

19596 YUKON INC.
FINANCIAL STATEMENTS
December 31, 2003
(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, 2003 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

March 25, 2004

Mackay LLP

Chartered Accountants

19596 Yukon Inc.

**Balance Sheet
(Unaudited - see Review Engagement Report)**

As at December 31, 2003 2002

Assets

Current

Bank	\$ 1,092	\$ 111,274
Accounts receivable	153,583	2,000
Income taxes receivable	83,516	200,810

238,191 314,084

Restricted cash (note 5) 3,695,132 2,741,705

Property and equipment (note 2) 6,820,323 7,842,386

\$ 10,753,646 **\$ 10,898,175**

Liabilities

Current

Accounts payable and accrued liabilities	\$ 99,214	\$ 80,198
Due to shareholders	17,655	66,000

116,869 146,198

Due to Yukon Government Fund Limited (note 3) 10,500,000 10,500,000

10,616,869 10,646,198

Shareholders' Equity

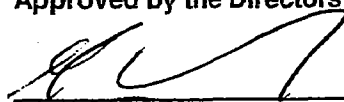
Share capital (note 6) 200 200


Retained earnings 136,577 251,777

136,777 251,977

\$ 10,753,646 **\$ 10,898,175**

Approved by the Directors

 Director

 Director

 DIRECTOR

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

For the year ended December 31,	2003	2002
Revenue		
Equipment lease	\$ 1,700,000	\$ 1,700,000
Interest income	87,660	58,793
	1,787,660	1,758,793
Expenses		
Amortization	1,143,551	1,319,248
Bank charges and interest	89	85
Interest on long-term debt	795,827	793,776
Management fees	34,023	75,345
Professional fees	12,886	25,393
	1,986,376	2,213,847
Loss before income taxes	(198,716)	(455,054)
Income taxes (recovery)	(83,516)	(202,267)
Net loss	(115,200)	(252,787)
Retained earnings, beginning of year	251,777	504,564
Retained earnings, end of year	\$ 136,577	\$ 251,777

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

For the year ended December 31,	2003	2002
Cash provided by (used in)		
Operating activities		
Net loss	\$ (115,200)	\$ (252,787)
Item not affecting cash		
Amortization	1,143,551	1,319,248
Change in non-cash operating working capital		
Accounts receivable	(151,583)	48,785
Income taxes receivable	117,294	(139,600)
Accounts payable and accrued liabilities	19,016	(72,876)
Due to shareholders	(48,345)	(280,500)
	964,733	622,270
Financing activities		
Increase in long-term debt	-	1,225,000
Investing activities		
Property and equipment purchased	(121,488)	(719,021)
Increase in restricted cash	(953,427)	(1,087,926)
	(1,074,915)	(1,806,947)
Increase (decrease) in cash	(110,182)	40,323
Cash, beginning of year	111,274	70,951
Cash, end of year	\$ 1,092	\$ 111,274

19596 Yukon Inc.

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

December 31, 2003

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 future income tax method.

2. Property and Equipment

	Rate	Cost	2003 Accumulated Amortization	Net book Value	2002 Net book Value
Equipment	20%	\$ 2,247,436	\$ 993,552	\$ 1,253,884	\$ 1,560,056
Communication Equipment	20%	1,896,057	879,522	1,016,535	1,141,293
Satellite Structures & improvements	20%	1,123,596	498,870	624,726	780,907
Fiber Cable	4%	1,649,466	175,114	1,474,352	1,535,784
Roads	12%	3,046,820	899,680	2,147,140	2,439,932
Routers	8%	175,404	31,443	143,961	156,480
Computer Equipment	30%	482,238	324,631	157,607	225,153
Office Furniture	30%	2,568	1,819	749	1,070
	20%	2,971	1,602	1,369	1,711
		\$ 10,626,556	\$ 3,806,233	\$ 6,820,323	\$ 7,842,386

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

December 31, 2003

3. Due to Yukon Government Fund Limited	2003	2002
Term loan bearing interest equal to 7.7% per annum, calculated and compounded semi-annually, not in advance, payable monthly. Repayable 60 months after advance, maturing May 1, 2005. Secured by promissory note and a security agreement over equipment.	\$ 1,750,000	\$ 1,750,000
Term loan bearing interest equal to 7.7% per annum, calculated and compounded semi-annually, not in advance, payable monthly. Repayable 60 months after advance, maturing October 20, 2005. Secured by promissory note and a security agreement over equipment.	1,750,000	1,750,000
Term loan bearing interest equal to 7.7% per annum, calculated and compounded semi-annually, not in advance, payable monthly. Repayable 60 months after advance, maturing January 22, 2006. Secured by promissory note and a security agreement over equipment.	1,750,000	1,750,000
Term loan bearing interest equal to 7.7% per annum, calculated and compounded semi-annually, not in advance, payable monthly. Repayable 60 months after advance, maturing May 18, 2006. Secured by promissory note and a security agreement over equipment.	1,925,000	1,925,000
Term loan bearing interest equal to 7.7% per annum, calculated and compounded semi-annually, not in advance, payable monthly. Repayable 60 months after advance, maturing July 20, 2006. Secured by promissory note and a security agreement over equipment.	1,575,000	1,575,000
Term loan bearing interest equal to 7.7% per annum, calculated and compounded semi-annually, not in advance, payable monthly. Repayable 60 months after advance, maturing September 21, 2006. Secured by promissory note and a security agreement over equipment.	525,000	525,000
Term loan bearing interest equal to 7.7% per annum, calculated and compounded semi-annually, not in advance, payable monthly. Repayable 60 months after advance, maturing January 10, 2007. Secured by promissory note and a security agreement over equipment.	1,225,000	1,225,000
	\$ 10,500,000	\$ 10,500,000

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

December 31, 2003

Due to Yukon Government Fund Limited (continued)

Estimated annual repayments of the loans payable are as follows:

2005	\$	3,500,000
2006		5,775,000
2007		1,225,000

\$ 10,500,000

4. Related Party Transactions

During the year, the Company borrowed \$ nil (2002 - \$1,225,000) from Yukon Government Fund Limited, a company with significant common influence. The company paid management fees to its parent company of \$17,523 (2002-\$9,346) and \$16,500 (2002-\$66,000) to Government of Yukon, a shareholder in the company. The company received \$1,700,000 in lease revenue from Northwestel, a shareholder in the company.

5. 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.

6. Share Capital**Authorized**Unlimited number of shares without
nominal or par value**Issued**

200 common shares

2003**2002****\$ 200 \$ 200**
