

19596 YUKON INC.
FINANCIAL STATEMENTS
December 31, 2005
(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, 2005 and the statements of operations, 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, Canada

April 12, 2006

A handwritten signature in black ink that reads "Mackay LLP". The signature is written in a cursive, flowing style.

Chartered Accountants

19596 Yukon Inc.**Balance Sheet**
(Unaudited - see Review Engagement Report)

December 31, **2005** **2004**

Assets**Current**

Cash and short term investments	\$ 942	\$ 1,067
Accounts receivable	135,830	163,508
Restricted cash (notes 3 and 9)	5,954,403	-

6,091,178 **164,575****Restricted cash (notes 3 and 9)** **1,225,000** **4,720,999****Property and equipment (note 4)** **1,243** **5,865,366**

\$ 7,317,418 **\$ 10,750,940**

Liabilities**Current**

Accounts payable and accrued liabilities	\$ 47,411	\$ 105,634
Income taxes payable	22,575	-
Advances from shareholder	-	17,655
Current portion of Due to Yukon Government Fund Limited (note 5)	5,775,000	3,500,000

5,844,986 **3,623,289****Due to Yukon Government Fund Limited (note 5)** **1,225,000** **7,000,000**


7,069,986 **10,623,289**


Shareholders' Equity**Share capital (note 6)** **200** **200****Retained earnings** **247,232** **127,451**

247,432 **127,651**

\$ 7,317,418 **\$ 10,750,940**

Approved by the board:



Director


Director

Director

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

For the year ended December 31,	2005	2004
Revenue		
Interest income	\$ 212,859	\$ 85,948
Leasing income (note 8)	425,000	1,700,000
	637,859	1,785,948
Expenses		
Amortization	376	954,957
Interest and bank charges	125	45
Interest on long-term debt (note 8)	681,257	795,827
Management fees (note 8)	15,000	27,014
Meals and entertainment	64	-
Professional fees	34,935	17,231
	731,757	1,795,074
Loss before other item and income taxes	(93,898)	(9,126)
Other income		
Gain on sale of property and equipment	236,254	-
Income (loss) before income taxes	142,356	(9,126)
Income taxes	22,575	-
Net income (loss)	\$ 119,781	\$ (9,126)

19596 Yukon Inc.

**Statement of Retained Earnings
(Unaudited - see Review Engagement Report)**

For the year ended December 31,	2005	2004
Retained earnings, beginning of year	\$ 127,451	\$ 136,577
Net income (loss)	119,781	(9,126)
Retained earnings, end of year	\$ 247,232	\$ 127,451

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

For the year ended December 31,	2005	2004
Cash provided by (used for)		
Operating activities		
Net income (loss)	\$ 119,781	\$ (9,126)
Items not affecting cash		
Amortization	376	954,957
Gain on sale of property and equipment	(236,254)	-
	(116,097)	945,831
Changes in non-cash working capital items		
Accounts receivable	27,678	(9,925)
Accounts payable and accrued liabilities	(58,222)	6,420
Income taxes	22,575	83,516
	(124,066)	1,025,842
Financing activities		
Advances from related party	(3,500,000)	-
Advances from (to) shareholder	(17,655)	-
	(3,517,655)	-
Investing activity		
Proceeds on disposal of property and equipment	6,100,000	-
Increase in cash	2,458,279	1,025,842
Cash, beginning of year	4,722,066	3,696,224
Cash, end of year	\$ 7,180,345	\$ 4,722,066
Cash consists of:		
Cash and short term investments	\$ 942	\$ 1,067
Restricted cash	7,179,403	4,720,999
	\$ 7,180,345	\$ 4,722,066

19596 Yukon Inc.

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

December 31, 2005

1. Nature of operations

19596 Yukon Inc. is incorporated under the laws of the Yukon Territory and its major activity is the leasing of communications equipment.

2. Significant accounting policies

The following is a summary of the significant accounting policies used by management in the preparation of these financial statements.

(a) Property and equipment

Property and equipment are recorded at original cost plus any costs of betterment less accumulated amortization and excludes any assets not in current use. Amortization is calculated by the declining balance method at the annual rates set out in note 4.

(b) Income taxes

The company accounts for income taxes using the future income tax method.

(c) 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 other information relevant for making a reasonable assessment of future cash flows, interest rate risk and credit risk. Where practicable the fair values of financial assets and financial liabilities have been determined and disclosed; otherwise only available information pertinent to fair value has been disclosed.

(d) Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

3. 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.

19596 Yukon Inc.

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

December 31, 2005

4. Property and equipment

			2005	2004
	Rate	Cost	Accumulated Amortization	Net book value
			Net book value	Net book value
Office furniture	20% \$	2,971 \$	2,095 \$	876 \$
Computer equipment	30%	2,568	2,201	367
Structures & improvements	4%	-	-	1,415,378
Roads	8%	-	-	132,445
Fiber cable	12%	-	-	1,889,483
Routers	20%	-	-	110,325
Satellite Equipment	20%	-	-	499,781
Communication equipment	30%	-	-	1,003,107
		\$ 5,539 \$	4,296 \$	1,243 \$
				5,865,366

5. Due to Yukon Government Fund Limited

	2005	2004
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
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
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 June 22, 2006. Secured by promissory note and a security agreement over equipment.	1,750,000	1,750,000
Carry Forward	\$ 1,750,000	\$ 5,250,000

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

December 31, 2005

5. Due to Government Fund Limited- continued

Balance forward	\$ 1,750,000	\$ 5,250,000
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 20, 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
	7,000,000	10,500,000
Less current portion	5,775,000	3,500,000
	\$ 1,225,000	\$ 7,000,000

Estimated principal repayments are as follows:

2006	\$ 5,775,000
2007	1,225,000
	\$ 7,000,000

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

December 31, 2005

6. Share capital

	2005	2004
Authorized Unlimited number of shares without nominal or par value		
Issued 200 common shares	\$ 200	\$ 200

7. Refundable dividend taxes on hand

The company has refundable dividend taxes of \$35,165 which have been charged to retained earnings and will be refunded to the company at the rate of \$1 for every \$3 of taxable dividends paid.

8. Related party transactions

The company paid management fees totalling \$15,000 (2004 - \$27,014) to one shareholder ((2004 - two shareholders) and interest on loans of \$681,257 (2004 - \$795,827) to a company with significant common influence. In addition, the company received lease revenue of \$425,000 (2004 - \$1,700,000) from a shareholder.

These transactions are in the normal course of operations and have been valued in these financial statements at the exchange amount which is the amount of consideration established and agreed to by the related parties.