or \$0.01 per share was recorded. This compares to net income of \$117,817 or \$0.03 per share for the same period in 1999. In the 1999 annual report, the Company indicated that it would be adopting the policy of expensing research and development costs as incurred.

However, after further discussions with the Ontario Securities Commission and the Company's auditors, it has been decided that the Company's amortization policy will coincide with the accounting policy as stated in the 1999 financial statements under significant accounting policies. Product costs 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 and is amortized over the lesser of the estimated sales life of the product or three years. Based on this policy, research and product development costs were amortized by \$136,050 this year, compared to no amortization in the prior year.

Revenue increased by 29.6% to \$854,168 compared to \$659,014 in the prior year. In preparation for the implementation of the Company's growth strategy, key personnel were added and professional alliances in marketing, public and investor relations were established. Expenses incurred for salaries, administration, professional fees and investor relations increased from \$394,860 to \$639,757 for the quarter ended March 31, 2000. Although expenditures have increased by \$244,897 in the quarter, the Company still generated a positive cash flow from operations of \$72,307 in 2000, compared to \$233,887 in the prior year.

On March 23, 2000, a Special Warrants financing was closed for the issuance of 4,444,500 special warrants at a price of \$11.25 per special warrant for gross proceeds of \$50,000,625. Net proceeds of \$48,125,953 were distributed as follows: \$17,000,353 was released to the Company, while \$31,125,600 is being held in escrow pending the issuance of receipts for the final prospectus on or before September 19, 2000. Proceeds are to be used as follows:

- marketing and sales force expansion into the U.S. (Jeffrey Coyne has been hired as the U.S. President of EzenetUSA Inc., an office will be opened in North Carolina in the 2nd quarter and sales managers will be hired in North Carolina and Chicago and will be operational in the 3rd quarter).
- strategic acquisitions (agreement to purchase the assets of Netstor Technologies Inc. on April 27, 2000, pending final closing and the signing of an agreement with a financial advisor to identify strategic partners and potential acquisitions).
- further expansion of product software development (development of Instaprotect and Instapublisher, robust solutions that are both intuitive and easy to use at all user levels)
- development of enhanced security software and development of Linux financial applications (the Company has increased the programming department by five people).

In addition to the above, restructuring and key hires have been made to the senior management team. On February 23, 2000, Kasra Meshkin was appointed as President and C.O.O. On May 1, 2000, Marc Nicholas joined as Chief Technology Officer, Gary Guthro joined as Chief Financial Officer and Terry Rogers assumed the role of Vice President Financial Systems.

The Company proceeds into the last three quarters of fiscal 2000 with a strong management team, solid technical and software development support, debt free and with financial resources. Management believes that there are potential acquisition targets that will expedite the Company's position as a technological leader to the financial services industry.

KASRA MESHKIN

President and Chief Operating Officer

May 29, 2000.

CONSOLIDATED STATEMENTS OF INCOME

		(Unaudited)	
		Three Months Ended March 31	
		2000	1999
REVENUE	\$	854,168	\$ 659,014
EXPENSES			
Direct product and service costs		142,104	18,767
Research and development		136,050	-
Salaries and benefits		480,255	269,537
Administration		133,645	114,366
Professional fees		7,330	10,957
Investor relations		18,527	-
Amortization		33,282	35,000
		951,193	448,627
INCOME (LOSS) BEFORE INCOME TAXES		(97,025)	210,387
INCOME TAXES			
Current		-	11,500
Future		(49,100)	81,070
		(49,100)	92,570
NET INCOME (LOSS)	\$	(47,925)	\$ 117,817
NET INCOME (LOSS) PER SHARE			
Basic		(\$0.01)	\$0.03

CONSOLIDATED BALANCE SHEETS

	(Unaudited)	(Unaudited)	(Audited)
	3/31/00	3/31/99	12/31/99
ASSETS			
Current			
Cash and cash equivalents	\$ 16,937,174	\$ 885,589	\$ 170,469
Accounts receivable	343,363	223,772	230,361
Prepaid expenses and sundry assets	107,874	32,136	94,052
Income taxes receivable	35,950	31,122	34,390
	17,424,361	1,172,619	529,272
Capital assets	464,345	413,356	426,990
Product development costs	1,396,236	664,216	1,478,300
	\$ 19,284,942	\$ 2,250,191	\$ 2,434,562

