EZENET LIMITED
A.B.N. 84 083 646 477

ANNUAL REPORT

30 JUNE 2004

EZENET LIMITED
CORPORATE DIRECTORY
A.B.N. 84 083 646 477

Directors

W G Martinick
Executive Chairman

L H Chapman
Executive Director

G R O'Dea
Non-Executive Director

N T O'Loughlin
Executive Director

Company Secretary

S M O Watson

Registered Office and Principal Place of Business

Unit 3
73 Troy Terrace
Jolimont WA 6014
Telephone: 9388 2000
Fax: 9388 2999
Web Site: www.ezenet.com.au

Share Registry

Computershare Registry Services Pty Ltd
Level 2, Reserve Bank Building
45 St George's Terrace
Perth WA 6000

Auditors

Ernst & Young
Central Park
152 St George's Terrace
Perth WA 6000

Bank

Challenge Bank
109 St George's Terrace
Perth WA 6000

Contents

EZENET LIMITED
DIRECTORS' REPORT

Your directors submit their report for the year ended 30 June 2004.

DIRECTORS

The names and details of the directors of the company in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

W G Martinick B.Sc, Ph.D, Environmental Scientist (Executive Chairman)	Dr Wolf Martinick is 59 years of age and was appointed a director and chairman on 13 January 2003. He is a scientist with extensive experience in the resource industry, a Fellow and Chartered Professional of the Australasian Institute of Mining and Metallurgy, past Vice President of the Association of Mining and Exploration Companies. He is a Director and shareholder of Martinick Investments Pty Ltd, Martinick Management Services Pty Ltd and Martinick Bosch Sell Pty Ltd (trading as MBS Environmental), and non-executive Director of Sun Resources NL (oil and gas exploration company) and Chairman of Olympia Resources Limited (mining exploration company). He was a Director of Basin Minerals Limited from 1996 to 2002 and participated in negotiating the friendly takeover of this company by Iluka Resources Limited after discovery of its world class Douglas mineral sands project. He has been associated for over thirty five years with the exploration and mining in Australia and also Africa, China, India and Papua New Guinea attending to environmental, water, land access and due diligence studies on behalf of various major companies, financial institutions and for listings on Australian, London and Hong Kong stock exchanges.
L H Chapman (Executive Director)	Mr Chapman formed Ezenet Pty Ltd in 1998 and was appointed a director of Ezenet Limited on 6 April 2000. He has considerable business experience particularly in sales and marketing. He was the founder of Movielink Corporation Ltd; a company, which pioneered the movie, supply business to hotels in Australia.
G R O'Dea (Non-Executive Director)	Mr O'Dea was appointed a director on 7 March 2002. He is a former business development manager for The West Australian Newspaper with 30 years media experience in radio, television, press and outdoor advertising. Throughout the past two years Ross was contracted to the WATAB as Manager, Media Services. This contract concluded 11 June 2004.
N T O'Loughlin B.Sc (Hons), M.Sc, M AusIMM, Geologist (Executive Director)	Mr Neil O'Loughlin was appointed a director on 13 January 2003. He obtained a B.Sc (Hons) in Mining Geology from University College Cardiff, Wales and a M.Sc. from the University of Manchester Institute of Science and Technology. He is a member of the Australasian Institute of Mining and Metallurgy with over seventeen years experience in exploration and mining of a range of commodities in Australia and overseas. Prior to his involvement with Ezenet Ltd, he was Technical Director of Basin Minerals Ltd from 1996 to 2002 when the company was the subject of a friendly take over by Iluka Resources Ltd.

EZENET LIMITED
DIRECTORS' REPORT (Cont'd)

DIRECTORS (Cont'd)

INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY

As at the date of this report the interests of the directors in the securities of the company were:

	Ordinary Shares	Options over Ordinary Shares
W G Martinick **	10,924,757	8,061,033
L H Chapman	1,900,000	1,000,000
G R O'Dea	72,600	3,003,300
N T O'Loughlin	3,549,591	3,204,668

**Shares and options are held by W G Martinick and Martinick Investments Pty Ltd ATF The Martinick Superannuation Fund.

EARNINGS PER SHARE	2004	2003
Basic and diluted loss per share (cents)	(2.2)	(1.4)

DIVIDENDS PAID OR PROPOSED

The company has not paid any dividends since the commencement of the financial year, and no dividends are proposed to be paid.

PRINCIPAL ACTIVITIES

The principal activity during the year of entities within the consolidated entity was the provision of digital movie services to the hospitality and mining industries.

There has been no significant change to this activity during the year.

The consolidated entity's business is conducted from operations located in Australia.

CORPORATE INFORMATION

Ezenet Limited is a company limited by shares and is incorporated and domiciled in Australia. It has prepared a consolidated financial report incorporating Ezestream Pty Ltd, (previously known as Ezetel Pty Ltd), a wholly owned entity incorporated on 12 May 2003.

The consolidated entity employed 8 people at 30 June 2004 (2003: 5 people).

OPERATING RESULTS

The consolidated entity's revenue was $986,597 and the loss after providing for income tax was $1,274,510 for the financial year. (2003: revenue $500,117, loss $706,772)

EZENET LIMITED
DIRECTORS' REPORT (Cont'd)

RISK MANAGEMENT

The group takes a proactive approach to risk management. The Board is responsible for ensuring that risks, and opportunities, are identified on a timely basis and that the group's objectives and activities are aligned with the risks and opportunities identified by the Board.

The group believes that it is crucial for all Board members to be a part of this process, and as such the board has not established a separate risk management committee.

REVIEW OF OPERATIONS, LIKELY DEVELOPMENTS AND EXPECTED RESULTS

1. Year in Review

Revenues for the year increased from $500,117 to $986,597 due mainly to growth from free to guest and the initial stages of introducing the new pay movie system 'Video Jock'. The new pay movie system was trialled during the period January to April 2004 with the commercial rollout commencing in April. A number of technical issues and system limitations were identified requiring resolution prior to commercialisation.

Recognising the company generated an overall operating loss for the year of $1,274,510, it should be noted that $583,876 of the loss was attributed to the licences paid on our digital film library and depreciation on plant and equipment. From a cash perspective $721,959 of the outflow of funds was used to purchase plant and equipment for future installations and projects.

Whilst the achievement of an operating loss is disappointing, it is important to put the result into context and note the positive steps that were made towards repositioning the business. These include:

1. Successful development of a proprietary digital movie player and associated scheduling software;
2. Trial and initial commercialisation of Video Jock, a low cost subscriber management system suitable for use in small to medium hotels in the 2-3 star market segment;
3. Initial development of a proprietary subscriber management system suitable for installation in medium to large hotels in the 2-4 star segments;
4. Development of a specialist entertainment and information product for the Australian mining market;
5. Expansion of the existing digital film library to ensure sufficient movie content and variety;
6. Ongoing review of mineral investment opportunities within and outside of Australia;
7. Introduction of new management to maximise existing and new business potential.

During the year, a number of mineral opportunities were identified and progressed. To date, there have been no commitments made towards a specific mineral project, however, investigations and discussions are continuing with respect to a number of overseas projects.

2. Future Forecast

The repositioning of Ezestream from focusing on lower margin free to guest revenue to the higher margin and larger pay movie market in Australia was a fundamental change made during the year.
Whilst the Video Jock system is expected to secure around 2000 additional rooms by the end of December 2004, a more technically effective subscriber management system product is required to ensure greater levels of growth are achieved.

Following initial research internationally into the availability of such a product, the Board of Ezenet decided to develop its own system that would deliver the necessary functionality for hotels whilst meet its own targets of cost, market penetration and guest take-up rate potential. The company commenced a product development project in June and expects initial customer trials to begin toward the end of the 2004 calendar year. Full commercial rollout is expected early in 2005.

