



RADIANT COMMUNICATIONS CORP.

FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

(Unaudited)

June 30, 2010

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, “Continuous Disclosure Obligations”, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The Company’s external auditors, PricewaterhouseCoopers LLP, have not performed a review of these financial statements.

signed “Don Calder”

Don Calder
Chair of the Board

signed “Chuck Leighton”

Chuck Leighton
Chief Financial Officer

August 24, 2010

RADIANT COMMUNICATIONS CORP.

BALANCE SHEET

(Expressed in Canadian dollars)
(Unaudited)

| | June 30, 2010 | December 31, 2009 |
|---|---------------|----------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$ 6,233,110 | \$ 3,412,781 |
| Short-term investments (Note 3) | 533,376 | 424,376 |
| Restricted short-term investment | – | 109,000 |
| Trade accounts receivable | 2,868,470 | 2,512,832 |
| Inventories | 240,610 | 358,136 |
| Prepaid expenses and deposits | 422,313 | 295,052 |
| Deferred costs | 1,059,417 | 1,473,487 |
| | 11,357,296 | 8,585,664 |
| Property and equipment | 1,922,160 | 1,568,829 |
| Right of Access (Note 4) | 840,678 | – |
| Goodwill | 1,574,228 | 1,574,228 |
| | \$ 15,694,362 | \$ 11,728,721 |
| Liabilities and Shareholders' Equity | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | \$ 3,453,801 | \$ 3,244,082 |
| Customer deposits | 122,115 | 122,115 |
| Deferred revenue | 4,401,379 | 4,679,804 |
| Current portion of deferred lease inducements | 33,463 | 16,050 |
| Current portion of obligations under capital leases | 47,828 | 49,700 |
| | 8,058,586 | 8,111,751 |
| Deferred lease inducements | 48,269 | 75,192 |
| Obligations under capital leases | 16,724 | 44,040 |
| | 8,123,579 | 8,230,983 |
| Shareholders' equity | | |
| Share capital (Note 5) | 7,511,130 | 3,601,872 |
| Contributed surplus | 4,673,392 | 4,433,931 |
| Deficit | (4,613,739) | (4,538,065) |
| | 7,570,783 | 3,497,738 |
| | \$ 15,694,362 | \$ 11,728,721 |

See accompanying notes to financial statements.

Approved on behalf of the Board:

"Ian Power" (signed) Director

"Don Calder" (signed) Director

RADIANT COMMUNICATIONS CORP.

STATEMENTS OF OPERATIONS, COMPREHENSIVE INCOME (LOSS) AND DEFICIT

(Expressed in Canadian dollars)
(Unaudited)

| | Three months ended June 30, | | Six months ended June 30, | |
|---|-----------------------------|----------------|---------------------------|----------------|
| | 2010 | 2009 | 2010 | 2009 |
| Revenue | \$ 7,758,217 | \$ 7,374,185 | \$ 15,568,986 | \$ 14,640,373 |
| Cost of sales | 4,738,033 | 4,105,573 | 9,378,022 | 8,207,038 |
| Gross profit | 3,020,184 | 3,268,612 | 6,190,964 | 6,433,335 |
| Expenses | | | | |
| Sales and marketing | 648,791 | 493,887 | 1,141,931 | 1,031,686 |
| General and administrative | 2,306,749 | 2,176,077 | 4,602,352 | 4,307,807 |
| Amortization | 271,151 | 260,322 | 532,513 | 522,538 |
| | 3,226,691 | 2,930,286 | 6,276,796 | 5,862,031 |
| Income (loss) before undernoted | (206,507) | 338,326 | (85,832) | 571,304 |
| Interest expense | 5,052 | 14,439 | 11,817 | 31,438 |
| Other (income) expenses | (13,467) | 99,811 | (21,975) | 61,616 |
| Net earnings (loss) and comprehensive income (loss) for the period | (198,092) | 224,076 | (75,674) | 478,250 |
| Deficit, beginning of period | (4,415,647) | (4,357,475) | (4,538,065) | (4,611,649) |
| Deficit, end of period | \$ (4,613,739) | \$ (4,133,399) | \$ (4,613,739) | \$ (4,133,399) |
| Basic and diluted earnings (loss) per share | \$ (0.01) | \$ 0.02 | \$ (0.01) | \$ 0.04 |
| Weighted average common shares, used in computing basic and diluted earnings (loss) per share | 14,433,356 | 10,925,664 | 14,777,598 | 10,925,664 |

See accompanying notes to financial statements.

RADIANT COMMUNICATIONS CORP.

