CENTRINITY INC.

RENEWAL ANNUAL INFORMATION FORM

DATED JANUARY 31, 2001

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ITEM 1: INCORPORATION

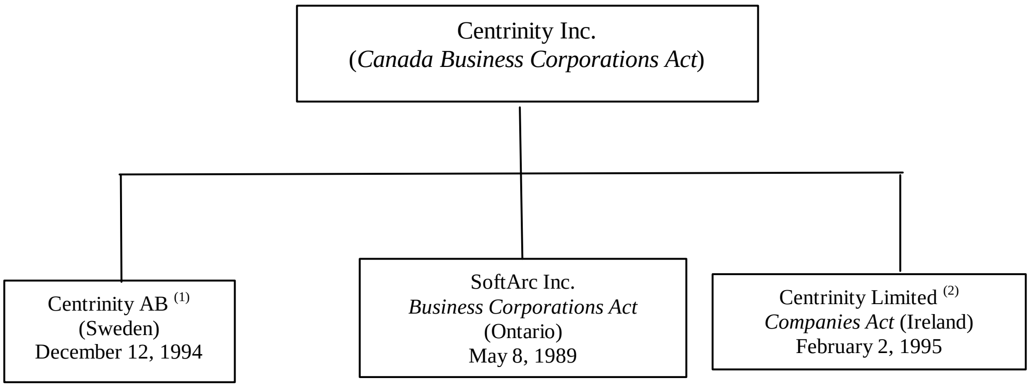
General

Centrinity Inc. (the "Corporation" or "Centrinity") was incorporated under the *Company Act* (British Columbia) on September 28, 1994 and was continued under the *Canada Business Corporations Act* on November 21, 1996.

The head office of the Corporation is located at 100 Allstate Parkway, Markham , Ontario, Canada, L3R 6H3.

By Articles of Amendment dated March 28th, 2000 and April 20th, 2000, the Corporation changed its name from MC^2 Learning Systems Inc. to Centrinity Inc. and changed the address of its registered office to that of its head office.

The following chart illustrates the relationship of the Corporation to its material wholly-owned subsidiaries and their respective date and jurisdictions of incorporation.



(1) On March 15, 2000, the Corporation acquired all of the issued and outstanding shares in the capital of FC Sweden. On August 15, 2000, Centrinity AB was renamed from FC Sweden AB.

(2) On May 4, 2000, Centrinity Limited was renamed from SoftArc International Limited ("SAIL").

Unless otherwise stated herein references to the Corporation shall include SoftArc Inc., Centrinity Limited, Centrinity AB and the Corporation's other subsidiaries. All information presented herein is as at September 30, 2000 unless otherwise stated.

ITEM 2: GENERAL DEVELOPMENT OF THE BUSINESS

Overview

The Corporation first established itself as a software developer and marketer of collaborative communications products for the educational sector under the name "MC^2 Learning Systems Inc.". In 1996, the Corporation launched its initial collaborative groupware product, Zebu 1.6 which resulted from a collaboration with members of the faculty of Simon Fraser University. Since 1996, the Corporation has introduced a number of revised versions of the Zebu product, culminating with the launch of Zebu 1.82 in 1999. With the acquisition by the Corporation of SoftArc Inc. and Centrinity Limited in June, 1999, the Corporation gained access to advanced intellectual property and development capabilities, and a recognized brand in the FirstClass product line, upon which the Corporation has expanded and continues to expand, its product offering.

In March 2000, the Corporation acquired FC Sweden AB (which was subsequently renamed Centrinity AB), a distributor of Centrinity products in Sweden. The purchase price was satisfied through the issuance of 200,000 Common Shares of the Corporation valued at $3.56 million. Centrinity will issue up to an additional 200,000 Common Shares to the previous owners of FC Sweden AB if certain revenue targets are achieved by the subsidiary in 2000 and 2001. In March 2000, the Corporation also purchased from Six Degrees Software Inc., FirstClass Rapid Application Development (FCRAD) technology that the Corporation now bundles with its products. FCRAD allows customers to design and build applications on top of the Corporation's products including interfaces to external database systems. The total purchase price of $580,000 was satisfied in cash.

The Corporation is currently focused on developing, marketing and selling a feature-rich, carrier-class Unified Communications solution, the FirstClass Unified Communications solution, that combines unified messaging capability with collaborative groupware functionality. The Corporation's unified communications solution was formally launched in September, 2000 along with a hosted unified communications solution service, Centrinity ASP which allows service providers to rapidly deploy unified communications services to their customers by outsourcing the operation of the service to Centrinity.

ITEM 3: NARRATIVE DESCRIPTION OF THE BUSINESS

All information set forth in this Item 3 is as at December 31, 2000.

Overview

The Corporation provides a software solution that enables users to access their email, voicemail and fax messages from a single message store and engage in collaborative activities using all widely available communications devices, including personal computers, telephones, mobile phones, wireless handheld devices and Internet appliances. The Corporation’s unified communications solution provides feature-rich functionality, consistent across all devices, and access to both personal and group content, including messages, calendars, directories, real-time text conferencing, file and message archives and threaded discussions. This combination of unified messaging and collaborative groupware, which the Corporation calls its FirstClass Unified Communications solution, is a robust, cost-effective tool that increases user productivity by simplifying the management of communications and information among individuals and groups.

The Corporation has designed its unified communications solution to meet the stringent reliability, scalability and performance requirements of telecommunications carriers, commonly known as carrier class requirements. The Corporation markets its solution to service providers, including long distance carriers, competitive local exchange carriers, wireless voice and data service providers, Internet service providers, application service providers, cable companies and digital subscriber line providers, as well as to enterprises and learning institutions. The Corporation's service provider customers, including Sprint Canada, Bell ActiMedia and GoAmerica, offer the Corporation's unified communications solution primarily to their small and medium enterprise ("SME") customers. These service providers offer the Corporation's solution on a branded basis so they can differentiate their service offerings to attract new subscribers, increase revenue and profitability per subscriber through greater usage and additional subscription fees and decrease subscriber churn. The Corporation's unified communications solution is offered on a licensed basis and, through Centrinity ASP, on a hosted basis, which facilitates a quick-to-market strategy for service providers.

The Corporation's technology platform features a single message store on a single server and is based on an open, standards-based architecture, making it reliable, cost-effective and flexible. The Corporation's solution can support up to 100,000 users per server and has been designed to reliably scale to several million users. The Corporation's solution does not require proprietary hardware or operating system software, which enables the Corporation to integrate its solution quickly and inexpensively with customers' existing systems, to bring additional product features and applications to market more rapidly, to use commonly available components and to support emerging communications devices and protocols. As the Corporation's technology unifies all messages on a single server instead of "synching" between multiple stores, the Corporation's solution is more efficient and more cost-effective to manage. Furthermore, the technology is more reliable due to fewer potential points of failure. The single message store reduces the time required to retrieve, manipulate and manage messages. The Corporation's solution has high performance and efficiency over wireless and other low bandwidth networks through prioritization of user requests and efficient utilization of bandwidth.

Industry Background

Today's workers are challenged by an increasing volume of messages and the wide variety of communications devices required to access those messages. It is common for an individual to carry a pager, receive faxes on one or more machines and have multiple voicemail and email accounts, each of which generally must be accessed through a separate communications device. These message management challenges can be attributed to the proliferation of email, the increase in the number of mobile workers and the growth of the wireless market.

The Unified Communications Market Opportunity

Deregulation in the North American telecommunications industry, the convergence of telephony and data communications and an increasing amount of network capacity have intensified competition among service providers. This competitive environment has resulted in higher customer acquisition costs and lower average revenue per subscriber. In addition, a lack of differential services has caused subscribers to switch from one service provider to another.

