



**01 Communique Laboratory Inc.
First Quarter Financial Report
for the 3 months ending January 31,2001
(unaudited)**

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*01 Communique is listed on the
Toronto Stock Exchange (TSE) under the symbol
ONE*

To Our Shareholders:

We are pleased to report our financial results for the three-month period ended January 31, 2001. Revenue for the 1st quarter was \$3,544,995 a 52% increase over revenue of \$2,325,092 reported for the same period in fiscal 2000. Net loss for the 1st quarter 2001 was \$1,332,515 or \$0.04 per share compared to net income of \$386,392 or \$0.015 per share for the same period in fiscal 2000.

Operating expenses increased to \$4,689,384 in Q.1 2001 from \$1,855,574 in Q1 fiscal 2000 with the majority of this increase occurring in sales and marketing. This was primarily the result of a very focused strategy to expand the 01 team in all areas of the Company and to increase the on-going sales and marketing promotional activities designed to support the Company's new Unified Communications solution, "I'm InTouch."

Cash and short-term investments were \$12,940,823 at January 31, 2001 a decrease of \$1,443,904 from the \$14,384,727 at the end of October 31, 2000. The cash was used primarily to finance the loss for the quarter. Working capital at the end of the 1st quarter was \$15,210,530 a \$1,328,665 decrease over working capital of \$16,539,195 at October 31, 2000.

First Quarter Highlights

1. 01's newest product, "I'm InTouch", was recently introduced to the market. By using any web browser, phone or can log into their PC and access their personal communications center over the Internet. This state-of the art technology has allowed 01 the ability to expand its markets and increase its revenue stream to include a service provider model. This provides the Company with a recurring stream of subscription revenue in addition to its current bundling and distribution channels.
2. The first partnership agreement for "I'm InTouch" was signed between 01 and Glenayre Technologies Inc. (NASDAQ: GEMS), a U.S. based international provider of communications solutions for the mobile community. The agreement joins 01's I'm InTouch (TM) Software Architecture with Glenayre's @ctiveLink(TM) Two-Way Wireless Messaging Module to offer unique mobile solutions.
3. Mr. George E. Harvey, a telecommunications industry veteran was appointed to 01's Board of Directors and Mr. Kerry Munro joined the Company's management team as Vice President, Marketing.
4. A strategic reseller agreement was signed with Solution100, a digital solutions provider focused on e-business applications development in the Greater China market. The agreement strengthens 01's commitment to on-going expansion in Asia.
5. 01's products continue to win awards for quality and excellence. Recently, COMMUNICATE! i2000 won Product of the Year for 2000 from two leading industry publications, Communications Solutions and INTERNET TELEPHONY.

Future Direction

The market for Unified Messaging and Communications is expanding rapidly. According to Phillips InfoTech, a U.S. based market research firm, the market is expected to grow from the reported \$786m US in 1999 to over \$13.5b in 2004. This represents a compound annual growth rate of 77%.

The Company has differentiated itself in this market by pursuing a PC-based decentralized approach to communication solutions. Rather than storing, accessing, and managing communications on a large central server 01 has developed solutions based on its own patent-pending technology. This technology redirects storage, access and message management to the customer's premise, using the desktop PC as the user's server. The decentralized approach is a unique solution provided by 01 differentiating the Company from others in the market. There are many competitive advantages to this approach which include:

1. More cost effective: the majority of unified messaging providers have opted for a more costly server-based solution (centralized approach) which are very expensive to install and maintain.
2. There is no requirement to forward your phone number, fax number or e-mail address, as is required by a server-based solution.
3. Ease-of-use: PC-based solution is easier to use and allows for more functionality i.e. video streaming, contact management and managing files, including the ability to attach a file when sending an e-mail remotely.
4. Highly secure: a decentralized approach provides an extra degree of privacy and security as messages are controlled and stored by the user on their own PC.
5. Highly scalable: unlimited scalability by using patent-pending authentication technology.

As we move forward we are in an excellent position. We have \$12,940,000 of cash, a solid global retail and OEM distribution business that has been profitable, and exciting new state-of-the-art technology that has opened new markets. With the signing of the Glenayre agreement, we have begun the process of forging new alliances with leading telecommunications companies.

Yours truly,



Andrew Cheung
President and CEO

February 28,2001

01 Communique Laboratory Inc.
Financial Statements
for the three month period ending January 31,2001

BALANCE SHEETS

	<u>As at Jan. 31,2001</u>	<u>As at Oct. 31,2000</u>
ASSETS		
Cash & short term investments	\$12,940,823	\$14,384,727
Accounts receivable	5,022,989	5,529,391
Inventory	105,089	85,708
Prepaid expenses & deposits	7,057	157,293
Current assets	18,075,958	20,157,119
Fixed assets, net	61,532	69,328
ASSETS	\$18,137,490	\$20,226,447
LIABILITIES		
Accounts payable & accrued liabilities	\$2,865,428	\$3,617,924
Current liabilities	2,865,428	3,617,924
EQUITY		
Share capital	22,419,414	22,423,365
Deficit	(7,147,357)	(5,814,842)
Shareholders' equity	15,272,057	16,608,523
LIABILITIES & EQUITY	\$18,137,490	\$20,226,447

STATEMENTS OF OPERATIONS AND DEFICIT

	<i>3 months ending Jan. 31,2001</i>	<i>3 months ending Jan. 31,2000</i>
Revenue	\$3,544,995	\$2,325,092
Gross profit	3,356,869	2,241,966
Operating expenses		
General & administrative	230,865	139,557
Sales & marketing	4,142,560	1,405,900
Research & development	400,813	289,388
Depreciation & amortization	7,794	7,794
Net interest (income) expense	(92,648)	12,935
Total operating expenses	4,689,384	1,855,574
Net (loss) income for the period	(1,332,515)	386,392
Deficit, beginning of period	(5,814,842)	(4,568,256)
Deficit, end of period	\$(7,147,357)	\$(4,181,864)
Income (Loss) EPS		
– Basic	\$(0.04)	\$.015
– Fully diluted	\$(0.04)	\$.012
Common Shares – weighted Average outstanding		
– Basic	29,919,710	26,192,308
– Fully diluted	35,925,336	32,121,021

STATEMENTS OF CASH FLOWS

	<i>3 months ending <u>Jan. 31,2001</u></i>	<i>3 months ending <u>Jan. 31,2000</u></i>
Cash provided by (used in):		
Operations -		
Net income (loss)	\$(1,332,515)	\$386,392
Items which do not involve cash:		
Depreciation & amortization	7,794	7,794
Change in non-cash working capital	(115,238)	(968,904)
	<u>(1,439,959)</u>	<u>(574,718)</u>
Financing:		
Issue of share capital, net of costs	(3,946)	4,092,449
Investments:		
Repayment of long term debt	---	(24,150)
Increase (decrease) in cash & short term investments	(1,443,905)	3,493,581
Cash & short term investments, beginning of period	<u>14,384,727</u>	<u>954,612</u>
Cash & short term investments, end of period	<u>\$12,940,823</u>	<u>\$4,448,193</u>