STATEMENTS OF CASH FLOWS

(Expressed in Canadian dollars)

(Unaudited)

| | Three months ended | | Six months ended | |
|--|--------------------|--------------|------------------|--------------|
| | June 30, | | June 30, | |
| | 2010 | 2009 | 2010 | 2009 |
| Cash flows from operating activities: | | | | |
| Income (loss) for the period | \$ (198,092) | \$ 224,076 | \$ (75,674) | \$ 478,250 |
| Items not involving cash: | | | | |
| Amortization | 255,188 | 260,322 | 513,316 | 522,538 |
| Amortization of right of access | 15,963 | – | 19,197 | – |
| Stock-based compensation (Note 5(c)) | 60,134 | 72,206 | 146,461 | 137,304 |
| Amortization of deferred lease inducements | (8,468) | 2,671 | (9,510) | 5,342 |
| Foreign exchange (gain) loss | (9,458) | 98,932 | 373 | 78,142 |
| | 115,267 | 658,207 | 594,163 | 1,221,576 |
| Change in non-cash working capital: | | | | |
| Trade accounts receivable | 294,898 | 736,447 | (355,638) | 398,661 |
| Inventories | 69,168 | (99,204) | 117,526 | 140,254 |
| Prepaid expenses and deposits | (4,341) | (160,173) | (127,261) | (277,728) |
| Deferred costs | 201,352 | (207,630) | 414,070 | (245,814) |
| Accounts payable and accrued liabilities | (128,405) | 130,359 | 209,719 | 268,259 |
| Customer deposits | – | (750) | – | (1,351) |
| Deferred revenue | (122,466) | 145,876 | (278,425) | 200,311 |
| | 425,473 | 1,203,132 | 574,154 | 1,704,168 |
| Cash flows from investing activities: | | | | |
| Purchase of property and equipment | (278,716) | (149,030) | (871,400) | (311,890) |
| Payments for right of access (Note 4) | (687,875) | – | (859,875) | – |
| | (966,591) | (149,030) | (1,731,275) | (311,890) |
| Cash flows from financing activities: | | | | |
| Payments under capital leases | (12,320) | (42,085) | (24,435) | (102,534) |
| Proceeds from issuance of common shares (Note 5(b)) | 4,002,258 | – | 4,002,258 | – |
| | 3,989,938 | (42,085) | 3,977,823 | (102,534) |
| Foreign exchange gain (loss) on cash held in foreign currency | | | | |
| | 9,458 | (98,932) | (373) | (78,142) |
| Increase in cash and cash equivalents | 3,458,278 | 913,085 | 2,820,329 | 1,211,602 |
| Cash and cash equivalents, beginning of period | 2,774,832 | 2,108,995 | 3,412,781 | 1,810,478 |
| Cash and cash equivalents, end of period | \$ 6,233,110 | \$ 3,022,080 | \$ 6,233,110 | \$ 3,022,080 |

Supplementary cash flow information (Note 9)

See accompanying notes to financial statements.

RADIANT COMMUNICATIONS CORP.

NOTES TO FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

(Unaudited)

June 30, 2010 and 2009

1. Basis of presentation

The accompanying unaudited financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial information and, accordingly, do not include all information and note disclosures required for an annual set of financial statements under Canadian generally accepted accounting principles. In the opinion of management, all adjustments (consisting solely of normal recurring adjustments) considered necessary for a fair presentation of the financial position, results of operations and cash flows for the periods presented, have been made. Results for the interim periods presented are not necessarily indicative of the results that may be expected for the year or for any other period. These financial statements have been prepared using the same accounting policies used in the preparation of the Company's audited financial statements for the year ended December 31, 2009, except as described in note 2, and should be read in conjunction with those financial statements and notes thereto.

Certain comparative figures have been reclassified to conform with the current period's presentation.

2. Future changes in accounting standards

(a) Business Combinations

In January 2009, the CICA issued Section 1582, "Business Combinations" replacing Section 1581, "Business Combinations". This section establishes the standards for the accounting of business combinations, and states that all assets and liabilities of an acquired business will be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. This new section will be applicable to financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted. The Company is currently assessing the future impact of this new standard on its financial statements.

(b) Consolidated financial statements

In January 2009, the CICA issued Section 1601, "Consolidated Financial Statements", which replaces the existing standards. This section establishes the standards for preparing consolidated financial statements and is effective for fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted. The Company is currently assessing the future impact of this new standard on its financial statements.