The limitations of early product offerings, including unified messaging products, have hindered the development and growth of the unified communications market. These limitations have included:

Difficulties associated with multiple server solutions

In order to integrate multiple technologies and media, unified messaging products historically have been designed to run on multiple servers. These products do not provide users with a single message store for their messages and require the use of multiple servers for email, voicemail and fax messages, making these products difficult to use and expensive to administer. Systems with separate servers for each message media are unified only through client software that creates the appearance that the messages are all residing in the user's mailbox. These systems rely on synchronization to maintain consistency between the various message stores and servers. With multiple servers, each transmitting information over the network, there is an increased use of network resources and a greater risk of decreased network performance or system failure, resulting in lower levels of scalability and reliability.

High cost of ownership

The cost of purchasing multiple servers and the administrative costs and resources required to maintain them, make multiple server solutions expensive. Service providers have been reluctant to invest in the multiple server systems because in order to recover the expenses of purchasing, maintaining and supporting the necessary equipment, they would have to offer the service to their subscribers at a high price.

Concerns about reliability and performance

Some unified messaging products are based on an architecture originally designed to solely administer email messages in a corporate environment. Over time, these products have been modified to also administer voicemail and fax transmissions. Although email systems continue to improve, they have yet to provide the same level of speed, reliability and scalability that users have come to expect from voicemail systems.

Lack of a scalable solution

Service providers require solutions that scale to support hundreds of thousands or even millions of users while providing carrier class levels of reliability and performance. Historically, most unified messaging products have been designed for the enterprise market, which is typically characterized by organizations of several hundred to several thousand users. At the same time, many unified messaging products have been based on underlying technologies or architectural designs that limit scalability. As a result, the market has lacked a unified communications solution that can support the scalability requirements of service providers.

Proprietary technology and lack of consistent standards

Many unified messaging products are based on proprietary systems and technology that lacks consistent standards. Service providers have been reluctant to implement solutions that are not compatible with their existing hardware and software, or that require expensive upgrades. In addition, many of these products do not allow communication between different devices and cannot readily adapt to new communications devices and advances in technology.

Centrinity's Solution

Centrinity's unified communications solution is designed to enable users to access their email, voicemail and fax messages from a single message store and engage in collaborative activities using all widely available communications devices in a cost-effective manner. The Corporation believes that the reliability, scalability and performance of its FirstClass Unified Communications solution meet the business and technological needs of their customers and the end users.

Competitive Strengths

Single Mailbox on a Single Server. Centrinity's unified communications solution unifies all communications mediums - email, voicemail and fax - in one mailbox on a single server. As the Corporation's technology unifies all messages on a single server rather than "synching" between multiple servers, its solution is more efficient and more cost-effective to manage. Furthermore, it is more reliable due to fewer potential points of failure. The single mailbox reduces the required time to retrieve, manipulate and manage messages. As a result, instead of having to delete the same message from each of his or her devices, a user can delete a message with only one action because all messages, regardless of medium, are stored in one location.

Enhanced Collaboration and Functionality. Centrinity's solution provides a rich set of features consistent across all devices, that permits users to access both personal and group content, including messages, calendars, directories, real-time conferencing, file and message archives and threaded discussions. These collaborative features enable users to simplify and facilitate the management of communications and information among individuals and groups, which increases their productivity.

Increased Performance and Efficiency Over Wireless and Other Low Bandwidth Networks. Centrinity's unified communications solution has high performance and efficiency over wireless and other low bandwidth networks through prioritization of user requests and efficient utilization of bandwidth. When a message or content is viewed on a device using the Corporation's solution, the user only sees a header or summary of that information. The actual content resides on the server and is not transmitted to the device. The actual content will only be transmitted if requested by the user, at which time all other transmissions to the device are paused to permit full allocation of available bandwidth to satisfy the request. In addition, most of the processing and storage functions of Centrinity's solution reside on the single server, rather than the user's device. This design feature helps to improve the performance of wireless devices, which typically have size, storage, speed and power constraints that can limit their performance.

Open Evolutionary Architecture. The Corporation's solution has an open evolutionary architecture that allows users to access their messages and other information through any device, and permits quick and easy development to support new devices as they are developed. The open architecture of the Corporation's technology renders it compatible with most existing hardware platforms, ensuring ease and efficiency of integration with customers' legacy systems.

Benefits to Service Providers

Carrier Class Reliability, Scalability and Performance. Centrinity's solution is designed to enable service providers to offer an increasing array of messaging and collaborative services to a growing number of subscribers. The single server architecture can support up to 100,000 users per server and has been designed to reliably scale to several million users. Centrinity's solution also has enhanced reliability as it has fewer potential points of failure than other products that utilize multiple servers that must be synchronized with each other. In addition, the Corporation's solution has the performance and speed that users have come to expect from their carrier provided voicemail systems.

Differentiate Services, Generate Additional Revenue and Decrease Subscriber Churn. Service providers can offer the Corporation's solution on a branded basis in order to differentiate their service offerings to attract new subscribers, increase revenue and profitability per subscriber through greater usage and additional subscription fees and decrease subscriber churn. Service providers can generate additional revenue by bundling higher-margin unified communications services with other service offerings and by benefiting from user migration from standard voicemail to unified communications services. In addition, the Corporation believes that users of its solution are more likely to use their access devices frequently to check and respond to email, voicemail and faxes, thereby increasing average monthly usage and revenue for the service provider. Finally, the Corporation believes that as a user's dependence on the efficiency and convenience of Centrinity's unified communications solution increases, the costs and inconvenience of switching service providers also increase, resulting in enhanced customer loyalty and decreased subscriber churn.

Easy and Rapid Deployment. As Centrinity's unified communications solution runs on readily available, "off-the-shelf" hardware and operating system software, it can be rapidly deployed by service providers without disrupting their existing operations. Moreover, the Corporation offers a hosted version of its unified communications solution, Centrinity ASP, which is intended to further reduce the time and costs associated with implementing its solution. The hosted solution enables service providers to minimize the capital costs, human resources and operational risks associated with installing and managing a new product offering. In addition, the build, operate and transfer, or BOT, model upon which Centrinity ASP is based, gives service providers the flexibility to gradually take control of the management and operations of their unified communications offerings once they reach certain subscriber and revenue levels.

Low Total Cost of Ownership. As the Corporation's solution runs on off-the-shelf hardware and operating system software, its customers avoid the costs associated with purchasing custom and proprietary hardware and software and they are able to more efficiently maintain, enhance and reconfigure the Corporation's solution to avoid costly replacements or modifications. New protocols can be quickly and inexpensively developed to support new devices that gain widespread market acceptance. This flexibility will help service providers keep pace with changing product requirements. In addition, because the single server architecture is able to accommodate a large number of users and is highly scaleable, customers incur lower installation, administrative and maintenance costs than users of solutions that utilize less efficient multiple servers.

Products and Services

FirstClass Unified Communications

The FirstClass Unified Communications solution enables users to access their email, voicemail and fax messages from a single mailbox and engage in collaborative activities using all widely available devices, including personal computers, telephones, mobile phones, wireless handheld devices and Internet appliances. Centrinity's solution provides access to both personal and group content and features that are consistent across all devices, including messages, calendars, directories, real-time text conferencing, file and message archives and threaded discussions.

The features of Centrinity's FirstClass Unified Communications solution include:

<u>Unified Messaging Features</u>

- Single message store for email, voicemail and fax.
- Text-to-speech capability enabling text messages to be retrieved and listened to using a telephone.
- Easy access to all messages, as well as to personal and group content, including directories, address books, calendars, archives and stored files through any compatible device.
- Rich messaging and content management functionality, including delete, forward, reply, send/unsend, file and message archive, search, drag and drop capabilities and threaded message and message capabilities via any compatible device.
- Real-time call routing capabilities (the ability to direct calls to an alternate number automatically or at the caller's option).
- Customizable voice greetings based on caller ID, caller location and/or specific call scheduling criteria.
- Auto-attendant feature (allowing the creation of a front-end answering system for incoming calls).

