

19596 YUKON INC.
FINANCIAL STATEMENTS
December 31, 2000
(unaudited)

Review Engagement Report

To the Directors of
19596 Yukon Inc.

We have reviewed the balance sheet of 19596 Yukon Inc. as at December 31, 2000 and the statements of operations, deficit and cash flows for the year then ended. Our review was made in accordance with Canadian generally accepted standards for review engagements and accordingly consisted primarily of enquiry, analytical procedures and discussion related to information supplied to us by the company.

A review does not constitute an audit and consequently we do not express an audit opinion on these financial statements.

Based on our review, nothing has come to our attention that causes us to believe that these financial statements are not, in all material respects, in accordance with Canadian generally accepted accounting principles.

Whitehorse, Yukon

June 4, 2001



Chartered Accountants

19596 Yukon Inc.

Balance Sheet
(Unaudited - see Review Engagement Report)

As at December 31, 2000 1999

Assets

Current

Bank	\$ 54,009	\$ -
Short term investment (note 2)	397,608	-
Accounts receivable	183,035	200

634,652 200

Restricted Cash (note 6) 1,258,472 -

Property and equipment (notes 3 and 4) 3,625,835 -

\$ 5,518,959 **\$ 200**

Liabilities

Current

Accounts payable and accrued liabilities	\$ 1,041,543	\$ -
Taxes payable	381,988	-

1,423,531 -

Due to Yukon Government Fund (note 5) 3,500,000 -

4,923,531 -

Shareholders' Equity

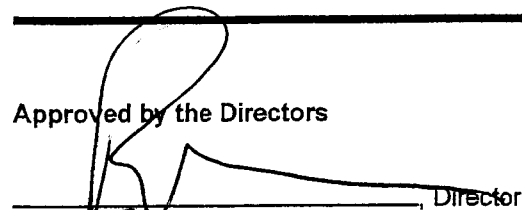
Share capital (note 7) 200 200

Retained earnings 595,228 -


595,428 200

\$ 5,518,959 **\$ 200**

Approved by the Directors



Director



Director

19596 Yukon Inc.**Statement of Operations
(Unaudited - see Review Engagement Report)**

For the year ended December 31,	2000	1999
Revenue		
Equipment lease	\$ 1,275,000	\$ -
Interest income	66,330	-
	1,341,330	-
Expenses		
Advertising and promotion	1,752	-
Amortization	322,409	-
Bank charges and interest	130	-
Interest on long-term debt	22,106	-
Professional fees	17,717	-
	364,114	-
Income before income taxes	977,216	-
Income taxes	381,988	-
Net income	595,228	-
Retained earnings, beginning of year	-	-
Retained earnings, end of year	\$ 595,228	\$ -

19596 Yukon Inc.**Statement of Cash Flows
(Unaudited - see Review Engagement Report)**

For the year ended December 31,	2000	1999
Cash provided by (used in)		
Operating activities		
Net income	\$ 595,228	\$ -
Item not affecting cash		
Amortization	322,409	-
Change in non-cash operating working capital		
Accounts receivable	(182,835)	(200)
Accounts payable and accrued liabilities	1,041,543	-
Income taxes payable	381,988	-
	2,158,333	(200)
Financing activities		
Increase (decrease) in long-term debt	3,500,000	-
Investing activities		
Property and equipment purchased	(3,948,244)	-
Increase in restricted cash	(1,258,472)	-
	(5,206,716)	-
Increase in cash	451,617	-
Cash, beginning of year	-	-
Cash, end of year	\$ 451,617	\$ -
Cash represented by:		
Cash	\$ 54,009	\$ -
Short-term investments	397,608	-
	\$ 451,617	\$ -

19596 Yukon Inc.

Notes to Financial Statements
(Unaudited - see Review Engagement Report)

December 31, 2000

1. Accounting Policies

The company is incorporated under the laws of the Yukon Territory and its major activity is the leasing of communications equipment. The following is a summary of the significant accounting policies used by management in the preparation of these financial statements.

(a) **Financial instruments**

All significant financial assets, financial liabilities and equity instruments of the company are either recognized or disclosed in the financial statements together with available information for a reasonable assessment of future cash flows, interest rate risk and credit risk.

(b) **Property and equipment**

Property and equipment are recorded at cost. Amortization is calculated by the declining balance method at the annual rates set out in note 2.

(c) **Income taxes**

Income taxes are accounted for using the deferred income taxes method.

2. Short-term Investments

Short-term investment consists of Darwin Trust commercial paper bearing interest at 5.78%, maturing January 26, 2001

3. Property and Equipment

	Rate	Cost	2000 Accumulated Amortization	Net book Value	1999 Net book Value
Equipment	20%	\$ 653,006	\$ 65,301	\$ 587,705	\$ -
Communication Equipment	20%	1,039,089	103,909	935,180	-
Satellite	20%	349,412	34,941	314,471	-
Structures & improvements	4%	676,603	13,532	663,071	-
Fiber Cable	12%	845,400	50,724	794,676	-
Roads	8%	32,356	1,294	31,062	-
Routers	30%	346,839	52,026	294,813	-
Computer Equipment	30%	2,568	385	2,183	-
Office Furniture	20%	2,971	297	2,674	-
		\$ 3,948,244	\$ 322,409	\$ 3,625,835	\$ -

19596 Yukon Inc.

Notes to Financial Statements
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December 31, 2000

4. Due to Yukon Government Fund Limited	2000	1999
Term loan bearing interest equal to 7.7% per annum, calculated and compounded semi-annually, not in advance, payable monthly. Repayable at maturity, maturing May 1, 2005. Secured by promissory notes and a security agreement over equipment.	\$ 3,500,000	\$ -

Estimated annual repayments of the loans payable are as follows:

2000	\$ -
2001	-
2002	-
2003	-
2004	-
2005	3,500,000

\$ 3,500,000

5. Related Party Transactions

Accounts payable includes \$22,106 of interest due to Yukon Government fund, a company with significant common influence. During the year, the Company borrowed \$3,500,000 from Yukon Government Fund.

6. Restricted cash

Restricted cash represents equipment lease funds deposited into a trust account with HSBC Bank Canada. These funds are to be used to pay amounts owing to Yukon Government Fund Limited, to pay GST to the appropriate government agency, and audit, legal, and other fees incurred by 19596 Yukon Inc. in connection with the transactions contemplated by the loan agreement with Yukon Government Fund Limited, the equipment lease and the procurement agreement.

7. Share Capital

Authorized

Unlimited number of shares without nominal or par value

	2000	1999
Issued		
200 common shares	\$ 200	\$ 200

8. Commitments

The Company has entered into a procurement agreement for the purchase of fixed assets estimated at \$11,025,000. The balance of the commitment as at December 31, 2000 is \$7,378,301.