(c) International Financial Reporting Standards

In February 2008, the CICA's Accounting Standards Board confirmed its strategy of replacing Canadian generally accepted accounting principles with International Financial Reporting Standards ("IFRS") for Canadian publicly accountable enterprises. These new standards will be effective for the Company's interim and annual financial statements commencing January 1, 2011. The Company is currently developing an implementation plan and assessing the impact of the transition to IFRS on its financial statements.

RADIANT COMMUNICATIONS CORP.

NOTES TO FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

(Unaudited)

June 30, 2010 and 2009

3. Short-term investments

Short-term investments consist of guaranteed investment certificates with original maturities of greater than three months. Investments are recorded at fair value.

4. Right of Access

In January 2010, the Company entered into a broadband network investment agreement with a telecom carrier. The agreement allows the Company to have an exclusive, unrestricted, indefeasible right of access (ROA) to certain elements established for the use of Radiant at selected central offices. As of June 30, 2010, the balance represents the payments for the ROA's of \$859,875, net of accumulated amortization of \$19,197. These payments are amortized on a straight-line basis over the balance period of the term of the agreement, with a maximum term of 10 years from the initial date of the agreement.

5. Share capital

(a) Authorized: Unlimited number of common shares, without par value
Unlimited number of preferred shares, without par value, issuable in series

(b) Issued and outstanding

On April 16, 2010, the Company issued in aggregate a total of 4,200,000 common shares in two non-brokered private placements at a price of \$1.00 per share for gross proceeds of \$4,200,000, before the issuance costs of \$290,742, of which \$93,000 was the non-cash fair value of the 200,000 share purchase warrants issued at the closing of the private placements. These shares were issued to a new investor and to companies that are directly or indirectly controlled by directors of the Company.

| | Number of shares | Amount |
|---|---------------------|--------------|
| Issued and outstanding – December 31, 2009 and March 31, 2010 | 10,925,664 | \$ 3,601,872 |
| Issued pursuant to private placements | 4,200,000 | 4,200,000 |
| Share issue costs - cash | – | (197,742) |
| Share issue costs – non-cash | – | (93,000) |
| Issued and outstanding – June 30, 2010 | 15,125,664 | 7,511,130 |

RADIANT COMMUNICATIONS CORP.

NOTES TO FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

(Unaudited)

June 30, 2010 and 2009

5. Share capital (continued)

(c) Stock option plan

In 2002, the Company's board of directors adopted a Stock Option Plan (the "Plan") and reserved 587,085 shares for issuance thereunder. The Plan was amended to increase the total number of shares reserved for issuance to 705,243 in 2004 and to 1,643,845 in 2007. In June 2010, the Plan was amended to increase the total number of shares reserved for issuance to 2,268,000. The Plan provides for the granting of stock options to Participants (defined as employees, management company employees, senior officers, directors, consultants, and designated affiliates).

Terms and conditions of options granted under the Plan are determined solely by the Board of Directors. Options are generally granted with a term of five years, vest over three years, with exercise prices equal to the fair value of the shares on the date of grant.

The following table summarizes activity under the Plan for the three months and six months ended June 30, 2010:

| | Three months | | Six months | |
|----------------------------------|-------------------|---------------------------------|-------------------|---------------------------------|
| | Number of options | Weighted average exercise price | Number of options | Weighted average exercise price |
| Outstanding, beginning of period | 1,449,584 | \$ 1.11 | 1,398,252 | \$ 1.11 |
| Granted | 140,000 | 1.00 | 210,000 | 1.05 |
| Forfeited | (5,417) | 1.75 | (24,085) | 2.26 |
| Outstanding, end of period | 1,584,167 | \$ 1.10 | 1,584,167 | \$ 1.10 |

The following table summarizes information about stock options outstanding as at June 30, 2010:

| Range of exercise prices | Options outstanding | | | Options exercisable | |
|--------------------------|---------------------|---|---------------------------------|---------------------|---------------------------------|
| | Number outstanding | Weighted average remaining contractual life | Weighted average exercise price | Number exercisable | Weighted average exercise price |
| \$0.90 to \$1.00 | 540,000 | 3.4 years | \$0.98 | 271,375 | \$0.99 |
| \$1.05 to \$1.80 | 1,044,167 | 2.3 years | 1.16 | 874,230 | 1.16 |
| \$0.90 to \$1.80 | 1,584,167 | 2.7 years | \$1.10 | 1,145,605 | \$1.12 |

RADIANT COMMUNICATIONS CORP.

