

Peer 1 Network Enterprises, Inc.
(FORMERLY Tall Tree Resources, Ltd.)
Quarterly Report – Form 51-901F
November 30, 2002

Schedule A: Financial Information

See attached financial statements (unaudited) and notes of the Company for the quarter ended November 30, 2002.

Peer 1 Network Enterprises, Inc.
Consolidated Balance Sheet
November 30, 2002

	(unaudited)	(audited)
	November	August
	2002	2002
Assets		
Current:		
Cash and short-term deposits	\$ -	\$ 48,068
Accounts receivable	1,901,582	1,418,638
Prepaid expenses	542,226	550,114
	2,443,808	2,016,820
Future income taxes	58,554	58,554
Capital, net of amortization	3,245,707	2,777,869
	\$ 5,748,069	\$ 4,853,243
Liabilities		
Cash in excess of cheques issued	\$ 81,340	\$ -
Accounts payable and accrued liabilities	3,244,418	3,054,520
Deferred income	251,347	198,147
Loan payable	100,296	-
Advances from affiliated companies	1,426,450	-
Current portion of obligations under capital leases	372,105	484,561
	5,475,956	3,737,228
Obligations under capital leases	15,070	57,446
Notes payable	1,762,481	1,762,481
Loan payable	21,250	21,250
	7,274,757	5,578,405
Shareholders' Deficiency		
Share Capital	4,927,407	4,927,407
Deficit, ending	(6,454,095)	(5,652,569)
	(1,526,688)	(725,162)
	\$ 5,748,069	\$ 4,853,243

Peer 1 Network Enterprises, Inc.
Consolidated Income Statement
For the three-month ended November 30, 2002

	(unaudited) November 2002	(audited) November 2001
	Three months	Three months
Sales	\$ 2,320,070	\$ 1,165,007
Cost of sales	1,785,810	1,201,304
Gross margin	534,260	(36,297)
Operating Expenses		
Sales and marketing	447,635	341,818
General & administration	620,628	186,228
Technology	154,706	42,000
	1,222,969	570,046
Non-operating Income/(expenses)		
Other income	12,811	6,194
Interest income/(expense)	345	77,150
Other expenses	(125,841)	85,380
	(112,685)	168,724
Net loss before taxes	(801,394)	(775,067)
Provision of income taxes	132	
Net loss	\$ (801,526)	\$ (775,067)
Basic Loss per Share	(0.025)	(0.025)

Peer 1 Network Enterprises, Inc.
Consolidated Statement of Cash Flows
For the three-month ended November 30,2002
(unaudited)

Operating Activities:		
Net Loss, per Exhibit "B"	\$	(801,526)
Adjustment for -		
Amortization		153,355
		(648,171)
Changes in non-cash working capital -		
(Increase) Decrease in accounts receivable		(482,944)
(Increase) Decrease in prepaid expenses		7,888
Increase (Decrease) in accounts payable and accrued liabilities		189,898
Increase (Decrease) in deferred income		53,200
Cash flows (used in) operating activities		(880,129)
Investing Activities:		
Acquisition of leasehold improvement		(396,581)
Acquisition of capital assets		(224,612)
Cash flows (used in) investing activities		(621,193)
Financing Activities:		
Repayment of obligations under capital leases		(154,832)
Proceeds from short term loans		100,296
Proceeds from affiliated companies		1,426,450
Cash flows from financing activities		1,371,914
Net Increase(Decrease) in Cash		(129,408)
Cash, beginning		48,068
Cash, ending	\$	(81,340)

Peer 1 Network Enterprises, Inc.

Notes to Financial Statements

Quarterly Report – Three Months Ended - November 30, 2002

1. Business Combination:

On July 23, 2002, shareholders' approval was received for a name change from Tall Tree Resources to Peer 1 Network Enterprises, Inc. On July 24, 2002, Peer 1 Network Enterprises, Inc., a public company listed on the TSX Venture Exchange, purchased all of the issued and outstanding shares of Peer 1 Network, Inc. in consideration for the issuance of 20,000,000 shares to the shareholders of Peer 1 Network, Inc. The business combination was considered a reverse takeover acquisition and recapitalization of the public company.

2. Nature of Operations and Basis of Presentation:

Peer 1 Network Enterprises, Inc. (the "Company") incorporated under the laws of British Columbia, provides high performance internet bandwidth and co-location facilities to web-centric customers across North America. Building on a redundant, 100% Cisco powered internal network, the Company guarantees 100% uptime internet access for companies with mission-critical applications. The Company has established local offices and co-location facilities in Vancouver, Toronto, Montreal, and New York and also has POP's (point of presence) in Seattle and Chicago.