The combination of Ezenet's subsidiary's existing and new products will not only assist secure growth within the Australian hospitality market but will, for the first time, enable the organisation to export an 'end to end' entertainment system to overseas markets through either resellers or direct to clients.

	2004	**2003**
	$	$
Operating revenue	986,597	500,117
Operating loss	(1,274,510)	(706,772)

The company has raised additional capital of $3,138,810 during the last financial year.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

As indicated in the review of operations, the company raised $3,138,810 during the financial year and a further $15,075 post year-end through the conversation of options and share issues. These funds have been used as working capital of the company and to provide a solid financial basis as the company continues to develop its digital movie system.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

1. In July 2004 the company announced that Ezenet had terminated the Purchase Agreement with VideoJock BV to purchase the VideoJock product package which includes the VideoJock Equipment and Software. The Vendors were unable to deliver the technology in the terms of the Agreement and although Ezenet had worked with the Vendors since March to overcome these difficulties it was decided to terminate the Agreement. Ezenet will continue as the Australian and New Zealand distributor for the VideoJock product.

2. Since the end of the financial year share capital has increased by $15,075 due to the exercising of options.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The consolidated entity is not subject to any environmental regulations.

SHARE OPTIONS

Unissued shares

At the date of this report there were 34,022,076 unissued ordinary shares under options, with 34,122,576 at reporting date. Refer to note 13 of the financial statements for further details of the options outstanding.

There are no participating rights or entitlements inherent in the options to participate in any new issues of capital which may be offered to shareholders of the company from time to time prior to the expiry date of the options and they do not participate in any bonus issue of securities unless and until the options are exercised.

EZENET LIMITED
DIRECTORS' REPORT (Cont'd)

Shares issued as a result of the exercise of options
5,401,534 options, at a weighted average exercise price of $0.15, have been exercised either during the financial year or since the end of the financial year.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

No indemnities have been given or agreements made during or since the end of the year for both current and former directors and officers of the consolidated entity.

During the financial year, the company has not paid any premiums in respect of a contract insuring any of the directors of Ezenet Limited against a liability incurred in their role as directors of the company.

DIRECTORS' AND OTHER OFFICER'S EMOLUMENTS

The Board of Directors is responsible for determining and reviewing compensation arrangements for the directors and the chief executive officer. The Board assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team. Such officers are given the opportunity to receive their base emolument in a variety of forms including cash and other non-cash payments. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the company.

To assist in achieving these objectives, the Board links the nature and amount of executive directors' and officers' emoluments to the company's financial and operational performance.

It is the Board's policy that employment agreements shall only be entered into with the Chief Executive Office and one other Executive Director who is employed in business development. The current employment agreements with both officers have a three month notice period.

Details of the nature and amount of each element of the emoluments of each director and the executive officer of the consolidated entity are as follows:

Emoluments of directors and executive officers

	Annual emoluments			Long-term emoluments		Total
	Office	*Base Fee*	*Other*	*Superannuation*	*Options*	
	$	*$*	*$*	*$*	*$*	*$*
Directors						
LH Chapman	-	137,000	-	12,330	44,900	194,230
WG Martinick	-	-	156,800	-	-	156,800
NT O'Loughlin	-	-	27,000	-	-	27,000
G R O'Dea	-	-	-	-	-	-
Executive Officer						
R A Burt	-	36,645	-	3,298	-	39,943
Total	-	173,645	183,800	15,628	44,900	417,973

Professional services of $156,800 were provided by Martinick Investments Pty Ltd, a company associated with W G Martinick on normal commercial terms and conditions.

Professional services of $27,000 were provided by Indi Holdings Pty Ltd, a company associated with N T O'Loughlin on normal commercial terms and conditions.

EZENET LIMITED
DIRECTORS' REPORT (Cont'd)

During the financial year 1,000,000 options exercisable at 15 cents per option on or before 30 June 2007, were issued to L H Chapman, an executive director of the company.

The options granted have been valued using the Black-Scholes option valuation methodology. See note 13 for additional information.

INTERESTS IN CONTRACTS OR PROPOSED CONTRACTS WITH THE COMPANY

During or since the end of the financial year, no director has had any interest in a contract or proposed contract with the company being an interest the nature of which has been declared by the director in accordance with Section 300(11)(d) of the Corporations Act 2001.

DIRECTORS' MEETINGS

During the year 7 directors' meetings were held. The number of meetings attended by each director was as follows:

	No. of meetings held while in office	Meetings attended
W G Martinick	7	6
L H Chapman	7	5
G R O'Dea	7	7
N T O'Loughlin	7	4

As at the date of this report, the company did not have an audit committee, as the directors believe the size of the company does not warrant its existence.

TAX CONSOLIDATION

Effective 1 July 2003, for the purposes of income taxation, Ezenet Limited and its 100% owned subsidiary have formed a tax consolidated group. Members of the group have agreed to enter into a tax sharing arrangement in order to allocate the income tax expense to the wholly-owned subsidiary on a pro-rata basis. In addition the agreement will provide for the allocation of income tax liabilities should the head entity default on its tax payment obligations. The deductibility of carried forward losses as a consolidated group has yet to be determined.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of the company support and have adhered to the principles of corporate governance. The company's corporate governance statement is contained in the additional Australian Stock Exchange information section of this annual report.

Signed in accordance with a resolution of the directors

(Original signed by W G Martinick)
W G Martinick - Chairman
Perth, 16 September 2004

ERNST & YOUNG

Central Park
152 St Georges Terrace
Perth WA 6000
Australia

GPO Box M939
Perth WA 6843

Tel 61 8 9429 2222
Fax 61 8 9429 2436

Independent audit report to members of Ezenet Limited

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Ezenet Limited (the company) and the consolidated entity, for the year ended 30 June 2004. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company and the consolidated entity, and that complies with Accounting Standards in Australia, in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Audit opinion

In our opinion, the financial report of Ezenet Limited is in accordance with:

(a) the Corporations Act 2001, including:

  (i) giving a true and fair view of the financial position of Ezenet Limited and the consolidated entity at 30 June 2004 and of their performance for the year ended on that date; and

  (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory financial reporting requirements in Australia.

Ernst & Young

J P Dowling
Partner
Perth
Date: 29 September 2004

JPD:HG:EZENET:034

EZENET LIMITED
DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Ezenet Limited, I state that:

1) In the opinion of the directors:

   (a) the financial statements and notes of the company and consolidated entity are in accordance with the Corporations Act 2001, including:

      (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2004 and of their performance for the year ended on that date; and

      (ii) complying with Accounting Standards and Corporations Regulations 2001; and

   (b) subject to the matters referred to in note 1 to the financial statements "Going Concern Basis" there are reasonable grounds to believe that the company and consolidated entity will be able to pay their debts as and when they become due and payable.