- The ability to reply to and forward messages in one medium using another medium (i.e. the ability to reply to or forward email via voicemail or the ability to reply to or forward voicemail using email).
- Open, standards-based architecture that easily integrates with most hardware platforms.
- Group unified messaging and call management (so that all calls, emails or faxes directed to a group, such as customer service, are routed to a single shared folder or conference).
- Message notification, including notification of calendar events, to all compatible devices.
- Continuous message notification with FirstClass IP Notifier, which automatically launches FirstClass Client whenever incoming mail arrives.
- Message waiting indicator, indicating any messages in a user's mailbox, regardless of the medium, or personal or group content areas.
- Cross-platform application deployment (enabling the integration of unified messaging transactions with third-party database applications).

<u>Collaborative Groupware Features</u>

- Group messaging and collaborative document creation through shared folders or conferences.
- Rich editing environment for message and document creation, including support for standard word processing features, embedded files, graphics, attachable multimedia files and hyperlinks.
- Capability to attach drag and drop graphics files and audio and video files to documents.
- Customizable client or web accessible calendars for both individuals and groups.
- Customizable FirstClass Client- or web-accessible calendars and resource management tools for both individuals and groups.
- Intranet and web publishing tools.
- Instant messaging and conferences.
- Customizable access to moderated conferences with pre-defined levels of user participation.
- Knowledge management tools that provide quick and cost-effective database access and development using FirstClass Rapid Application Developer (FirstClass RAD).

- FirstClass Client- and web-accessible address books, preferences, resumes and any custom-made forms, as well as FirstClass Client- and web-based registration and password changes, document editing and saving.

- Compatibility with technology that enables the synchronization of calendars, address books, to-do lists and memo pads with handheld devices.

- Message History feature, providing menu-accessible, chronological record of message routing, including a list of users who read, forwarded, replied to, or downloaded attachments relating to a specific message.

Administrator and Service Provider Features

- Single point of administration.

- Pre-defined user class privileges and participation levels.

- Automated administration functionality.

- Ability for users to easily customize caller privileges and call management.

- 24/7 post office mirroring that provides for server backup without taking down the entire system.

- Sophisticated server monitoring tools.

- Rich statistics and billing features, and open programming interface for integration with third-party billing applications.

Centrinity ASP

In September 2000, the Corporation launched Centrinity ASP, the hosted version of its FirstClass Unified Communications solution. Centrinity ASP is designed to accelerate the adoption of the Corporation's solution by the service provider market by minimizing the capital and other resources required to implement technology associated with offering new services. Centrinity ASP services include implementation, management and hosting of systems deploying the FirstClass Unified Communications solution. To support this initiative, the Corporation established a 5 person services division whose objective is to provide rapid deployment services to service providers licensed to use the FirstClass Unified Communications solution for their subscribers. The Corporation has a network operations facility in Markham, Ontario that provides high-speed network services to service providers who choose to outsource the delivery of the FirstClass Unified Communications services to the Corporation. The Centrinity ASP division also provides first and second level support to the end-customers of the service providers offering the FirstClass Unified Communications solution.

Collaborative Groupware

The Corporation also markets and offers the collaborative groupware features, that comprise the FirstClass Unified Communications solution, primarily to the enterprise and learning institution markets. The groupware solutions have been licensed to more than 10,000 organizations representing more than seven million users in 55 countries.

The Corporation markets the groupware solution as two products: FirstClass Intranet Server and FirstClass Collaborative Classroom. FirstClass Intranet Server is marketed to small and medium-sized enterprises and to universities, colleges and higher education organizations. FirstClass Collaborative Classroom is marketed to the school/K-12 market. Both products include all of the collaborative groupware features described above. FirstClass Collaborative Classroom also incorporates forms, templates and documentation specifically customized for the elementary and secondary school market.

Sources of Revenues

During the year ended September 30, 2000, 91% of Centrinity's revenues were derived from sales of its groupware products (including related training and support services and sales of the original "Zebu" product) to the enterprise market and 2% from sales of its new unified communications solution to the enterprise market. During the fiscal years ended September 30, 1999 and September 30, 1998 the proportion of revenues attributable to groupware sales was 97% and 96% respectively. The balance of the Corporation's reported revenues relate to interest and miscellaneous income earned during such years.

Customers

Service Provider Relationships

Since the launch of its FirstClass Unified Communications solution, the Corporation has secured licensing and services agreements with GoAmerica Inc., Bell ActiMedia Inc. and Sprint Canada Inc. The terms of these agreements range from 18 months to three years. The Corporation receives initial licensing fees and monthly licensing fees under these agreements. The Corporation has also entered into a marketing services agreement with one customer, pursuant to which the Corporation has agreed to fund certain marketing activities relating to the customer's offering of unified communications services to its end users.

Enterprise Customers

In the enterprise market, Centrinity's groupware products have been licensed to more than 10,000 organizations representing more than seven million users in 55 countries. Of these organizations, 3,000 representing more than 3.8 million users, have an active support and maintenance contract with the Corporation and the Corporation continues to actively market and upgrade the remaining legacy customer base to the latest version of its products and support and maintenance contracts. Since the launch of the FirstClass Unified Communications solution in September 2000, the Corporation has sold over 4,000 user licenses to these same enterprise customers.

Sales, Marketing and Distribution

For sales of its FirstClass Unified Communications solution to service providers, the Corporation employs a dedicated business development team responsible for initiating and completing the sales cycle. Once the relationship is established, the Corporation assigns a channel manager and support team to work closely with the service provider in the implementation, including marketing support, to help ensure a successful launch of the service and to maximize adoption by the service provider's subscribers.

The Corporation distributes its FirstClass Unified Communications and groupware products to enterprise customers through a network of value-added resellers and distributors worldwide. In North America, these resellers are supported by a field sales staff who help initiate and close sales alongside the reseller, and by an internal sales team who provide telemarketing and related services to support the sales efforts in the field. The field sales staff work from home offices and are located in 16 states and provinces in North America. A similar model is used by the Corporation's subsidiaries in Sweden and in the United Kingdom, except that the majority of these sales are made directly by the Corporation. In North America and internationally, the resellers are also supported by a team of channel staff who recruit and manage the resellers to help ensure sales objectives are met.

The Corporation's distributors and sales staff are supported by a marketing team who develop programs and materials to generate awareness and demand for the Corporation's products and assist in the selling efforts of the channel and field staff. The Corporation's marketing strategy includes using selective business-to-business advertising and participating in trade shows and selected events to increase the awareness and understanding of its FirstClass Unified Communications solution.

Research and Development

The Corporation designs, develops, tests and documents its products on a wide variety of telephony and computer equipment with a team working from the product laboratory in Markham, Ontario. Having completed the FirstClass Unified Communications solution, Centrinity expects future research and development efforts to be related to enhancements, customization for additional applications and adaptation of the solution for international markets.

Customer Support and Training

The Corporation provides customer support through renewable support and maintenance contracts for new and existing customers which provide unlimited telephone and email support, free maintenance fixes and patches and upgrades to new releases of the Corporation's software. The Corporation offers one-, two- or three-year support and maintenance contracts, priced to reflect the size of the installation. Support and maintenance for service provider customers are governed by service level agreements between the Corporation and the service providers.