LIABILITIES**Current**

Accounts payable and accrued liabilities	\$ 172,376	\$ 300,055	\$ 140,401
Income taxes payable	-	11,500	-
	172,376	311,555	140,401
Future income tax liabilities	354,700	212,190	403,800
	527,076	523,745	544,201

SHAREHOLDERS' EQUITY

Capital stock	18,228,252	1,225,322	1,245,322
Retained earnings	529,614	501,124	645,039
	18,757,866	1,726,446	1,890,361
	\$ 19,284,942	\$ 2,250,191	\$ 2,434,562

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

	Unaudited Three months ended March 31	
	2000	1999
Balance at beginning of period	\$ 645,039	\$ 383,307
Net income (loss) for the period	(47,925)	117,817
Dividends declared and payable on preferred shares	(67,500)	-
Balance at end of period	\$ 529,614	\$ 501,124

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Unaudited	
	Three months ended	
	March 31	
	2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES		
Net earnings (loss) for year	\$ (47,925)	\$ 117,817
Add (deduct) items not affecting cash:		
Amortization of research and development	136,050	-
Amortization	33,282	35,000
Future income taxes	(49,100)	81,070
	<u>72,307</u>	<u>233,887</u>
Changes in non-cash working capital items		
Accounts receivable	(113,002)	(46,074)
Prepaid expenses and sundry assets	(13,822)	(15,515)
Income taxes receivable	(1,560)	(1,681)
Income taxes payable	-	11,500
Accounts payable and accrued liabilities	(35,525)	148,440
	<u>(163,909)</u>	<u>96,670</u>
	<u>(91,602)</u>	<u>330,557</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of capital assets	(70,637)	(33,371)
Investment in product development costs	(53,986)	(104,290)
Business acquisition	-	198,432
	<u>(124,623)</u>	<u>60,771</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of capital stock	17,000,353	398,651
Expenditures re. issuance of capital stock	(17,423)	-
	<u>16,982,930</u>	<u>398,651</u>
Net increase in cash and cash equivalents	16,766,705	789,979
Cash and cash equivalents at the beginning of the period	170,469	95,610
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	\$ 16,937,174	\$ 885,589
Supplementary disclosure of cash flow information		
Amount of income taxes paid during the period	\$ 1,560	1,681

EZENET CORP.
940-90 Eglinton Ave. East
Toronto, Canada M4P 2Y3
Tel: (416) 482-3037
Fax: (416) 482-0707
Web Site: www.ezenet.com

CORPORATE DIRECTORY AND SHAREHOLDER INFORMATION

DIRECTORS

Haron Ezer
Toronto, Canada
Chairman & CEO

Kasra Meshkin
Toronto, Canada
President & COO

Terence W. Rogers
Toronto, Canada
VP Financial Systems

Gord Ramer
Hardington, Canada
Vice President

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

Jeffery C. Coyne
Chaple Hill, North Carolina, USA
President, US Operations

Marc Nicholas
Toronto, Canada
President, NetStor

OFFICERS

Haron Ezer
Chairman & CEO

Kasra Meshkin
President and COO

Terence W. Rogers
VP Financial Systems

Gary Guthro, C.A.
Chief Financial Officer

Jeffrey C. Coyne
President of US Operations

Marc Nicholas
Chief Technology Officer

Maryam Meshkin
VP Administration

Daniel Ezer
VP Marketing

AUDITORS

Daren, Martenfeld, Carr, Testa & Co. LLP
Chartered Accountants
Toronto, Ontario

CORPORATE COUNSEL

Burnett, Duckworth & Palmer
Calgary, Canada

TRANSFER AGENT

Montreal Trust Company
Toronto and Calgary Canada

CAPITAL STOCK

As at March 31, 2000 there were
7,660,000 common shares and 3,000,000
second preferred shares outstanding

STOCK LISTING

Canadian Venture Exchange (CDNX)
Ticker Symbol: EZE

**FOR SHAREHOLDER
INFORMATION, PLEASE
CONTACT:**

Gary Perkins
Surefund Capital Corporation
Toronto, Canada
Tel: (905) 889-1711
1-800-225-2744
Fax: (905) 889-2511
Email: investorrelations@ezenet.com

WE'RE MOVING:
Effective May 29, 2000
our new address will be:

5160 Yonge Street
11th Floor
North York, Ontario
M2N 6L9

Telephone and fax numbers
will be the same.