On behalf of the Board

(Original signed by W G Martinick)
W G Martinick
Chairman
Perth, 16 September 2004

EZENET LIMITED
STATEMENT OF FINANCIAL PERFORMANCE
FOR YEAR ENDED 30 JUNE 2004

	Notes	CONSOLIDATED 2004 $	CONSOLIDATED 2003 $	EZENET LIMITED 2004 $	EZENET LIMITED 2003 $
REVENUE FROM ORDINARY ACTIVITIES					
Revenue from sales of goods	2	25,152	22,105	-	19,974
Cost of sales		-	-	-	-
Gross profit		25,152	22,105	-	19,974
Other revenue	2	961,445	478,012	47,373	414,632
EXPENSES FROM ORDINARY ACTIVITIES					
Marketing expenses		(408,672)	(272,145)	(1,288)	(247,685)
Occupancy expenses		(72,437)	(62,380)	-	(52,630)
Administrative expenses		(530,740)	(195,719)	(410,458)	(190,482)
Other operating expenses	3	(1,210,106)	(674,319)	(917,937)	(601,303)
Borrowing expenses		(39,152)	(2,326)	(39,152)	(2,326)
LOSS FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE		(1,274,510)	(706,772)	(1,321,462)	(659,820)
INCOME TAX EXPENSE RELATING TO ORDINARY ACTIVITIES	4	-	-	-	-
NET LOSS ATTRIBUTABLE TO MEMBERS OF EZENET LIMITED	14	(1,274,510)	(706,772)	(1,321,462)	(659,820)
Basic and diluted loss per share (cents)	21	(2.2)	(1.4)	(2.2)	(1.4)

The statement of financial performance should be read in conjunction with the accompanying notes.

EZENET LIMITED
STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2004

	Notes	CONSOLIDATED 2004 $	CONSOLIDATED 2003 $	EZENET LIMITED 2004 $	EZENET LIMITED 2003 $
CURRENT ASSETS					
Cash assets		1,489,890	319,008	1,365,008	318,808
Receivables	5	105,543	102,516	-	-
Other	6	15,982	50,856	4,828	37,021
TOTAL CURRENT ASSETS		1,611,415	472,380	1,369,836	355,829
NON-CURRENT ASSETS					
Plant and equipment	7	1,132,322	610,246	-	-
Interest in subsidiary	8	-	-	1,197,781	603,506
TOTAL NON-CURRENT ASSETS		1,132,322	610,246	1,197,781	603,506
TOTAL ASSETS		2,743,737	1,082,626	2,567,617	959,335
CURRENT LIABILITIES					
Payables	9	192,370	420,063	49,373	263,681
Provisions	10	29,359	13,861	-	-
Interest-bearing liabilities	11	123,237	113,888	119,473	113,888
TOTAL CURRENT LIABILITIES		344,966	547,812	168,846	377,569
NON CURRENT LIABILITIES					
Interest-bearing liabilities	12	20,414	20,757	20,414	20,757
TOTAL NON CURRENT LIABILITIES		20,414	20,757	20,414	20,757
TOTAL LIABILITIES		365,380	568,569	189,260	398,326
NET ASSETS		2,378,357	514,057	2,378,357	561,009
SHAREHOLDERS' EQUITY					
Contributed equity	13	7,753,525	4,614,715	7,753,525	4,614,715
Reserves	14	29,000	29,000	29,000	29,000
Accumulated losses	14	(5,404,168)	(4,129,658)	(5,404,168)	(4,082,706)
TOTAL EQUITY		2,378,357	514,057	2,378,357	561,009

The statement of financial position should be read in conjunction with the accompanying notes.

EZENET LIMITED
STATEMENT OF CASH FLOWS
FOR YEAR ENDED 30 JUNE 2004

	Notes	CONSOLIDATED 2004 $	CONSOLIDATED 2003 $	EZENET LIMITED 2004 $	EZENET LIMITED 2003 $
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		934,675	410,668	-	337,677
Payments to suppliers and employees		(1,943,868)	(971,193)	(1,850,097)	(926,513)
Interest received		48,895	10,297	47,373	10,297
NET CASH FLOWS USED IN OPERATING ACTIVITIES	15	(960,298)	(550,228)	(1,802,724)	(578,539)
CASH FLOWS FROM INVESTING ACTIVITIES					
Payment for purchases of plant and equipment		(721,959)	(412,985)	-	(384,874)
Proceeds from sale of plant and equipment		450	-	-	-
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(721,509)	(412,985)	-	(384,874)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares & options		2,832,310	261,758	2,832,310	261,758
Proceeds from share applications received in advance		-	207,000	-	207,000
Proceeds from borrowings raised		237,793	164,214	200,000	164,214
Repayment of borrowings		(217,414)	(29,568)	(183,386)	(29,568)
NET CASH FLOWS FROM USED IN FINANCING ACTIVITIES		2,852,689	603,404	2,848,924	603,404
NET INCREASE (DECREASE) IN CASH HELD		1,170,882	(359,809)	1,046,200	(360,009)
Opening cash brought forward		319,008	678,817	318,808	678,817
CLOSING CASH CARRIED FORWARD		1,489,890	319,008	1,365,008	318,808

The statement of cash flows should be read in conjunction with the accompanying notes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 which includes applicable Accounting Standards. Other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with.

The financial report has been prepared in accordance with the historical cost convention and does not take into account changing money values.

Going concern basis

The financial report has been prepared on the going concern basis. The ability of the company and the consolidated entity to pay their debts as and when they fall due is dependent on the continued successful development of the business model, which may require the securing of additional funds either by equity or borrowings. The directors are evaluating various options and sources of funding and on this basis believe the adoption of the going concern basis is justified. However, should sources of additional funding not become available the company may not be able to pay its debts as and when they fall due and may be required to realise assets and extinguish liabilities other than in the normal course of business and at amounts different from those stated in the financial statements.

Changes in accounting policies

The accounting policies adopted are consistent with those of the previous year.

Principles of consolidation

The consolidated financial statements are those of the consolidated entity, comprising Ezenet Limited and Ezestream Pty Ltd. Acquisitions are accounted for using the purchase method of accounting.

The financial statements of the subsidiary are prepared for the same reporting period as the parent company, using consistent accounting policies.

All intercompany balances and transactions have been eliminated.

Interest-bearing liabilities

Loans are measured at the principal amount. Interest is recognised as an expense as it accrues.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Cash and cash equivalents

Cash on hand and in banks and short-term deposits are stated at nominal value.

For the purpose of the Statement of Cash Flows, cash includes cash on hand and in banks, net of any outstanding bank overdrafts.

Plant and equipment

Cost and valuation
Items of plant and equipment are brought to account at cost less any accumulated depreciation.

Depreciation
Depreciation is provided on a prime cost or reducing balance method on all plant and equipment from the time it is first used in the operations of the consolidated entity.

Major depreciation periods are:	**2004**	**2003**
- Office equipment and fittings	2.5 to 5.0 years	2.5 to 5.0 years
- Equipment installed in hotels	4.0 years	4.0 years
- Digital film library	4.0 years	4.0 years

Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Trade and other payables

Liabilities for trade creditors and other amounts are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity.

Share capital

Ordinary share capital is recognised at the fair value of the consideration received by the company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

EZENET LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
30 JUNE 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods
Control of goods has passed to the buyer.

Rendering of services
The control of a right to be compensated for services has been attained.

Interest
Control of the right to receive the interest payment.

Income tax

Tax-effect accounting is applied using the liability method whereby income tax is regarded as an expense and is calculated on the accounting profit after allowing for permanent differences. To the extent timing differences occur between the time items are recognised in the financial statements and when items are taken into account in determining taxable income, the net related taxation benefit or liability, calculated at current rates, is disclosed as a future income tax benefit or a provision for deferred income tax. The net future income tax benefit relating to tax losses and timing differences is not carried forward as an asset unless the benefit is virtually certain of being realised.

The income tax benefit relating to tax losses is calculated using the 30% corporate tax rate.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- Where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

EZENET LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
30 JUNE 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Earnings per share

Basic EPS is calculated as net loss attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net loss attributable to members, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

Recoverable amount

Non-current assets are not carried at an amount above their recoverable amount and where carrying values exceed the recoverable amount assets are written down. In determining the recoverable amount, the expected net cash flows have not been discounted to their present value using a market determined risk adjusted discount rate.

Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating leases
The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight-line basis.