The Corporation offers training services for FirstClass administrators and users at its headquarters in Markham, Ontario, at regional locations and on customers' premises. Training services are also offered by certified training partners world-wide, a network of companies who have been qualified and specially trained by the Corporation to administer courses the Corporation has developed for its FirstClass products.

Intellectual Property

The Corporation does not hold any patents, and currently relies on a combination of trade secret, copyright, trademark, common law and license agreements to protect its proprietary rights in its software. The Corporation believes that, because of rapid technological changes in the software industry, patent, trade secret and copyright protection is less significant than the advantages associated with the knowledge, ability and experience of its management and employees, the frequent product enhancements, and the timeliness and quality of consulting and support services it provides.

Protection of and access to the Corporation's server-based FirstClass software is easier to control than traditional client-based software packages. In the case of server-based software, users do not obtain a copy of the licensed software; rather, access to the software is made through the Internet by using an existing software package (such as Netscape or FirstClass Client) which connects the users to a central server where the software can be accessed and used with a valid password. The Corporation has obtained a trademark registration in the United States for “FirstClass” as it relates to computer software and networking.

Competition

The Corporation believes that it competes for the business of service provider customers primarily on the basis of the reliability, scalability and comparative features of its solutions. The Corporation believes that it competes on primarily the same basis for enterprise and learning institution customers, although these customers are also influenced by the ease and cost of integrating a new solution with the systems already in place.

The Corporation's competitors in the unified communications market fall into two categories: (i) traditional voice messaging system providers such as Cisco Systems, Comverse Technologies, Lucent Technologies, AVT Corporation and Nortel Networks; and (ii) more traditional software companies focused on the messaging industry such as Openwave Systems Inc.

The Corporation's FirstClass groupware products face three general classes of competitors: other integrated collaborative environments (traditional “groupware” products such as Lotus Notes, Microsoft Exchange and Novell GroupWise); Web-based groupware (such as WebCT); and Internet messaging systems (such as Netscape and sendmail)

Employees

The Corporation has 219 employees consisting of 127 sales and marketing personnel, including customer support and ASP services 47 research and development staff and 45 general and administrative staff. The Corporation is not a party to any collective bargaining agreements.

Facilities

The Corporation maintains its corporate headquarters at leased premises in Markham, Ontario. This facility, totalling approximately 32,000 square feet, contains corporate, research and development, administration, sales and customer support functions. The leases on these premises expire on November 30, 2002 and March 31, 2004. The Corporation also leases smaller premises in Shannon, Ireland, in London, England and in Uppsula, Sweden.

In November, 2000, the Corporation entered into a lease commitment for new premises totalling 100,000 square feet to accommodate the expansion of staff at its headquarters. The lease commences July 1, 2001 and expires June 30, 2011.

Financings

The Corporation entered into an underwriting agreement dated January 31, 2000 with Canaccord Capital Corporation, National Bank Financial Inc. and Scotia Capital Inc., relating to the purchase of 2,500,000 special warrants for gross proceeds of $25,000,000. The Special Warrants were issued on February 8, 2000 pursuant to a special warrant indenture entered into on February 8, 2000 between the Corporation and Montreal Trust Company of Canada as trustee.

Each special warrant entitled the holder thereof to receive, without payment of any additional consideration, upon exercise or deemed exercise of each special warrant, 1.0 Common Share at any time until 5:00 p.m. (Toronto time) on the date which is the earlier of (i) the fifth business day after a receipt has been issued for the (final) short form prospectus (the "Prospectus") qualifying the distribution of the Common Shares by the last of the securities commissions in the provinces of Ontario, Alberta and British Columbia and (ii) February 7, 2001. The Prospectus was filed and receipted on May 18, 2000, resulting in the issuance of 2,500,000 Common Shares upon the exercise or deemed exercise of the Special Warrants.

In November, 1999, the Corporation entered into an agreement with Telenor Ventures SA ("Telenor") relating to the purchase of 210,000 units for gross proceeds of $651,000. Each unit was comprised of one common share and one warrant. The warrants were exercised in full and an additional 210,000 shares were issued for aggregate proceeds of $766,500. The transaction completed on March 10, 2000, concurrently with the purchase by Centrinity of FC Sweden AB of which Telenor was a controlling shareholder.

On September 15, 2000, the Corporation completed a private placement of 1,860,966 Common Shares at US $10.75 per share for aggregate proceeds of up to US$20,000,000.

During the fiscal year ended September 30, 2000, the Corporation issued 1,122,169 common shares in connection with the exercise of previously issued warrants, options and broker warrants, at exercise prices ranging from $1.00 to $3.65 for aggregate proceeds of $2,849,977.

ITEM 4: SELECTED CONSOLIDATED FINANCIAL INFORMATION

The consolidated financial statements for the year ended September 30, 2000 contained in pages 19 to 31 of the 2000 Annual Report are incorporated by reference herein. Selected consolidated financial information presented hereunder represents the period of September 30, 1998 to September 30, 2000. All consolidated financial information is in Canadian dollars.

	Year Ended September 30, 2000	Year Ended September 30, 1999	Year Ended September 30, 1998
Total Revenues	$12,899,357	$2,903,494	$432,528
Net Loss	(17,430,934)	(4,776,565)	(1,912,822)
Net Loss Per Share	(0.96)	(0.42)	(0.23)
Total Assets	65,269,013	17,840,295	1,971,085

The following is a summary of certain of the financial information of the Corporation for each of the eight quarters ending September 30, 2000.

	Quarter Ended (in thousands)							
	September 30, 2000	**June 30, 2000**	**March 31, 2000**	**December 31, 1999**	**September 30, 1999**	**June 30, 1999**	**March 31, 1999**	**December 31, 1998**
Gross Revenues	$4,181	$3,695	$2,492	$2,531	$1,705	$294	$471	$433
Net Loss	(6,585)	(5,467)	(3,153)	(2,226)	(2,809)	(1,012)	(559)	(397)
Loss per Share	(0.31)	(0.28)	(0.16)	(0.15)	(0.19)	(0.18)	(0.05)	(0.04)

The Corporation has not paid any dividends on any of its shares during the last two completed fiscal years and the Corporation does not contemplate paying such dividends in the foreseeable future. It is the Corporation's present intention to retain any earnings which might be distributed as dividends for use in its business.

ITEM 5: MANAGEMENT'S DISCUSSION AND ANALYSIS

The information contained under "Management's Discussion and Analysis" in the Corporation's Annual Report to shareholders for the year ended September 30, 2000 is incorporated herein by reference. See "Additional Information and Documents Incorporated by Reference".

ITEM 6: MARKET FOR SECURITIES

The Common Shares of the Corporation began trading on the Canadian Venture Exchange on March 9, 1998. On June 5, 2000, the Common Shares were listed and posted for trading on The Toronto Stock Exchange under the symbol CTI.

ITEM 7: DIRECTORS AND OFFICERS

The following are the names and residences of the directors and officers of the Corporation, their positions and offices with the Corporation as at January 31, 2000:

As at the date hereof, directors and executive officers of the Corporation are as follows:

Name	Position
Yves Desjardins-Siciliano(2) Toronto, Ontario	Chairman of the Board, Director
Myles M. McGovern Aurora, Ontario	Director, President and Chief Executive Officer
David G. Anderson(1) Calgary, Alberta	Director and Executive Vice President
Charles L. Ivey(2) Toronto, Ontario	Director
R. Bradley Hurtubise(1)(2) Calgary, Alberta	Director
Albert Lin San Francisco, California	Director
Rodney D. Dir Rosewell, Georgia	Director
Dallas Z. Kachan(1) (2) San Francisco, California	Director
Richard A. LePage Mississauga, Ontario	Executive Vice President and Chief Financial Officer

Barry Morrison Toronto, Ontario	Executive Vice President, World Wide Channels and Business Development
Brian R. Mitchell Toronto, Ontario	Vice President, Finance and Administration
Scott S.G. Drossos Stouffville, Ontario	Vice President, Sales
Karen L. Tanaka Toronto, Ontario	Vice President, Marketing
Steven F. Asbury Toronto, Ontario	Vice President, Engineering
Scott H.E. Welch Toronto, Ontario	Chief Evangelist
Peter Marrone Toronto, Ontario	Corporate Secretary

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(1) Member of Audit Committee.
(2) Member of the Compensation and Corporate Governance Committee.

