

19596 YUKON INC.
FINANCIAL STATEMENTS
December 31, 2004
(unaudited)

MackKay 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, 2004 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 21, 2005


Chartered Accountants

19596 Yukon Inc.

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

As at December 31,	2004	2003
Assets		
Current		
Bank	\$ 1,067	\$ 1,092
Accounts receivable	163,508	153,583
Income taxes receivable	-	83,516
	164,575	238,191
Restricted cash (note 5)	4,720,999	3,695,132
Property and equipment (note 2)	5,865,366	6,820,323
	\$ 10,750,940	\$ 10,753,646

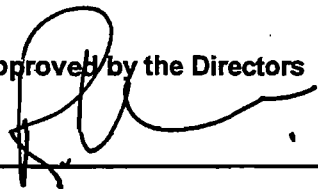
Liabilities

Current		
Accounts payable and accrued liabilities	\$ 105,634	\$ 99,214
Due to shareholders	17,655	17,655
Current portion of long term debt	3,500,000	-
	3,623,289	116,869
Due to Yukon Government Fund Limited (note 3)	7,000,000	10,500,000
	10,623,289	10,616,869


Shareholders' Equity

Share capital (note 6)	200	200
Retained earnings	127,451	136,577
	127,651	136,777
	\$ 10,750,940	\$ 10,753,646

Approved by the Directors


_____, Director


_____, Director


_____, DIRECTOR

MacKay LLP

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Chartered Accountants

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

For the year ended December 31,	2004	2003
Revenue		
Equipment lease	\$ 1,700,000	\$ 1,700,000
Interest income	85,948	87,660
	1,785,948	1,787,660
Expenses		
Amortization	954,957	1,143,551
Bank charges and interest	45	89
Interest on long-term debt	795,827	795,827
Management fees	27,014	34,023
Professional fees	17,231	12,886
	1,795,074	1,986,376
Loss before income taxes	(9,126)	(198,716)
Income taxes (recovery)	-	(83,516)
Net loss	(9,126)	(115,200)
Retained earnings, beginning of year	136,577	251,777
Retained earnings, end of year	\$ 127,451	\$ 136,577

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

For the year ended December 31,	2004	2003
Cash provided by (used in)		
Operating activities		
Net loss	\$ (9,126)	\$ (115,200)
Item not affecting cash		
Amortization	954,957	1,143,551
Change in non-cash operating working capital		
Accounts receivable	(9,925)	(151,583)
Income taxes receivable	83,516	117,294
Accounts payable and accrued liabilities	6,420	19,016
Due to shareholders	-	(48,345)
	1,025,842	964,733
Investing activities		
Property and equipment purchased	-	(121,488)
Increase in restricted cash	(1,025,867)	(953,427)
	(1,025,867)	(1,074,915)
Decrease in cash	(25)	(110,182)
Cash, beginning of year	1,092	111,274
Cash, end of year	\$ 1,067	\$ 1,092

19596 Yukon Inc.

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

December 31, 2004

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

			2004		2003
	Rate	Cost	Accumulated Amortization	Net book Value	Net book Value
Equipment	20%	\$ 2,247,436	\$ 1,244,329	\$ 1,003,107	\$ 1,253,884
Communication Equipment	20%	1,896,057	1,082,829	813,228	1,016,535
Satellite	20%	1,123,596	623,815	499,781	624,726
Structures & Improvements	4%	1,649,466	234,088	1,415,378	1,474,352
Fiber Cable	12%	3,046,820	1,157,337	1,889,483	2,147,140
Roads	8%	175,405	42,960	132,445	143,961
Routers	30%	482,238	371,913	110,325	157,607
Computer Equipment	30%	2,568	2,044	524	749
Office Furniture	20%	2,971	1,876	1,095	1,369
		\$ 10,626,557	\$ 4,761,191	\$ 5,865,366	\$ 6,820,323

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

December 31, 2004

3. Due to Yukon Government Fund Limited	2004	2003
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
Less current portion	3,500,000	-
	\$ 7,000,000	\$ 10,500,000

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

December 31, 2004

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

The company paid management fees to its parent company of \$10,514 (2003-\$17,523) and \$16,500 (2003-\$16,500) 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

	2004	2003
Issued		
200 common shares	\$ 200	\$ 200

7. Income Taxes

The company has the following amount available to apply against future taxable income for which no future income tax asset has been recognized.

Non-capital losses expiring in:

2011	\$	9,206
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8. Subsequent Events

Subsequent to the end of the year, the company sold all of its property and equipment to one of the shareholders of the company for \$6,100,000.