Finance leases
Leases which effectively transfer substantially all of the risks and benefits incidental to ownership of the leased item to the group are capitalised at the present value of the minimum lease payments and disclosed as property, plant and equipment under lease. A lease liability of equal value is also recognised.

Capitalised lease assets are depreciated over the shorter of the estimated useful life of the assets and the lease term. Minimum lease payments are allocated between interest expense and reduction of the lease liability with the interest expense calculated using the interest rate implicit in the lease and recognised directly in net profit.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Foreign currencies

Transactions in foreign currencies are converted to local currency at the rate of exchange ruling at the date of the transaction.

Balances denominated in foreign currencies have been converted to local currency using rates of exchange ruling at the end of the financial year. All resulting exchange differences are brought to account in determining the net profit and loss for the financial year.

Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and long service leave.

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used.

Employee benefit expenses arising in respect of the following categories:

- wages and salaries, non-monetary benefits, annual leave, long service leave, sick leave and other leave benefits; and
- other types of employee benefits

are recognised against profits on a net basis in their respective categories.

The value of the equity-based compensation scheme described in note 20 is not being recognised as an employee benefits expense.

Comparatives

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

EZENET LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
30 JUNE 2004

	CONSOLIDATED		EZENET LIMITED	
	2004	**2003**	**2004**	**2003**
	$	**$**	**$**	**$**
2. REVENUE FROM ORDINARY ACTIVITIES				
(a) Revenue from sales				
Revenue from sale of goods	25,152	22,105	-	19,974
Total revenue from sales	25,152	22,105	-	19,974
(b) Other revenue from ordinary activities				
Revenue from services rendered	912,550	465,963	-	402,583
Interest received	48,895	12,049	47,373	12,049
Total other revenue from ordinary activities	961,445	478,012	47,373	414,632
3. EXPENSES AND LOSSES				
Other Operating Expenses				
Depreciation on equipment and fittings	202,381	120,636	-	106,625
Amortisation of film library	43,495	31,173	-	28,078
Diminution in Investment	-	-	808,669	-
Film licence fees	338,072	161,165	-	-
Other expenses	626,158	361,345	109,268	466,600
	1,210,106	674,319	917,937	601,303
Provision for employee entitlements	15,497	2,725	-	2,038
Operating lease rentals	60,446	47,506	-	39,624

EZENET LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
30 JUNE 2004

	CONSOLIDATED		EZENET LIMITED	
	2004	2003	2004	2003
	$	$	$	$
4. INCOME TAX				
The prima facie tax on the loss from ordinary activities is reconciled to the income tax provided in the accounts as follows:				
Prima facie tax benefit on loss from ordinary activities:	(376,057)	(212,032)	(152,889)	(197,946)
Tax effect of permanent differences:				
Trademark expenses	-	300	-	300
Entertainment	838	1,398	139	1,398
Income tax attributable to operating loss	(375,219)	(210,334)	(152,750)	(196,248)
Future income tax benefit not bought to account	375,219	210,334	152,750	196,248
Income tax expense attributable to ordinary activities	-	-	-	-
Income tax losses				
Future income tax benefit arising from tax losses at 30%, not bought to account at balance date as realisation of the benefit is not regarded as virtually certain	1,314,092	919,892	1,077,854	906,624

This future income tax benefit will only be obtained if:
(a) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
(b) the conditions for deductibility of prior year losses imposed by tax legislation can be complied with;
(c) no changes in tax legislation adversely affect the company in realising the benefit.

Tax Consolidation

Effective 1 July 2003, for the purposes of income taxation, Ezenet Limited and its 100% owned subsidiary have formed a tax consolidated group. Members of the group have agreed to enter into a tax sharing arrangement in order to allocate the income tax expense to the wholly-owned subsidiary on a pro-rata basis. In addition the agreement will provide for the allocation of income tax liabilities should the head entity default on its tax payment obligations. The deductibility of carried forward losses as a consolidated group has yet to be determined.

EZENET LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
30 JUNE 2004

	CONSOLIDATED		EZENET LIMITED	
	2004	2003	2004	2003
	$	$	$	$
5. RECEIVABLES (Current)				
Trade debtors	105,543	102,516	-	-
Less: Provision for doubtful debts	-	-	-	-
	105,543	102,516	-	-
6. OTHER (Current)				
Other debtors	-	24,167	-	24,167
Prepayments	12,924	11,020	-	-
GST receivable	3,058	15,669	4,828	12,854
	15,982	50,856	4,828	37,021
7. PLANT AND EQUIPMENT				
Office equipment and fittings at cost	161,934	125,119	-	-
Less : Provision for depreciation	(94,468)	(69,064)	-	-
	67,466	56,055	-	-
Plant and equipment at cost	1,265,560	589,827	-	-
Less : Provision for depreciation	(315,424)	(139,425)	-	-
	950,136	450,402	-	-
Digital film library at cost	202,327	147,901	-	-
Less : Provision for amortisation	(87,607)	(44,112)	-	-
	114,720	103,789	-	-
Total plant, equipment and film				
Cost	1,629,821	862,847		
Accumulated depreciation & amortisation	(497,499)	(252,601)		
Total written down value	1,132,322	610,246	-	-

(a) Assets pledged as security

Included in the balances of plant and equipment are assets that have been granted as security over loans (see Notes 11 and 12). The written down value of the assets pledged is $153,524.

EZENET LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
30 JUNE 2004

7. PLANT AND EQUIPMENT (Cont)

(b) Reconciliations

	CONSOLIDATED		EZENET LIMITED	
	2004	2003	2004	2003
	$	$	$	$
Office equipment and fittings				
Carrying amount at beginning of year	56,055	59,103	-	59,103
Additions	39,334	20,565	-	20,565
Disposals	(1,540)	-	-	-
Transferred to the subsidiary	-	-	-	(58,202)
Depreciation and amortisation expense	(26,383)	(23,613)	-	(21,466)
	67,466	56,055	-	-
Plant and equipment				
Carrying amount at beginning of year	450,402	207,468	-	207,468
Additions	675,732	339,957	-	311,846
Transferred to the subsidiary	-	-	-	(434,154)
Depreciation and amortisation expense	(175,998)	(97,023)	-	(85,160)
	950,136	450,402	-	-
Digital film library				
Carrying amount at beginning of year	103,789	82,500	-	82,500
Additions	54,426	52,462	-	52,462
Transferred to the subsidiary	-	-	-	(106,885)
Depreciation and amortisation expense	(43,495)	(31,173)	-	(28,077)
	114,720	103,789	-	-
	1,132,322	610,246	-	-

8. INTEREST IN SUBSIDIARY (Non-current)	Country of incorporation	% equity held by consolidated entity	Investment 2004 $	Investment 2003 $
Ezestream Pty Ltd (name change from Ezetel Pty Ltd)	Australia	100		
Share Capital			573,199	573,199
Loan			1,433,251	30,306
Provision for Diminution in Investment			(808,669)	-
			1,197,781	603,505

The loan is unsecured, interest free with no fixed terms of repayment.

EZENET LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
30 JUNE 2004

	CONSOLIDATED		EZENET LIMITED	
	2004	2003	2004	2003
	$	$	$	$
9. PAYABLES (Current)				
Trade creditors and accruals	192,370	213,063	49,373	56,681
Other creditors	-	207,000	-	207,000
	192,370	420,063	49,373	263,681
10. PROVISIONS (Current)				
Employee benefits	29,359	13,861	-	-
11. INTEREST-BEARING LIABILITES (Current)				
Unsecured loans	3,764	102,493	-	102,493
Hire purchase loan (a)	11,440	11,395	11,440	11,395
Secured business loan (b)	108,033	-	108,033	-
	123,237	113,888	119,473	113,888

Terms and Conditions
(a) The hire purchase loan has a term of 3 years at an interest rate of 9.6%.
The liability is secured by a charge over the acquired assets.
(b) The secured business loan has a term of 2 years at an interest rate of 19.87%
The liability is secured by a charge over equipment installed in Hotels.