Yves Desjardins-Siciliano has served as Chairman of the Board since March 2000 and has served as a director since August 1999. Mr. Desjardins-Siciliano has been an independent consultant since September 1997, advising government, large enterprises and start-ups on growth and corporate development strategies in the areas of telecommunications, electronic commerce and new media. From April 1993 to September 1997, Mr. Desjardins-Sicililiano was Senior Vice-President Corporate Positioning & Development and Corporate Secretary of BCE Mobile Communications Inc., the wireless subsidiary of BCE Inc. From June 1992 to March 1993, he was Vice-President Law & Business Development at Information Systems Management Corp., the information technology outsourcing services subsidiary of IBM Canada Ltd. From January 1991 to June 1992, he held management positions first in Marketing and Finance with IBM Canada Ltd. From March 1989 to January 1991, he was Chief of Staff to the Minister of Labour and Minister of State for Transport, in the Government of Canada.

Myles M. McGovern is a co-founder of Centrinity and has served as President and Chief Executive Officer and director since October 1996. Prior to that time, from 1984 to 1996, Mr. McGovern held various positions with Xerox Canada Ltd., including account executive and product manager for a line of digital systems. Mr. McGovern has more than 14 years experience in the technology field.

David G. Anderson has served as Executive Vice President since August 1999 and has been a director and officer since May 1996. From May 1996 to July 1999, Mr. Anderson served as the Chief Financial Officer of the Corporation. Mr. Anderson is also a Director of Bonkers Ventures Inc. and Bison Resources Ltd. Mr. Anderson has also served as a director of Chelsea Mercantile Bancorp, Cartwright Capital Ltd. (now Acer Capital Corp.) and Outrider Resources Ltd., an oil and gas company. Mr. Anderson has also held various positions at Xerox Canada Ltd., culminating with the position of National Account Manager.

Charles L. Ivey has been a director since March 1998 and a consultant to the Company since 1998. Mr. Ivey is chairman and director of Learnco International, positions he has held since September 2000. Mr. Ivey is co-founder of the Canadian Education Industry Summit, a forum for education leaders to meet the finance and investment industry, serving as its chairman from June 1996 to the present. Mr. Ivey is also co-founder of HEF Higher Education Finance, serving as president from October 1997 to June 1999. Mr. Ivey was a founding shareholder of ITI Education Corporation, serving as managing director from May 1995 to August 1997. Mr. Ivey is a consultant to the Canadian education industry and has an extensive background in early stage company strategic development with a focus on operations and financing activities. Mr. Ivey also founded Ivy Computer Centres Inc., serving as president from 1986 to 1995.

R. Bradley Hurtubise has been a director since November 1997. Mr. Hurtubise is Executive Vice President and a Director of Wireless Networks Inc., positions he has held since September 2000. From October 1998 to September 2000, Mr. Hurtubise was Senior Vice President and Chief Financial Officer of Direct Energy Marketing Limited. From April 1998 to October 1998, Mr. Hurtubise was Chairman and CEO of Westcastle Acquisition Corp. From April 1994 to August 1997, Mr. Hurtubise held several key management positions with Grad & Walker Energy Company, serving as Chief Financial Officer, President and Chief Executive Officer. From April 1988 to March 1994, Mr. Hurtubise worked as an investment banker with Nesbitt Thomson Inc., serving as Vice President beginning in 1991 and Director beginning in 1994. Mr. Hurtubise is a Director of Sustainable Energy Technologies (since October 2000), Digital Artisans Guild Inc. (since November 2000) and Bison Resources Ltd. (since 1998).

Albert Lin has been a director since July 2000. Mr. Lin is a Principal of Meerkat Management and has served as Portfolio Manager since November 2000. Prior to joining Meerkat, from August 1998 to October 2000, he was Principal and Senior Portfolio Manager with The Abernathy Group, a leader in technology equities. He joined The Abernathy Group after almost a decade on Wall Street, where he covered the evolution of the wireless communications industry as an analyst at SoundView Technology from May 1997 to June 1998 and S.G. Cowen & Co. from August 1995 to January 1997.

Rodney D. Dir has been a director since January 2001. Mr. Dir is Chief Operating Officer of Powertel, Inc., a position he has held since March 1999. From August 1996 to March 1999, Mr. Dir was executive vice president and general manager for Powertel's Atlanta, Georgia major trading area. Prior to joining Powertel, Mr. Dir spent six years with GTE Mobilnet, serving as area general manager in California for GTE Mobilnet Incorporated from August 1995 to August 1996.

Dallas Z. Kachan has been a director since June 1999. Mr. Kachan is an independent consultant working exclusively with technology clients. From 1997 to 1998 Mr. Kachan was a senior consultant at Regis McKenna Inc., a Silicon Valley marketing strategy firm. Mr. Kachan also served as strategic advisor to executive teams at companies such as Oracle Company, Fujitsu Ltd., Nortel Networks Company and Attachmate Company. Previously, from March 1993 to January

1997 Mr. Kachan worked with SoftArc Inc. in a number of sales and marketing management positions.

Richard A. LePage has served as the Executive Vice President and Chief Financial Officer of the Corporation since July 2000. Prior to joining Centrinity, from May 1998 to April 2000, Mr. LePage was a senior investment banker with Credit Suisse First Boston in New York, where he was responsible for the origination, structuring and execution of numerous financings in the US capital markets. From July 1994 to May 1998, Mr. LePage was Managing Director, Investment Banking with Scotia Capital Markets Inc., based in New York, where he was responsible for raising capital in the US markets for Scotia's Canadian and U.S. corporate clients.

Barry Morrison has served as Executive Vice President, World Wide Channels and Business since October 2000. Prior to joining Centrinity, from January 1999 to October 2000, Mr. Morrison held the position of Executive Vice President – Enterprise Solutions at GE Capital IT Solutions, where he was responsible for corporate accounts and the services organization, leading a team of 1,000 sales professionals and IT consultants throughout Canada and the United States. Prior to joining GE Capital IT Solutions, Mr. Morrison spent 17 years at Digital Equipment of Canada, serving as Vice President – Channels from January 1996 to October 1998 and Director of Channels – Canada from July 1994 to January 1996.

Brian R. Mitchell has served as Vice President, Finance and Administration since August 1999. From August 1999 to July 2000, Mr. Mitchell served as the Chief Financial Officer of the Corporation. From June 1993 to July 1999, Mr. Mitchell held several key management positions, including Controller and General Manager (International). Mr. Mitchell is a chartered accountant.

Scott S. G. Drossos has served as Vice President, Sales of the Corporation since February 1998. Prior to joining Centrinity, from 1989 to 1998, Mr. Drossos held business development and sales positions with Xerox Canada Ltd.

Karen L. Tanaka has served as Vice-President, Marketing since February 1998. Prior to joining Centrinity, from August 1988 to January 1998, Ms. Tanaka held several management positions within the sales/marketing and customer service departments of Xerox Canada Ltd.

