

19596 YUKON INC.  
FINANCIAL STATEMENTS  
December 31, 2001  
(unaudited)

MacKay LLP

**Review Engagement Report**

**To the Directors of  
19596 Yukon Inc.**

We have reviewed the balance sheet of 19596 Yukon Inc. as at December 31, 2001 and the statements of operations and retained earnings 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**

**February 5, 2002**

*MacKay LLP*

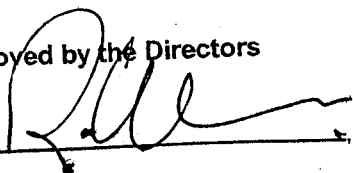
**Chartered Accountants**

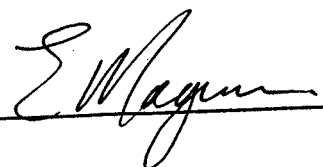
19596 Yukon Inc.

Balance Sheet  
(Unaudited - see Review Engagement Report)

| As at December 31,                       | 2001                 | 2000                |
|--|----------------------|---------------------|
| <b>Assets</b>                            |                      |                     |
| <b>Current</b>                           |                      |                     |
| Bank                                     | \$ 70,951            | \$ 54,009           |
| Short-term investment (note 2)           | -                    | 397,608             |
| Accounts receivable                      | 50,785               | 183,035             |
| Income taxes receivable                  | 61,210               | -                   |
|  | <b>182,946</b>       | <b>634,652</b>      |
| Restricted Cash (note 6)                 | <b>1,653,779</b>     | <b>1,258,472</b>    |
| Property and equipment (notes 3 and 4)   | <b>8,442,613</b>     | <b>3,625,835</b>    |
|  | <b>\$ 10,279,338</b> | <b>\$ 5,518,959</b> |
| <b>Liabilities</b>                       |                      |                     |
| <b>Current</b>                           |                      |                     |
| Accounts payable and accrued liabilities | \$ 153,074           | \$ 1,041,543        |
| Income taxes payable                     | -                    | 381,988             |
| Due to shareholders                      | 346,500              | -                   |
|  | <b>499,574</b>       | <b>1,423,531</b>    |
| Due to Yukon Government Fund (note 5)    | <b>9,275,000</b>     | <b>3,500,000</b>    |
|  | <b>9,774,574</b>     | <b>4,923,531</b>    |
| <b>Shareholders' Equity</b>              |                      |                     |
| Share capital (note 7)                   | 200                  | 200                 |
| Retained earnings                        | 504,564              | 595,228             |
|  | <b>504,764</b>       | <b>595,428</b>      |
|  | <b>\$ 10,279,338</b> | <b>\$ 5,518,959</b> |

Approved by the Directors

  
Director

  
Director

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

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| For the year ended December 31,             | 2001              | 2000              |
|---|-------------------|-------------------|
| <b>Revenue</b>                              |                   |                   |
| Equipment lease                             | \$ 1,700,000      | \$ 1,275,000      |
| Interest income                             | 101,305           | 66,330            |
|   | <b>1,801,305</b>  | <b>1,341,330</b>  |
| <b>Expenses</b>                             |                   |                   |
| Advertising and promotion                   | -                 | 1,752             |
| Amortization                                | 1,021,025         | 322,409           |
| Bank charges and interest                   | 10,332            | 130               |
| Interest on long-term debt                  | 547,236           | 22,106            |
| Management fees                             | 346,500           | -                 |
| Professional fees                           | 28,086            | 17,717            |
|   | <b>1,953,179</b>  | <b>364,114</b>    |
| <b>Income (loss) before income taxes</b>    | <b>(151,874)</b>  | <b>977,216</b>    |
| <b>Income taxes (recovery)</b>              | <b>(61,210)</b>   | <b>381,988</b>    |
| <b>Net income (loss)</b>                    | <b>(90,664)</b>   | <b>595,228</b>    |
| <b>Retained earnings, beginning of year</b> | <b>595,228</b>    | <b>-</b>          |
| <b>Retained earnings, end of year</b>       | <b>\$ 504,564</b> | <b>\$ 595,228</b> |