12. INTEREST-BEARING LIABILITIES (Non-current)

Hire purchase loan (a)	10,413	20,757	10,413	20,757
Secured business loan (b)	10,001	-	10,001	-
	20,414	20,757	20,414	20,757

Refer Terms and Conditions in Note 11.

EZENET LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
30 JUNE 2004

13. CONTRIBUTED EQUITY

(a) **Issued and paid up capital**

62,088,321 ordinary shares fully paid (2003: 40,135,000)	8,157,763	5,018,953	8,157,763	5,018,953
Less: capital raising costs	(404,238)	(404,238)	(404,238)	(404,238)
	7,753,525	4,614,715	7,753,525	4,614,715

(b) **Movements in shares on issue**

	2004		2003	
	Number of shares	**$**	**Number of shares**	**$**
Beginning of the financial year	40,135,000	4,614,715	34,900,000	4,352,957
Issued during the year				
- public equity raisings	15,993,588	2,244,155	5,235,000	261,758
- shares issued in settlement of consulting fees	658,699	99,500	-	-
- options exercised	5,301,034	795,155	-	-
- less transaction costs	-	-	-	-
End of the financial year	62,088,321	7,753,525	40,135,000	4,614,715

(c) **Share Options**

In the year ended June 2002, 29,000,000 options were issued, at 0.1 cents per option, exercisable at 10 cents per option on or before 31 July 2003. These options expired on 31 July 2003.

4,188,588 options exercisable at 15 cents per option on or before 30 June 2007 were issued to shareholders of the company on 15 July 2003. Each option has been valued at 4.51 cents.

1,000,000 options exercisable at 15 cents per option on or before 30 June 2007 were issued to an executive director and employee of the company on 31 July 2003. Each option has been valued at 4.49 cents.

11,295,000 options exercisable at 15 cents per option on or before 30 June 2007 were issued to shareholders of the company on 29 August 2003. Each option has been valued at 10.80 cents

2,330,000 options exercisable at 15 cents per option on or before 30 June 2007 were issued to employees and consultants on 29 August 2003. Each option has been valued at 10.80 cents.

2,750,022 options exercisable at 15 cents per option on or before 30 June 2007 were issued to shareholders on 11 March 2004. Each option has been valued at 21.66 cents.

125,000 options exercisable at 40 cents per option on or before 31 December 2006 were issued to employees on 11 March 2004. Each option has been valued at 9.86 cents.

The options granted have been valued using the Black-Scholes option valuation methodology. The valuations reflected above do not necessarily represent the market value of the options or the tax value for taxation purposes to the option holder.

EZENET LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
30 JUNE 2004

13. CONTRIBUTED EQUITY (Cont)

At the end of the financial year there were 34,122576 (2002: 46,735,000) unissued ordinary shares in respect of which options were outstanding.

Movement in Options	**2004**	**2003**
Beginning of the year	46,735,000	29,000,000
Forfeited	(29,000,000)	-
Exercised	(5,301,034)	-
Issued	21,688,610	17,735,000
End of the year	34,122,576	46,735,000

(d) **Terms and conditions of contributed equity**
Ordinary shares
Ordinary shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. The ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

	CONSOLIDATED		**EZENET LIMITED**	
	2004	**2003**	**2004**	**2003**
	$	**$**	**$**	**$**
14. ACCUMULATED LOSSES AND RESERVES				
Accumulated Losses				
Balance at beginning of year	(4,129,658)	(3,422,886)	(4,082,706)	(3,422,886)
Loss for the year	(1,274,510)	(706,772)	(1,321,462)	(659,820)
Balance at end of year	(5,404,168)	(4,129,658)	(5,404,168)	(4,082,706)
Option Reserve				
Balance at beginning and end of year	29,000	29,000	29,000	29,000

The amount credited to the Option Reserve relates to the premium paid for options granted.

EZENET LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
30 JUNE 2004

	CONSOLIDATED		EZENET LIMITED	
	2004	2003	2004	2003
	$	$	$	$
15. STATEMENT OF CASH FLOWS				
Reconciliation of the net loss to the net cash flows from operations				
Net loss	(1,274,510)	(706,772)	(1,321,462)	(659,820)
- Depreciation of plant and equipment	202,381	120,636	-	106,625
- Amortisation of film library	43,495	31,173	-	28,078
- Loss on sale of plant & equipment	111	-	-	-
- Shares in lieu of fees	99,500	-	99,500	-
Changes in assets and liabilities				
- Trade receivables	(3,027)	(48,354)	-	54,162
- Other receivables	35,009	(20,680)	32,193	(17,865)
- Prepayments	(13,275)	(6,557)	(11,370)	4,463
- Trade and other creditors	(65,479)	77,602	(7,310)	(78,780)
- Employee entitlements	15,497	2,724	-	(11,137)
- Due to transfer to controlled entities	-	-	(594,275)	(4,265)
Net cash flows used in operating activities	(960,298)	(550,228)	(1,802,724)	(578,539)

a. Non-Cash Financing and Investing Activities
During the financial year, fully paid shares were issued in settlement of consulting fees to the value of $99,500.

	CONSOLIDATED		EZENET LIMITED	
	2004	2003	2004	2003
	$	$	$	$
16. EXPENDITURE COMMITMENTS				
Operating lease (non-cancellable)				
- not later than one year	39,900	15,731	39,900	15,731
- later than one year and not later than five years	10,500	-	10,500	-
Aggregate lease expenditure contracted for at balance date	50,400	15,731	50,400	15,731

These commitments reflect the cost to the company for entering into a non-cancellable operating lease for premises to be occupied by the company until 14 September 2005.

EZENET LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
30 JUNE 2004

17. SEGMENT INFORMATION

Revenue is derived by the consolidated entity from the information technology sector.
The consolidated entity operates predominantly within the one sector in Australia.

18. SUBSEQUENT EVENTS

In July 2004 the company announced that Ezenet has terminated the Purchase Agreement with VideoJock BV to purchase the VideoJock product package which includes the VideoJock Equipment and Software. The Vendors were unable to deliver the technology in the terms of the Agreement and although Ezenet had worked with the Vendors since March to overcome these difficulties it was decided to terminate the Agreement. Ezenet will continue as the Australian and New Zealand distributor of the VideoJock product.

Since the end of the financial year share capital has increased by $15,075 due to the exercising of options.

19. ECONOMIC DEPENDENCY

The consolidated does not have any economic dependency with any one client or group of clients.

20. EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS	CONSOLIDATED 2004 $	CONSOLIDATED 2003 $	EZENET LIMITED 2004 $	EZENET LIMITED 2003 $
Employee Benefits				
The aggregate employee benefit liability is comprised of:				
Accrued wages, salaries and on-costs	1,226	-	-	-
Provisions (current)	29,359	13,861	-	-

Superannuation contributions by the consolidated entity of up to 9% of employees' wages and salaries are legally enforceable in Australia.

Employee Share Incentive Scheme

Ezenet Limited does not have an employee share scheme. Shareholders approved a resolution at the General Meeting on 30 May 2003 for management of the company, to grant options over the ordinary shares of Ezenet Limited to consultants, contractors and certain members of staff of the consolidated entity, to allow them the mechanism to participate in the future development of the company and as an incentive for their past and future involvement and commitment. The options, issued for nil consideration, are granted in accordance with performance guidelines established by the directors and management of Ezenet Limited and are issued at the discretion of the directors and management of Ezenet Limited.