Steven F. Asbury is a co-founder of Centrinity and has served as the Vice President, Engineering of the Corporation since June 1999. From 1989 to June 1999, was President of SoftArc Inc. Mr. Asbury is a principal architect of the FirstClass technology platform, upon which all of the Corporation's solutions are based. From 1981 to 1989, Mr. Asbury worked as a software engineer developing telephony and messaging products at Bell-Northern Research, the research and development subsidiary of Northern Telecom (now Nortel Networks). Mr. Asbury was a principal architect of Nortel's popular Meridian Mail voice mail system. He has expertise in networking, storage systems, multi-tasking software, messaging and voice messaging systems, high-performance systems, distributed architectures and user interface design. FirstClass is the fifth messaging system that Mr. Asbury has worked on and the second he has designed.

Scott H.E. Welch is a co-founder of Centrinity and has served as Chief Evangelist since June 1999. From 1989 to June 1999, Mr. Welch served in a variety of corporate roles with SoftArc Inc., including Vice President, from 1989 to 1995, and chief executive officer from 1995 to

1998. Mr. Welch is a principal architect of the FirstClass technology platform. Prior to joining Centrinity, from 1985 to 1989, Mr. Welch was a software developer in the messaging group at Bell-Northern Research, the research and development subsidiary of Northern Telecom (now Nortel Networks).

Peter Marrone has served as Corporate Secretary since June 2000. Mr. Marrone is a senior partner with Cassels Brock & Blackwell LLP in Toronto, Ontario. He has been a partner since January 1996 and was a consulting partner from August 1994 to January 1996. Mr. Marrone is recognized as a leading Canadian corporate finance and mergers and acquisitions lawyer. Mr. Marrone represents companies, venture capital funds and investment dealers in domestic, cross-border and international financings, mergers, acquisitions and dispositions for companies carrying on business in North America, South America, Europe, Australia and South Africa. His clients include technology companies engaged in e-commerce and life sciences businesses, as well as those in more traditional sectors. Mr. Marrone also serves as a director of a number of Canadian, Australian and European public companies. He is a member of Cassels' steering committee for technology and e-commerce initiatives and serves on its executive committee. Mr. Marrone was called to the bar in 1986.

To the best of the Corporation's information, as at December 31, 2000, directors and officers held, as a group, approximately 7,739,822 Common Shares, representing 32.49% of the issued and outstanding common shares of the Corporation.

ITEM 8: RISK FACTORS

The Corporation expects to continue incurring operating losses and may not be profitable in the future

The Corporation has experienced losses and negative cash flows from operations since inception and may not achieve profitability in the foreseeable future. For the year ended September 30, 2000, the Corporation had a net loss of $17.4 million. As of December 31, 2000, the Corporation had an accumulated deficit of $32.4 million. The Corporation intends to increase significantly operating expenses, especially sales and marketing expenses. The Corporation is making these expenditures in anticipation of generating higher revenue, but revenue may not grow or even continue at its current level. If revenue does not increase as necessary or if expenses increase at a greater pace than revenue, the Corporation may not be profitable. Even if the Corporation is profitable, it may not be able to sustain profitability.

Limited history in an evolving industry makes it difficult to evaluate the business and prospects of the Corporation

The Corporation's limited operating history in the emerging unified communications industry may make it difficult to evaluate the business and prospects of the Corporation. In particular, the prospects should be evaluated in light of the risks and difficulties frequently encountered by relatively new companies, particularly companies in rapidly evolving industries such as the unified communications industry. The Corporation cannot be assured that it will be successful in addressing such risks or that it will be successful in increasing revenue.

Quarterly operating results may fluctuate and this may cause the share price to fluctuate

Quarterly operating results have varied significantly in the past and may vary significantly in the future. The Corporation's limited operating history in an evolving industry makes it more difficult to accurately predict quarterly revenue. In addition, operating expenses, which include product development, marketing and sales and general and administration expenses, are relatively fixed in the short-term. If revenue is lower than expected because fewer products than anticipated are sold or if there is a delay in the release of new products, the Corporation may not be able to quickly reduce operating expenses in response, which may have an adverse effect on the quarterly results. If quarterly revenue and operating results fall below the expectations of securities analysts and investors, the market price of the common shares could fall substantially. Operating results vary depending on a number of factors, many of which are outside the Corporation's control, including:

- continued growth of the Internet in general and of email usage in particular;
- demand for outsourced email, voice-mail and fax services;
- the Corporation's ability to attract and retain customers and maintain customer satisfaction;
- the Corporation's ability to upgrade, develop and maintain systems and infrastructure;
- the amount and timing of operating costs and capital expenditures relating to expansion of the business and infrastructure;
- technical difficulties or system outages in products and services;
- the announcement or introduction of new or enhanced services by competitors;
- the Corporation's ability to maintain competitive pricing;
- the Corporation's ability to attract and retain qualified personnel;
- timing of, or delay in, recognizing revenue; and,
- governmental regulation surrounding the Internet and email in particular.

The Corporation's sales cycle is long and involves significant commitments of resources, but may not result in actual sales

The Corporation's sales cycle is lengthy and unpredictable, typically ranging between six and twelve months. The Corporation spends a substantial amount of time educating customers regarding the use and benefits of its products and they, in turn, spend a substantial amount of time performing internal reviews and obtaining capital expenditure approvals before purchasing software. The purchasing decisions of customers are subject to the uncertainties and delays of the budgeting, approval and competitive evaluation processes that typically accompany significant capital expenditures. Any delay in the sales of software could cause operating results to vary significantly from projected results.

A substantial portion of sales in the short term will continue to be to the education market, a market which presents unique challenges

Despite government and public pressure to rapidly deploy technology in schools, the evaluation and purchasing time frames in the education market are long compared to most business and consumer markets. The Corporation has experienced, and expects to continue to experience, slow sales of, and longer periods for product acceptance for, its collaborative groupware software than computer industry standards.

The Corporation may not be able to develop operating and management systems to enable it to successfully develop or implement the FirstClass Unified Communications solution

The FirstClass Unified Communications solution requires development of service and support operations, including hiring and training employees and developing corporate standards and systems. The Corporation will need to enhance and upgrade its management systems if it obtains a large number of customers and will need to increase significantly the number of employees and facilities dedicated to customer service, fulfillment, billing and other administrative functions. There can be no assurance that the Corporation has made adequate allowances for the costs and risks associated with the rollout and support of FirstClass Unified Communications, that its systems, procedures or controls will be adequate to support, or that it will be able to successfully offer and expand, its FirstClass Unified Communications solution.

If the marketplace does not accept the Corporation's products, sales and revenue may be adversely affected

The Corporation cannot predict whether the marketplace will accept its products or whether it can achieve sufficient sales to make it profitable or to maintain profitability for any length of time. Factors which could be important in determining marketplace acceptance include, but are not limited to, the Corporation's ability to articulate compelling benefits of its solutions, to meet customers' product and service expectations in a timely fashion and to substantially differentiate its products and services from those of competitors.

The Corporation's brand is relatively new, and failure to develop brand recognition could hurt its ability to compete effectively

To successfully execute its strategy, the Corporation must strengthen brand awareness. If the Corporation does not build brand awareness, its ability to realize its strategic and financial objectives could be adversely affected. To date, the Corporation has attracted existing customers primarily through a relatively small sales force. In order to build brand awareness, the Corporation intends to significantly increase marketing efforts, which may not be successful, and the Corporation must continue to provide high quality services. As part of its brand building efforts, the Corporation expects to increase its marketing budget substantially as well as marketing activities, including advertising, tradeshows and direct response programs. If the Corporation fails to increase revenue as a result of branding efforts, or if the Corporation incurs excessive expenses in an attempt to promote its brand without a corresponding increase in sales, financial results could be harmed.