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

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| For the year ended December 31,              | 2001              | 2000              |
|--|-------------------|-------------------|
| <b>Cash provided by (used in)</b>            |                   |                   |
| <b>Operating activities</b>                  |                   |                   |
| Net income (loss)                            | \$ (90,664)       | \$ 595,228        |
| Item not affecting cash                      |                   |                   |
| Amortization                                 | 1,021,025         | 322,409           |
| Change in non-cash operating working capital |                   |                   |
| Accounts receivable                          | 132,250           | (182,835)         |
| Income taxes receivable                      | (61,210)          | -                 |
| Accounts payable and accrued liabilities     | (888,469)         | 1,041,543         |
| Income taxes payable                         | (381,988)         | 381,988           |
| Due to shareholders                          | 346,500           | -                 |
|  | <b>77,444</b>     | <b>2,158,333</b>  |
| <b>Financing activities</b>                  |                   |                   |
| Increase (decrease) in long-term debt        | <b>5,775,000</b>  | <b>3,500,000</b>  |
| <b>Investing activities</b>                  |                   |                   |
| Property and equipment purchased             | (5,837,803)       | (3,948,244)       |
| Increase in restricted cash                  | (395,307)         | 1,258,472)        |
|  | <b>6,233,110)</b> | <b>5,206,716)</b> |
| <b>Increase in cash</b>                      | <b>(380,666)</b>  | <b>451,617</b>    |
| <b>Cash, beginning of year</b>               | <b>451,617</b>    | <b>-</b>          |
| <b>Cash, end of year</b>                     | <b>\$ 70,951</b>  | <b>\$ 451,617</b> |
| <b>Cash represented by:</b>                  |                   |                   |
| Cash   | \$ 70,951         | \$ 54,009         |
| Short-term investments                       | -                 | 397,608           |
|  | <b>\$ 70,951</b>  | <b>\$ 451,617</b> |

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# 19596 Yukon Inc.

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

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December 31, 2001

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### 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 consisted of Darrwin Trust commercial paper bearing interest at 5.78%, that matured January 26, 2001.

### 3. Property and Equipment

|                              | Rate | Cost         | 2001<br>Accumulated<br>Amortization | Net book<br>Value | 2000<br>Net book<br>Value |
|------------------------------|------|--------------|-------------------------------------|-------------------|---------------------------|
| Equipment                    | 20%  | \$ 2,015,359 | \$ 319,077                          | \$ 1,696,282      | \$ 587,705                |
| Communication Equipment      | 20%  | 1,733,493    | 360,385                             | 1,373,108         | 935,180                   |
| Satellite                    | 20%  | 1,000,075    | 162,902                             | 837,173           | 314,471                   |
| Structures &<br>improvements | 4%   | 1,408,967    | 54,702                              | 1,354,265         | 663,071                   |
| Fiber Cable                  | 12%  | 3,015,612    | 276,298                             | 2,739,314         | 794,676                   |
| Roads                        | 8%   | 125,284      | 7,496                               | 117,788           | 31,062                    |
| Routers                      | 30%  | 481,718      | 160,702                             | 321,016           | 294,813                   |
| Computer Equipment           | 30%  | 2,568        | 1,040                               | 1,528             | 2,183                     |
| Office Furniture             | 20%  | 2,971        | 832                                 | 2,139             | 2,674                     |
|                              |      | \$ 9,786,047 | \$ 1,343,434                        | \$ 8,442,613      | \$ 3,625,835              |

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**19596 Yukon Inc.****Notes to Financial Statements  
(Unaudited - see Review Engagement Report)**

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**December 31, 2001**

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|   |                     |                     |
|---|---------------------|---------------------|
| <b>4. Due to Yukon Government Fund Limited</b>  | <b>2001</b>         | <b>2000</b>         |
| 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. | <b>\$ 9,275,000</b> | <b>\$ 3,500,000</b> |

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Estimated annual repayments of the loans payable are as follows:

|      |           |
|------|-----------|
| 2002 | \$ -      |
| 2003 | -         |
| 2004 | -         |
| 2005 | 9,275,000 |

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**\$ 9,275,000**

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**5. Related Party Transactions**

During the year, the Company borrowed \$5,775,000 (2000 - \$3,500,000) from Yukon Government Fund, a company with significant common influence. As at March 31, 2001, the total amount due to the Yukon Government Fund was \$9,275,000.

**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

**Issued**

|                   |               |               |
|-------------------|---------------|---------------|
| 200 common shares | <b>\$ 200</b> | <b>\$ 200</b> |
|-------------------|---------------|---------------|

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**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, 2001 is \$1,635,953.