.

EZENET LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
30 JUNE 2004

20. EMPLOYEE BENEFITS (Cont)

	2004		2003	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Balance at beginning of year	9,500,000	0.15	-	-
- granted	3,455,000	0.17	9,500,000	0.15
- forfeited	-	-	-	-
- exercised	50,000	0.17	-	-
Balance at end of year	12,905,000	0.17	9,500,000	0.15

a. Options granted during the reporting period:
The following table summarises information about options granted by Ezenet Limited to employees during the year:

1,000,000 Options	**2004**	2003
Grant Date	**31 July 2003**	-
Vesting Date	**31 July 2003**	-
Expiry Date	**30 June 2007**	-
Weighted average exercise price	**0.17**	-

2,330,000 Options	**2004**	2003
Grant Date	**29 August 2003**	-
Vesting Date	**29 August 2003**	-
Expiry Date	**30 June 2007**	-
Weighted average exercise price	**0.17**	-

125,000 Options	**2004**	2003
Grant Date	**11 March 2004**	-
Vesting Date	**11 March 2004**	-
Expiry Date	**31 December 2006**	-
Weighted average exercise price	**0.17**	-

b. Options exercised:
The following table summarises information about options exercised by employees during the year ended 30 June 2004.

Number of options	**Grant date**	**Exercise date**	**Expiry date**	**Weighted average exercise price**	**Proceeds from shares issued**	**Number of shares issued**	**Issue date**	**Fair value of shares issued**
50,000	29/08/03	18/01/04	30/06/07	0.17	$7,500	50,000	28/01/04	$14,250

Fair value of shares issued during the reporting period is estimated to be the market price of shares of Ezenet Limited on the ASX as at close of trading on their respective issue dates.

.

EZENET LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
30 JUNE 2004

c. Options held as at the end of the reporting period:
The following table summarises information about options held by the employees as at 30 June 2004.

Number of Options	Grant Date	Vesting Date	Expiry Date	Weighted average exercise price
9,500,000	30 June 2003	30 June 2003	30 June 2007	0.15
1,000,000	31 July 2003	31 July 2003	30 June 2007	0.15
2,280,000	29 August 2003	29 August 2003	30 June 2007	0.15
125,000	20 February 2004	20 February 2004	31 December 2006	0.40

21. EARNINGS PER SECURITY	**2004**	**2003**
(a) Basic and diluted loss per share (cents)	(2.2)	(1.4)

The following reflects the income (loss) and share data used in the calculations of basic and diluted earnings per share:

Net loss	(1,274,510)	(706,772)
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	57,577,643	49,333,889

Details of conversions to, calls of, or subscriptions for ordinary shares or issues of potential ordinary shares since the reporting date and before the completion of this financial report are included in note 13.

Basic EPS for the previous year has been restated in accordance with the requirements of AASB 1027 *"Earnings per Share"* to apply an adjustment factor to the prior year EPS to reflect the impact of shares issued at a discount to market price in the current year.

	CONSOLIDATED		**EZENET LIMITED**	
	2004	**2003**	**2004**	**2003**
	$	**$**	**$**	**$**
22. AUDITOR'S REMUNERATION				
Amounts received or due and receivable By the auditors of Ezenet Limited for:				
- an audit or review of the financial report	27,250	38,000	27,250	38,000
- other services	-	-	-	-
	27,250	38,000	27,250	38,000

23. DIRECTOR AND EXECUTIVE DISCLOSURES

(a) Details of Specified Directors and Specified Executives:

(i) Specified Directors

W G Martinick	Chairman (executive)
L C Chapman	Director (executive)
G R O'Dea	Director (non-executive)
N T O'Loughlin	Director (executive)

(ii) Specified Executives

R A Burt	Chief Executive Officer

There were no other specified executives during the year.

(b) Remuneration of specified Directors and Specified Executives

(i) Remuneration Policy

The Board of Directors of Ezenet Limited is responsible for determining and reviewing compensation arrangements for the directors, the chief executive officer and the executive team. The Board periodically assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team. Such officers are given the opportunity to receive their base emolument in a variety of forms including cash and other non-cash benefits. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the company.

To assist in achieving these objectives, the Board links the nature and amount of executive directors' and officers' emoluments to the company's financial and operational performance.

It is the Boards' policy that employment agreements shall only be entered into with the Chief Executive Officer and one other Executive Director who is employed in business development. The current employment agreements with both officers have a three month notice period

EZENET LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
30 JUNE 2004

23. DIRECTOR AND EXECUTIVE DISCLOSURES (cont)

(ii) Remuneration of Specified Directors and Specified Executives

	Primary		**Post Employment**	**Equity**	**Other**	**Total**
	Salary & Fees	Other	Superannuation	Options		
Specified Directors						
W G Martinick						
2004	156,800	-	-	-	-	156,800
2003	-	-	-	86,800	-	86,800
L H Chapman						
2004	137,000	-	12,330	44,900	-	194,230
2003	137,000	-	12,330	-	-	149,330
G R O'Dea						
2004	-	-	-	-	-	-
2003	6,113	-	-	74,400	-	80,513
N T O'Loughlin						
2004	27,000	-	-	-	-	27,000
2003	-	-	-	74,400	-	74,400
Total Remuneration: Specified Directors						
2004	320,800	-	12,330	44,900	-	378,030
2003	143,113	-	12,330	235,600	-	391,043
Specified Executives						
R A Burt						
2004	36,645	-	3,298	-	-	39,943
2003	-	-	-	-	-	-
Total Remuneration: Specified Executives						
2004	36,645	-	3,298	-	-	39,943
2003	-	-	-	-	-	-

(c) Remuneration Options: Granted and vested during the year

During the financial year options were granted as remuneration benefits to certain specified directors and specified executives as disclosed below.

L H Chapman was granted 1,000,000 options on 31 July 2003 as part of his remuneration package. This transaction was approved by shareholders 30 May 2003. Each option has been valued at 4.49 cents.

.

EZENET LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
30 JUNE 2004

23. DIRECTOR AND EXECUTIVE DISCLOSURES (cont)

(d) Shares issued on exercise of remuneration options

During the year no shares were issued on exercise of remuneration options.

(e) Option holdings of specified directors and specified executives

	Balance at beginning of period	Granted as remuneration	Options Exercised	Net Change Other	Balance at end of period	Vested at 30 June 2004		
	1 July 2003				30 June 2004	Total	Not Exercisable	Exercisable
Specified Directors								
W G Martinick **	7,575,912	-	(1,000,000)	1,585,121	8,161,033	8,161,033	-	8,161,033
L H Chapman	-	1,000,000		-	1,000,000	1,000,000	-	1,000,000
G R O'Dea	3,000,000	-	-	3,300	3,003,300	3,003,300	-	3,003,300
N T O'Loughlin	4,159,088	-	(1,159,088)	204,668	3,204,668	3,204,668	-	3,204,668
Specified Executives								
R A Burt	-	-	-	-	-	-	-	-
Total	14,735,000	1,000,000	(2,159,088)	1,793,089	15,369,001	15,369,001	-	15,369,001

**Options are held by W G Martinick and Martinick Investments Pty Ltd ATF The Martinick Superannuation Fund.

(f) Shareholdings of Specified Directors and Specified Executives

	Balance 1 July 03	Granted as Remuneration	On Exercise of Options	Net Change Other	Balance 30 June 04
Specified Directors					
W G Martinick **	7,025,000	-	1,000,000	2,799,757	10,824,757
L H Chapman	2,077,419	-	-	(177,419)	1,900,000
G R O'Dea	66,000	-	-	6,600	72,600
N T O'Loughlin	1,981,168	-	1,159,088	409,335	3,549,591
Specified Executives					
R A Burt	-	-	-	-	-
Total	11,149,587	-	2,159,088	3,038,273	16,346,948

**Shares are held by W G Martinick and Martinick Investments Pty Ltd ATF The Martinick Superannuation Fund.

EZENET LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
30 JUNE 2004

23. DIRECTOR AND EXECUTIVE DISCLOSURES (cont)

(g) Loans to/from specified directors and specified executives

On 23 February 2004, the company repaid borrowings of $100,000 to N O'Loughlin plus $7,342 interest. Interest was paid at the rate of 10% per annum.