The Corporation may experience delays in developing its products that could adversely affect its ability to introduce new products, maintain competitive position and grow the business

If the Corporation is unable, for technological or other reasons, to develop new and improved software in a timely manner, this could affect the ability of the Corporation to introduce new software, maintain the competitive position of the Corporation, grow its business and achieve profitability. The Corporation has experienced product development delays in new versions and update releases in the past and may experience similar or more significant product delays in the future. To date, none of these delays has materially affected the business of the Corporation. However future delays may have a material adverse effect on the Corporation's business. Difficulties in product development could delay or prevent the successful introduction or marketing of new or improved software or the delivery of new versions of the Corporation's software to its customers.

If the Corporation is unable to manage its growth effectively, its business could suffer

The Corporation has experienced a period of significant growth in sales and personnel that has placed strain upon management systems and resources. Sales have increased from $2.9 million in fiscal 1999 to $12.9 million in fiscal 2000. Between fiscal 1999 and fiscal 2000, the number of employees increased from 86 to 173. In the future, the Corporation will be required to continue to improve its financial and management controls, reporting systems and procedures. To manage its expected growth of operations and personnel, the Corporation must continue to improve or replace existing operational, accounting and information systems, procedures and controls. In addition, the Corporation needs to rapidly expand, train, integrate and manage its workforce, particularly those employees in the technical, accounting, financial and marketing and sales organizations. The Corporation cannot be assured that the Corporation will be able to implement these changes successfully, and failure to do so could harm its business and operating results.

The Corporation intends to pursue acquisitions of business, products and technologies, which could result in a disruption of its business, dilute shareholder value and adversely affect operating results

The Corporation intends to continue to expand its operations and product offerings through the acquisition of additional businesses, products or technologies. However, at this time, the Corporation has no specific understandings, commitments or agreements to do so and the Corporation cannot be assured that it will be able to identify attractive acquisition candidates or successfully consummate any acquisition. Acquisitions involve a number of risks, including assimilating new operations, technologies, services and products of acquired companies, diversion of management's attention, failure to retain key personnel, unanticipated events or circumstances and legal liabilities, some or all of which could have a material adverse effect on the business, results of operations and financial condition of the Corporation. If the Corporation completes any significant acquisition using shares or other securities as consideration, shareholder equity could be significantly diluted. In addition, the Corporation may be required to amortize significant amounts of goodwill or other intangible assets in connection with future acquisitions, which could harm its operating results.

The loss of key personnel or inability to attract or retain sufficient numbers of qualified personnel could harm the Corporation's ability to execute its business plan

The Corporation's success is largely dependent on the performance of management, technical, research and development and other employees. Failure to retain these key employees and to attract and retain additional qualified employees could have a material adverse impact upon the business of the Corporation. Competition for these employees is intense in the unified communications and groupware industries and the Corporation may not be able to attract or retain highly qualified personnel in the future. The Corporation does not maintain key person life insurance policies on any of its employees.

If the Corporation is unable to develop its sales force and distribution channels, sales may be adversely affected

The Corporation has not yet fully developed a sales force or distribution channels to successfully market the FirstClass Unified Communications solution. The Corporation intends to develop and expand its direct sales organization in North America and its indirect distribution channels internationally. The Corporation may not be able to expand direct sales organization successfully, and the cost of any expansion may exceed the revenue generated from expansion. In addition, if the Corporation fails to develop relationships with significant distributors or resellers, or if these distributors or resellers are not successful in their sales or marketing efforts, the Corporation's ability to grow may be hindered.

Revenue will come from a small number of customers, and a loss of one or more of these customers could substantially reduce revenue

In the future, the Corporation expects that sales of the unified communications solution will represent a significant portion of its revenue. The Corporation launched its unified communications solution in September 2000 and the Corporation currently has strategic relationships with GoAmerica, Sprint Canada and Bell ActiMedia. Although the Corporation intends to enter into additional relationships with other service providers and to also sell its unified communications solution to enterprises and learning institutions, in the short term the Corporation expects that a significant portion of revenue will be derived from a small number of customers. The Corporation cannot be assured that other customers will purchase the FirstClass Unified Communications solution in the future. The loss of key customers or the occurrence of significant reductions in sales to key customers would cause revenue to decrease.

Protection of proprietary information

The Corporation does not hold any patents and currently relies on a combination of copyright and trademark laws, trade secrets, confidentiality procedures and contractual provisions to protect its proprietary rights. Despite the Corporation's efforts to protect its proprietary rights, unauthorized parties may attempt to copy aspects of the Corporation's products or to obtain and use information that the Corporation regards as proprietary. Policing unauthorized use of products is difficult, time-consuming and costly. The laws of certain countries in which the Corporation's products are sold or licensed do not protect products and intellectual property rights to the same extent as the laws do in Canada or the United States. The Corporation cannot be assured that its means of protecting its proprietary rights will be adequate. Although the Corporation retains "copyright" protection of the "machine code" which makes up its software products, there is always a threat of the functional characteristics of the products being "reverse engineered" by a competitor using their own code.

The Corporation may be found to have infringed the intellectual property rights of others, which could expose it to substantial damages or restrict operations

The industries in which the Corporation competes have many participants who own, or claim to own, intellectual property. The Corporation is not aware that any of its products infringe the proprietary rights of third parties. The Corporation cannot be assured, however, that from time to time third parties will not claim such infringement by it or its licensees with respect to current or future products. Defending any such claims, irrespective of the merit of such claims, could be time-consuming, result in costly litigation, cause product shipment delays or require the Corporation to enter into royalty or licensing agreements which may not be available on terms acceptable to the Corporation, or at all.

The Corporation may have liability for materials transmitted using its services and the Corporation may not have adequate liability insurance

As a provider of unified communications and groupware services, the Corporation faces potential liability based on a variety of theories, including for defamation, negligence, copyright or trademark infringement and other claims based on the nature, publication or distribution of the materials transmitted via the services of the Corporation. The Corporation does not and cannot screen all of the content generated by its users, and the Corporation could be exposed to liability with respect to this content. Furthermore, some foreign governments have enforced laws and regulations related to content distributed over the Internet that are more strict than those currently in place in the United States and Canada. Any such claims, whether brought in the United States, Canada or abroad, would likely divert management time and attention and result in significant cost to investigate and defend, regardless of the merit of any such claims. Although the Corporation carries general liability and umbrella liability insurance, its insurance may not cover claims of these types or may not be adequate to indemnify the Corporation for all liability that may be imposed. The filing of any such claim may also damage the reputation of the Corporation. In addition, if the Corporation becomes subject to these types of claims and is not successful in its defence, the Corporation may have to pay substantial damages.

The Corporation licenses third party technologies and if any of these technologies were to become unavailable, the Corporation would have to spend additional capital to redesign its existing software

The Corporation integrates various third-party technologies, including encryption, text to speech and voice recognition technology, into its software. The Corporation's business would be disrupted if functional versions of these technologies were either no longer available to it or no longer offered on commercially reasonable terms. In either case, the Corporation would be required to spend additional capital to either redesign its solution to function with alternate third-party technology or to develop these technologies itself. The Corporation might be forced to limit the features available in its current or future software offerings and the commercial release dates of the software could be delayed.

If the security system of the Corporation is breached, its business and reputation could suffer

A fundamental requirement for online communications is the secure transmission of confidential information over public networks. Third parties may attempt to breach the security of the Corporation or that of its customers. If they are successful, they could obtain customers' confidential information, including customers' profiles, passwords, financial account information, credit card numbers or other personal information. The Corporation may be liable to its customers for any breach in its security and any breach could harm the Corporation's reputation. The Corporation's servers are vulnerable to computer viruses, physical or electronic break-ins and similar disruptions, which could lead to interruptions, delays or loss of data. The Corporation may be required to expend significant capital and other resources to license encryption technology and additional technologies to protect against security breaches or to alleviate problems caused by any breach.