The accompanying unaudited consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial information and, accordingly do not include all information and note disclosures required for the annual financial statements under Canadian generally accepted accounting principles. It is management's opinion, all adjustments considered necessary for fair presentation of the financial position, results of operations and cash flow for the three months ended have been made. These financial statements have been prepared in accordance with the same accounting principles applied in the preparation of the annual audited consolidated financial statements filed with the TSX Venture Exchange for the fiscal year ended August 31, 2002 and should be referenced in conjunction with this interim report.

Peer 1 Network Enterprises, Inc.
Notes to Financial Statements
Quarterly Report – Three Months Ended - November 30, 2002

3. Share Capital

a) Authorized :
100,000,000 Common shares without par value

b) Issued and Fully Paid:

	Number	Amount
Balance at beginning of year	31,627,639	\$4,927,407
Return of Shares to Treasury Due to misclassification of Commission on special warrants.	(5,500)	n/a
Balance at November 30, 2002	31,622,139	\$4,927,407

c) Warrants Outstanding

The company has the following non-transferable share purchase warrants outstanding:

Exercise Price	Outstanding 8/31/02	Issued	Expired/ Exercised	Outstanding 11/30/02	Expiry Date
\$0.72	4,305,416	0	5,500	4,299,916	July 24, 2004
\$0.45	400,000	0	0	400,000	July 24, 2004

d) Shares held in Escrow:

As of November 30, 2002, 19,572,250 shares of the company are subject to an escrow agreement and may not be transferred, assigned, or otherwise dealt with without the consent of the regulatory body having jurisdiction thereon.

Peer 1 Network Enterprises, Inc.

Notes to Financial Statements

Quarterly Report – Three Months Ended - November 30, 2002

e) Stock Options:

As of November 30, 2002, the company has outstanding stock options to certain directors, officers, employees, and consultants to acquire 2,947,250 shares with exercise prices ranging from \$0.39 to \$0.45. There are 3,162,214 shares reserved for the company's stock option program. Under the plan, the exercise price of each option equals the market price of the company's stock on the last business day prior to the date of the grant. An option's maximum term is five years from the date of grant. Options granted vest at various dates ranging from the date of grant to the end of the twelfth month from the date of grant approval. As of November 30, 2002 remaining stock options outstanding were:

Price	Number	Expiry Date
\$0.45	2,432,250	July 24, 2007
\$0.45	200,000	November 7, 2007
\$0.45	200,000	May 7, 2003
\$0.39	115,000	November 7, 2007
Total	2,947,250	

The options and warrants are not included in diluted per share calculations since their price would reduce loss per share.

Peer 1 Network Enterprises, Inc.

Notes to Financial Statements

Quarterly Report – Three Months Ended - November 30, 2002

4. Contingency

The company currently has an outstanding action filed against it for alleged services provided and unpaid. Damages are claimed in the amount of \$908,792 and U\$160,014 plus interest and legal fees. The company is currently finalizing a settlement regarding the outstanding balance. Except for recorded accounts payable in the amounts of \$110,338 and U\$12,534, no additional amounts have been accrued as the company believes the current amounts recorded are adequate to liquidate the settlement.

The company has a contingent liability of \$77,591 for unreported GST. The company is appealing an assessment by Canadian Customs and Revenue Agency based on precedent rulings received by other companies in the same industry. Advisors to the company believe that the currently filed GST Rebate will be accepted in resolution to this assessment.

5. Related Party Transactions

The company is related to one of its shareholders, Sutton Group Financial Services Ltd., and its subsidiary Sutton Group Realty Services Ltd. It is also related to various companies directly and indirectly owned by its shareholders and officers.

Balances at November 30, 2002

Included in Accounts Receivable - \$5,695

Included in Advances from affiliated companies - \$1,426,450

Included in Notes Payable - \$ 735,383

These balances are due upon demand and have arisen in the normal course of business and are at arms length in structure.