(h) Other transactions and balances with specified directors and specified executives

Services

Bookkeeping services of $3,999 were provided by MBS Environmental Pty Ltd, a company associated with WG Martinick on normal commercial terms and conditions.

Professional services of $156,800 were provided by Martinick Investments Pty Ltd, a company associated with W G Martinick on normal commercial terms and conditions.

Professional services of $27,000 were provided by Indi Holdings Pty Ltd, a company associated with N T O'Loughlin on normal commercial terms and conditions.

Legal and company secretarial services of $186,707 were provided by Simon Watson on normal commercial terms and conditions.

EZENET LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
30 JUNE 2004

24. FINANCIAL INSTRUMENTS

(a) Terms, conditions and accounting policies

The consolidated entity's accounting policies, including the terms and conditions of each class of financial asset, financial liability and equity instrument, both recognised and unrecognised at the balance date, are as follows:

	FINANCIAL INSTRUMENTS	NOTES	ACCOUNTING POLICIES	TERMS AND CONDITIONS
(i)	**FINANCIAL ASSETS**			
	Cash at bank		Cash on hand and cash in bank are stated at the nominal value.	Short term deposits are held in a call deposit account with an effective interest rate of 4.90%.
	Trade debtors	5	Trade debtors are recognised and carried at original invoice amount less provision for any uncollectible debts. An estimate for doubtful debts is made when the collection of the full amount is no longer probable. Bad debts are written off as incurred.	Credit sales are normally on 30 to 60 day terms.
	Other debtors	6	Other debtors are recognised and carried at the amount receivable.	Other debtors are non-interest bearing and are normally received between 30 and 90 days.
(ii)	**FINANCIAL LIABILITIES**			
	Trade creditors, accruals and other creditors	9	Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the consolidated entity.	Trade liabilities are normally settled on 30 to 60 day terms.
(iii)	**EQUITY**			
	Ordinary shares	13	Ordinary share capital is recognised at the fair value of consideration received by the company.	Details of shares issued during the year and shares outstanding at balance date are set out in note 13.

EZENET LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
30 JUNE 2004

24. FINANCIAL INSTRUMENTS (Cont'd)

(b) Interest rate risk exposure

The company's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at balance date, are as follows:

Fixed interest rate maturing in:

FINANCIAL INSTRUMENT	FLOATING INTEREST RATE		1 YEAR OR LESS		OVER 1 TO 5 YEARS		MORE THAN 5 YEARS		NON-INTEREST BEARING		TOTAL		INTEREST RATE	
	2004 $	2003 $	2004 $	2003 $	2004 $	2003 $	2004 $	2003 $	2004 $	2003 $	2004 $	2003 $	2004 %	2003 %
(i) **FINANCIAL ASSETS**														
Cash	1,489,690	318,808	-	-	-	-	-	-	200	200	1,489,890	319,008	4.90	4.40
Receivables – trade	-	-	-	-	-	-	-	-	105,543	102,516	105,543	102,516	-	-
Other debtors	-	-	-	-	-	-	-	-	15,982	50,856	15,982	50,856	-	-
Total Financial Assets	1,489,690	318,808	-	-	-	-	-	-	121,725	153,572	1,611,415	472,380		
(ii) **FINANCIAL LIABILITIES**														
Trade creditors, accruals and other creditors	-	-	-	-	-	-	-	-	192,370	420,063	192,370	420,063	-	-
Loans – hire purchase	-	-	-	-	25,618	34,645	-	-	-	-	25,618	34,645	9.60	9.60
Loans – other	-	-	118,034	100,000	-	-	-	-	-	-	118,034	100,000	19.87	10.0
Total Financial Liabilities	-	-	118,034	100,000	25,618	34,645	-	-	192,370	420,063	336,022	554,708		

EZENET LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
30 JUNE 2004

24. FINANCIAL INSTRUMENTS (Cont'd)

(c) Net fair values of financial assets and liabilities

The aggregate net fair values of financial assets and financial liabilities, both recognised and unrecognised, at balance date, are as follows:

	CARRYING AMOUNT		AGGREGATE NET FAIR VALUE	
	2004	2003	2004	2003
	$	$	$	$
FINANCIAL ASSET				
Cash	1,489,890	319,008	1,489,890	319,008
Debtors	105,543	102,516	105,543	102,516
Other debtors	15,982	50,856	15,982	50,856
Total financial assets	1,611,415	472,380	1,611,415	472,380
FINANCIAL LIABILITIES				
Trade creditors and accruals and other creditors	192,370	420,063	192,370	420,063
Loans – hire purchase	25,618	34,645	25,618	34,645
Loans – other	118,034	100,000	118,034	100,000
Total financial liabilities	336,022	554,708	336,022	554,708

The following methods and assumptions are used to determine the net fair values of financial assets and liabilities

Cash and cash equivalent: The carrying amount approximates fair value because of their short-term to maturity.

Receivables and payables: The carrying amount approximates fair value.

(d) Credit Risk Exposures

The consolidated entity's maximum exposure to credit risk at balance date in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the Statement of Financial Position.

25. IMPACT OF ADOPTING AASB EQUIVALENTS TO IASB STANDARDS

Ezenet Limited has commenced transitioning its accounting policies and financial reporting from current Australian Standards to Australian equivalents of International Financial Reporting Standards (IFRS). As Ezenet has a 30 June year end, priority has been given to considering the preparation of opening balance sheet in accordance with AASB equivalents to IFRS as at 1 July 2004. This will form the basis of accounting for Australian equivalents of IFRS in the future, and is required when Ezenet prepare its first fully IFRS compliant financial report for the year ended 30 June 2006. Set out below are the key areas where accounting policies will change and may have an impact on the financial report of Ezenet. At this stage the company has not been able to reliably quantify the impacts on the financial report.

Impairment of Assets

Under the Australian equivalent to IAS 36 *Impairment of Assets* the recoverable amount of an asset is determined as the higher of net selling price and value in use. This will result in a change in the group's current accounting policy which determines the recoverable amount of an asset on the basis of undiscounted cash flows. Under the new policy it is likely that impairment of assets will be recognised sooner and that the amount of write-downs will be greater. Reliable estimation of the future financial effects of this change in accounting policy is impractical because the conditions under which impairment will be assessed are not yet known.

Share based payments

Under AASB 2 *Share based Payments*, the company will be required to determine the fair value of options issued to employees as remuneration and recognise an expense in the Statement of Financial Performance. This standard is not limited to options and also extends to other forms of equity based remuneration. It applies to all share-based payments issued after 7 November 2002 which have not vested as at 1 January 2005. Reliable estimation of the future financial effects of this change in accounting policy is impracticable as the details of future equity based remuneration plans are unknown.

Income taxes

Under the Australian equivalent to IAS 12 *Income Taxes*, the company will be required to use a balance sheet liability method which focuses on the tax effect of transactions and other events that affect amounts recognised in either the Statement of Financial Position or a tax-based balance sheet. It is not expected that there will be any material impact as a result of adoption of this standard.