Defects in products may expose the Corporation to litigation and may harm its reputation, which could adversely affect sales and profitability

Software products as complex as those of the Corporation frequently contain undetected errors or defects, especially when first introduced or when new versions or enhancements are released. The Corporation cannot be assured that, despite testing by it and its customers, defects and errors will not be found in existing products or in new products, releases, versions or enhancements after commencement of commercial shipments. Any such defects and errors could result in adverse customer reactions, negative publicity, harm to reputation, diversion of resources, loss of or delay in market acceptance or required product changes, any of which could have a material adverse effect upon sales and profitability. Defects could also subject the Corporation to legal claims.

If the Corporation is unable to respond to market developments and demand, its business will be adversely affected

The Corporation must accurately forecast the features and functionality required by its customers. In addition, the Corporation must design and implement product enhancements that meet customer requirements in a timely and efficient manner. The Corporation may not successfully determine customer requirements and may be unable to satisfy customer demands. Furthermore, the Corporation may not be able to design and implement products incorporating desired features in a timely and efficient manner. If the Corporation fails to accurately determine customer feature requirements or product enhancements or to market products containing such features or enhancements in a timely and efficient manner, its business will be adversely affected.

The Corporation may require additional capital in the future and the Corporation may not be able to secure adequate funds on terms acceptable to it, or at all

The Corporation may require substantial additional capital to finance its future growth and its marketing, distribution and product development plan. To the extent that existing sources of cash and cash flow from operations, if any, are insufficient to fund activities, the Corporation may need to obtain additional funds. Additional financing may not be available when the Corporation needs it, and if such financing is available, it may not be available on favourable terms. If the Corporation is unable to raise additional capital on acceptable terms, the Corporation might not be able to develop or enhance its products, take advantage of future opportunities or respond to competition.

The Corporation is exposed to exchange rate fluctuations that may adversely affect results of operations

A significant portion of revenue is now, and is expected to continue to be, realized in currencies other than Canadian dollars. Operating expenses are primarily paid in Canadian dollars. Fluctuations in the exchange rate between the Canadian dollar and other currencies may have a material adverse effect on results of operations and financial condition. In particular, the Corporation may be adversely affected by a significant strengthening of the Canadian dollar against the U.S. dollar. In fiscal 2000, U.S. dollar sales represented over 75% of the total gross revenue of the Corporation.

The industries in which the Corporation operates are characterized by rapid product development and technological change

The unified communications and groupware industries are characterized by rapid technological advances, evolving industry standards, changes in end-user requirements and preferences and frequent new product introductions and enhancements that could render the existing products of the Corporation and products currently under development obsolete. Failure to anticipate or respond adequately to technological developments or end-user requirements, or any significant delays in product development or introduction, could damage the competitive position of the Corporation and reduce revenue. The success of the Corporation depends, in part, on its ability to enhance existing email and messaging services and to develop new services, functionalities and technologies that address the increasingly sophisticated and varied needs of prospective customers. The Corporation's ability to compete successfully will depend in large measure on its ability to maintain a technically competent research and development staff and to adapt to technological changes and advances in these industries, including providing for the continued compatibility of software products with evolving computer hardware and software platforms and operating environments. The Corporation cannot be assured that the Corporation will be successful in developing and marketing new products or product enhancements on a timely basis.

These industries are competitive and failure to compete effectively could reduce revenue and margins

The unified communications and groupware industries are intensely competitive. In addition to competing with companies that develop and maintain in-house solutions, the Corporation competes with product-based companies. Many of these companies have longer operating histories, larger customer bases and greater financial, technical, sales, marketing and other resources than does the Corporation. As the markets for its products continue to develop, additional competitors may enter these markets and competition may intensify. The Corporation cannot be assured that competitors will not develop products superior to its products or achieve greater market acceptance due to pricing, sales channels or other factors. Competition in the unified communications and groupware industries could result in lower prices and corresponding lower margins, which could have an adverse impact on the financial performance of the Corporation.

These industries may not continue to grow

The markets for unified communications and groupware have experienced significant growth in recent years. However, the Corporation cannot be assured that the markets for its products will continue to grow. If the various markets in which its products compete fail to grow, or grow more slowly than the Corporation currently anticipates, or if the Corporation is unable to establish markets for its new products, the Corporation will not be able to generate significant revenue.

Any failure of the Internet as a message transmission medium could harm the business of the Corporation

Increased sales of products and services will depend upon the expansion of the Internet as a leading platform for communication and commerce. Usage of the Internet may be inhibited for a number of reasons. The Internet infrastructure may not be able to support the demands placed on it by continued growth and may lose its viability due to delays in the development or adoption of new equipment, standards and protocols to handle increased levels of Internet activity, security, reliability, cost, ease of use, accessibility and quality of service. In addition, concern about the transmission of confidential information over the Internet has been a significant barrier to electronic communications and commerce. Any well publicized compromise of security could deter more people from using the Internet to transmit confidential information or conduct commercial transactions. The possibility that federal, state, provincial, local or foreign governments may adopt laws or regulations limiting the use of the Internet or the use of information collected from communications or transactions over the Internet or may seek to tax Internet commerce could significantly reduce the use of the Internet. If the Internet does not continue to become a widespread communications medium and commercial marketplace, the demand for the Corporation’s products and services may be adversely affected.

Service interruptions caused by system failures could harm customer relations, exposing the Corporation to liability and increasing capital costs

Interruptions in service to customers could harm customer relations, expose the Corporation to potential lawsuits and require the Corporation to spend more money adding redundant facilities. The operations of the Corporation depend upon its ability to protect customers' data and equipment, equipment and network infrastructure, including connections to Internet service providers, against damage from human error or natural disasters. Even if the Corporation takes precautions, the occurrence of a natural disaster or other unanticipated problems could result in interruptions in the services the Corporation provides to its customers.

Capacity constraints could cause service interruptions and harm customer relations

Failure of Internet service providers and other Internet infrastructure companies to continue to grow in an orderly manner could result in capacity constraints leading to service interruptions to customers. Although the national telecommunications networks and Internet infrastructures have historically developed in an orderly manner, there is no guarantee that this orderly growth will continue as more services, users and equipment connect to the networks. Failure by service providers to provide the Corporation with the data communications capacity the Corporation requires could cause service interruptions.

ITEM 9: ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities, options to purchase securities and interests of insiders in material transactions, where applicable, is contained in the Corporation's information circular in connection with the annual and special meeting of shareholders to be held on February 27, 2001. Additional information is provided in the Corporation's comparative financial statements for the fiscal year ended September 30, 2000.

The Corporation shall provide to any person or company, upon request to the Corporate Secretary of the Corporation:

(a) when the securities of the Corporation are in the course of a distribution under a preliminary short form prospectus or a short form prospectus;

(i) one copy of this Annual Information Form, together with one copy of any document, or pertinent pages of any document, incorporated herein by reference;

(ii) one copy of the comparative financial statements of the Corporation for its most recently completed financial year for which financial statements have been filed together with the accompanying report of the auditor thereon and one copy of the most recent interim financial statements of the Corporation that have been filed, if any, for any period after the end of the most recently completed financial year;

(iii) one copy of the management information circular of the Corporation in respect of its most recent meeting of shareholders that involved the election of directors of the Corporation; and

(iv) one copy of any other documents which are incorporated by reference into the preliminary short from prospectus or the short form prospectus and are not required to be provided under (i) to (iii) above; or

(b) at any other time, one copy of the documents referred to in clauses (a) (i), (ii) and (iii) above, provided that the Corporation may require the payment of a reasonable charge from such a person or company who is not a security holder of the Corporation.