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Schedule B: Supplementary Information

1. Analysis of expenses and deferred costs

Cost of sales	3 Months August 31, 2002	3 Months November 30, 2002
Co-location	572,596	510,000
Data trans	1,622,114	1,235,337
Services	38,354	38,090
Misc	5,752	2,383
	2,238,816	1,785,810

Operating Expenses

Accounting and audit	15,454	57,915
Bad debts	62,781	45,000
Bonus	160,000	70,251
Consulting	87,789	64,536
Legal fees	5,073	18,124
Office	158,712	106,417
Rent	104,646	169,028
Salaries	516,739	534,360
Subcontractor fees	17,085	5,757
Telecommunications	30,566	26,557
Travel	167,979	125,024
FIT	0	-
	1,326,824	1,222,969

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2. Related Parties Transactions

There were related parties transactions during the quarter related to one of its shareholders, Sutton Group Financial Services Ltd., and its subsidiary Sutton Group Realty Services Ltd. It is also related to various companies directly and indirectly owned by its shareholders and officers.

- a) Internet Traffic and Co-location provided - \$3,657
- b) Interest Expensed - \$39,450
- c) Short Term Notes Payable - \$1,280,000

These balances are due upon demand and have arisen in the normal course of business and are at arms length in structure.

3. Securities Issued and options granted during the period:

a) Securities Issued:

See unaudited financial statements in Schedule A for detail.

b) Options Issued:

See unaudited financial statements in Schedule A for detail.

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4. Securities at end of reporting period:

a) Authorized and issued share capital:

See unaudited financial statements in Schedule A for detail.

b) Options, warrants, and convertible securities outstanding:

See unaudited financial statements in Schedule A for detail.

c) Shares in escrow of subject:

See unaudited financial statements in Schedule A for detail.

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5. List of Officer and Directors

a) List of Directors:

Geoffrey Hampson
Scott Shaw
Lance Tracey
Michael Cytrnbaum
David Rand

b) List of Officers:

Geoffrey Hampson, President
James Taylor, Secretary

Schedule C: Management Discussion

Description of Business

Peer 1 Network provides high performance Internet bandwidth and server co-location facilities to companies across North America. Building on a redundant, 100% Cisco powered internal network, Peer 1 guarantees 100% uptime Internet access for companies with mission-critical applications. Since its inception in 1999, Peer 1 Network has established local offices and co-location facilities in Vancouver, Toronto, Montreal and New York. The headquarters are in Vancouver, British Columbia.

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Discussion of Operation and Financial Condition

- Revenues

Total revenues for the quarter ended November 30, 2002 were \$2,320,070 compared to the same period last year revenues of \$1,165,007, an increase of 99%. Total revenues for the quarter ended November 30, 2002 compared to the most recent quarter ended August 31, 200 of \$1,921,929 show an increase of 21%. The monthly recurring revenue grew by approximately \$67,500 monthly compounded in the most recent quarter. These increases are attributed to the build-out of new facilities bringing in new customers in more cities and organic growth from the existing customer base. The company's business model expects the monthly recurring revenue base to continue to grow at a pace of approximately 8 to 10%.

- Earnings

The company's operating loss for the quarter ended November 30, 2002 was \$801,526 compared with an operating loss of \$775,067 for the same period in the previous year. The operating loss for the quarter ended November 30, 2002 compares favorably to the operating loss of the most recent quarter ended August 31, 2002 of \$1,721,482. The primary reasons for the significant reduction in the operating loss are the increase of revenue and associated reduction in cost of sales. The cost of sales reduction is attributed to a significant reduction in bandwidth cost as contracts with upstream providers have either expired, been renegotiated, or replaced with more favorable prices. It is expected that the company's earnings will continue to improve significantly in the current fiscal year as capacity utilization is absorbed, peering traffic as a percent of total traffic increases, and the cost of co-location and the network remain relatively fixed.

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Subsequent Events

The company has increased the number of customers since August 31, 2002 from approximately 300 to approximately 370 at December 31, 2002. Monthly recurring revenue billings have increased over the same time period from approximately \$650,000 to approximately \$925,000.

The company has changed its registered and records office to Farris, Vaughan, Wills, and Murphy. The change was strategic in nature due to the firm's expertise in the internet industry.

Liquidity

The company had a working capital deficit of \$3,032,148 at November 30, 2002 compared to a working capital deficit of \$1,720,408 at August 31, 2002. The company currently anticipates cash flow breakeven in January of 2003 with monthly billings of approximately \$975,000. The company has worked with several of its vendors to negotiate payment plans to work off older balances due while paying current amounts on a timely basis. The company's majority shareholder's have continued to support cash requirement needs and management is in the final stages of a financing to shore up the working capital deficiency and improve the company's balance sheet.