EZENET LIMITED
CORPORATE GOVERNANCE STATEMENT
30 JUNE 2004

The Board of Directors of Ezenet Limited is responsible for the corporate governance of the consolidated entity. Its purpose is to guide and monitor the business and affairs of Ezenet Limited on behalf of the shareholders by whom the board was elected and to whom it is accountable.

The format of the Corporate Governance Statement has changed in comparison to the previous year due to the introduction of the Australian Stock Exchange Corporate Governance Council's (the Council's) "Principles of Good Corporate Governance and Best Practice Recommendations" (the Recommendations). In accordance with the Council's recommendations, the Corporate Governance Statement must now contain specific information, and must disclose the extent to which the company has followed the guidelines during the period. Where a recommendation has not been followed, that fact must be disclosed, together with the reasons for the departure. Ezenet Limited's Corporate Governance Statement is now structured with reference to the Corporate Governance Council's principles and recommendations, which are as follows:

Principle 1. Lay solid foundations for management and oversight

Principle 2. Structure the board to add value

Principle 3. Promote ethical and responsible decision making

Principle 4. Safeguard integrity in financial reporting

Principle 5. Make timely and balanced disclosure

Principle 6. Respect the rights of shareholders

Principle 7. Recognise and manage risk

Principle 8. Encourage enhanced performance

Principle 9. Remunerate fairly and responsibly

Principle 10. Recognise the legitimate interests of stakeholders.

Ezenet Limited's corporate governance practices were in place throughout the year ended 30 June 2004 and were fully compliant with the Council's best practice recommendations.

Structure of the Board

The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report is included in the Directors' Report on page 1.

As the board acts on behalf of and is accountable to shareholders, the board seeks to identify the expectations of the shareholders, as well as other regulatory and ethical expectations and obligations. In addition, the board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to manage those risks.

The responsibility for the operation and administration of the company is delegated by the board to appropriate company staff and consultants.

The board is responsible for ensuring that management objectives and activities are in accordance with the policies and expectations set by them. The board has a number of mechanisms in place to ensure this is achieved including:

- board approval of the strategic and operational business plans;
- board monitoring of key performance indicators;
- identification of risks and strategies put in place to mitigate key risks; and
- there are procedures in place, agreed by the board, to enable directors, in furtherance of their duties, to seek independent professional advice at the company's expense.

EZENET LIMITED
CORPORATE GOVERNANCE STATEMENT (Cont'd)
30 JUNE 2004

Independence

Corporate Governance Council Recommendation 2.1 requires a majority of the board to be independent directors. In addition, Recommendation 2.2 requires the chairperson of the company to be independent. The Corporate Governance Council defines independence as being free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of unfettered and independent judgement. In accordance with this definition, the following directors are not considered to be independent.

W G Martinick	Chairman, Executive Director
L H Chapman	Executive Director
N T O'Loughlin	Executive Director

Of the four board members in total, the three directors listed above are not considered to be independent when applying the Council's definition of independence. Therefore the majority of the board are not independent. Ezenet Limited considers industry experience and specific expertise to be important attributes of its board members.

The chairman, W G Martinick, is not considered to be independent using the Council's definition of independence by virtue of the fact that he is a substantial shareholder of Ezenet Limited. However, he has been appointed to this position as he has the relevant skills, experience and expertise.

The term in office held by each director in office at the date of this report is as follows:

Name	Term in office
W G Martinick	1.5 years
L H Chapman	4 years
G R O'Dea	2.25 years
N T O'Loughlin	1.5 years

Nomination Committee

Due to the size of the board, the board has not established a nomination committee.

Remuneration Committee

The board has not established a remuneration committee in view of the size of the company and all executives have service agreements. The board is responsible for determining and reviewing compensation arrangements for the directors themselves and the chief executive officer.

Audit Committee

Given the size of the company's operations, no formal audit committee is warranted. However, formal meetings are held between all the directors and the external auditor to discuss the findings of the half-year review and the year-end audit. The chief executive officer regularly attends board meetings to present the company's financial reports and advises the board on strategic and operational areas and any material risks or issues.

Performance Evaluation

The performance of the board and key executives is reviewed regularly against both measurable and qualitative indicators. The performance criteria against which directors and executives are assessed is aligned with the financial and non-financial objectives of Ezenet Limited.

EZENET LIMITED
CORPORATE GOVERNANCE STATEMENT (Cont'd)
30 JUNE 2004

The board of directors aims to ensure that shareholders are informed of all information necessary to assess the performance of the directors. Information is communicated to shareholders through:

- the annual report which is distributed to all shareholders;
- the half-yearly report circulated to the Australian Stock Exchange Limited and the Australian Securities and Investments Commission;
- the quarterly reports and periodical announcements to the Australian Stock Exchange Limited;
- the annual general meeting and other meetings called to obtain approval of board action as appropriate; and
- other meetings called to generally communicate key performance areas of the business.

EZENET LIMITED
ASX ADDITIONAL INFORMATION
30 JUNE 2004

Additional information required by the Australian Stock Exchange Ltd and not disclosed elsewhere in this report is as follows. The information is current as at 31 August 2004.

(a) Statement of shareholdings

		Ordinary Shares			
Range	Names of 20 largest shareholders	Fully paid			
		No of holders	No. of shares held	% held	No. of shares in escrow
100,001 or more	W G Martinick	1	7,730,545	12.43	
	J W Hope	1	3,151,200	5.07	
	Martinick Investments Pty Ltd atf The Martinick Superannuation Fund	1	3,083,212	4.96	
	Marketlane Pty Ltd	1	1,900,000	3.06	
	N T O'Loughlin	1	1,840,259	2.96	
	Wakeford Holdings Pty Ltd	1	1,479,193	2.38	
	N T O'Loughlin	1	1,274,997	2.05	
	M A Kelly	1	1,131,480	1.82	
	Kings Park Nominees Pty Ltd	1	1,110,059	1.78	
	Tovela Pty Ltd	1	1,107,525	1.78	
	Baybeck Pty Ltd	1	1,100,000	1.77	
	R A Van Rooyen	1	1,100,000	1.77	
	S M O Watson	1	1,100,000	1.77	
	Reeb Investments Pty Ltd	1	1,000,000	1.61	
	G Hackshaw Allwest Turfing Account	1	879,000	1.41	
	Blackwood Business Services Pty Ltd	1	756,828	1.22	
	Inkjar Pty Ltd	1	756,000	1.22	
	Challenger ML Nominees Pty Limited	1	700,000	1.13	
	B M Bosch	1	654,824	1.05	
	Solomon Fiduciary Nominees Pty Ltd No2 Account	1	500,000	0.80	
		20	32,355,122	52.04	
	Various	79	16,061,782	25.82	
		99	48,416,904	77.86	Nil
10,000 - 100,000	Various	345	11,342,693	18.24	
5,001 – 10,000	Various	155	1,289,828	2.07	Nil
1,001 – 5000	Various	351	1,050,286	1.69	Nil
1 – 1,000	Various	119	89,110	0.14	Nil
Total		1,069	62,188,821	100.00	Nil

EZENET LIMITED
ASX ADDITIONAL INFORMATION
30 JUNE 2004

(b) Statement of option holders

Names	No of holders	No of options held	% held
W G Martinick	1	8,061,033	23.62
Various		26,061,543	76.38
Total		34,122,576	100.00

The terms of the issued options are

(c) Voting Rights

All ordinary shares carry one vote per share without restriction.

(d) Market buy-back

There is no current on-market buy-back of shares.

Substantial Shareholders, as at 30 June 2004, who have notified the company in accordance with section 671B of the Corporations Act 2001

Beneficial Owner	No of Shares
W G Martinick and Martinick Investments Pty Ltd ATF The Martinick Superannuation Fund	10,824,757
N T O'Loughlin	3,549,591