NOTES TO FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

(Unaudited)

June 30, 2010 and 2009

5. Share capital (continued)

(c) Stock option plan (continued)

The total fair value of stock options granted during the three months and six months ended June 30, 2010 was \$64,300 (2009 - \$64,900) and \$111,200 (2009 - \$92,400), respectively. The weighted average grant date fair value of options granted during the three months and six months ended June 30, 2010 was \$0.46 (2009 - \$0.59) and \$0.53 (2009 - \$0.58), respectively.

For the three months and six months ended June 30, 2010, the Company recorded a stock-based compensation expense of \$60,134 (2009 - \$72,206) and \$146,461 (2009 - \$137,304), respectively.

(d) Share purchase warrants

On April 16, 2010, at the time of closing of the private placements, the Company issued 200,000 common share purchase warrants to purchase an equal number of common shares at the price of \$1.20 per common share for a period of three years following the closing of the private placements. The fair value of the warrants was estimated as \$93,000 using the Black-Scholes option pricing model and was recognized as part of issuance costs of the private placements on April 16, 2010.

The fair value of each warrant issued was estimated on the date of issuance with the following assumptions:

| | |
|--|---------|
| Weighted average risk-free interest rate | 2.77% |
| Dividend yield | 0% |
| Weighted average expected life of the warrants | 3 years |
| Weighted average volatility | 76% |

RADIANT COMMUNICATIONS CORP.

NOTES TO FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

(Unaudited)

June 30, 2010 and 2009

6. Financial instruments

(a) Classification of financial instruments

The Company has classified its financial instruments as follows:

| | June 30, 2010 | December 31, 2009 |
|--|---------------------|----------------------|
| Financial assets: | | |
| Held for trading, measured at fair value: | | |
| Cash and cash equivalents | \$ 6,233,110 | \$ 3,412,781 |
| Short-term investments | 533,376 | 424,376 |
| Restricted short-term investment | – | 109,000 |
| | <u>\$ 6,766,486</u> | <u>\$ 3,946,157</u> |
| Loans and receivables, measured at amortized cost: | | |
| Accounts receivable | \$ 2,868,470 | \$ 2,512,832 |
| Financial liabilities, measured at amortized cost: | | |
| Accounts payable and accrued liabilities | \$ 3,453,801 | \$ 3,244,082 |
| Customer deposits | 122,115 | 122,115 |
| Advanced billings | 2,182,487 | 2,042,025 |
| | <u>\$ 5,758,403</u> | <u>\$ 5,408,222</u> |

(b) Fair value

Cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, customer deposits and advance billings, are short-term financial instruments whose fair value approximates the carrying amount given that they will mature shortly. The fair value of short-term investments is based on quoted market prices. Capital lease obligations are subject to valuation differences due to fixed interest rate charges, however, the fair market value of capital leases is not considered to be materially different from their market values. During the current period, no material realized gains or losses have been recognized on the Company's short-term investments.

(c) Risk disclosures

(i) Foreign currency

The Company undertakes certain transactions in US dollars and as such is subject to risk due to fluctuations in exchange rates. The Company does not use derivative instruments to hedge exposure to foreign exchange rate risk. Management of the Company believes there is no significant exposure to foreign currency fluctuations.

RADIANT COMMUNICATIONS CORP.

NOTES TO FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

(Unaudited)

June 30, 2010 and 2009

6. Financial instruments (continued)

(c) Risk disclosures (continued)

(ii) Credit

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash and cash equivalents, short-term investments and trade accounts receivable. The Company limits its exposure to credit loss by placing its cash and cash equivalents and short-term investments with high credit quality financial institutions. The carrying amount of financial assets represents the maximum credit exposure.

The Company's customers are concentrated in Canada and the United States. The Company performs ongoing credit evaluations, generally does not require collateral, and establishes an allowance for doubtful accounts based upon factors surrounding the credit risk of customers, historical trends and other information.

The Company is exposed to concentration of credit risk on the accounts receivable from its customers. As at June 30, 2010, approximately 29% of the trade accounts receivable balances were owed from 3 customers. As at June 30, 2009, approximately 35% of the trade accounts receivable balances were owed from 4 customers.

The Company's exposure to credit risk with its customers is influenced mainly by the individual characteristics of each customer. The Company closely monitors extensions of credit and has not experienced significant credit losses in the past.

(iii) Interest rate

Short-term investments with fixed interest rates are invested in separate guaranteed investment certificates with original maturities of greater than three months exposing the Company to interest rate risk on these financial instruments. The Company does not use financial instruments to mitigate this interest rate risk because the sensitivity of the Company's short-term investments to fluctuation of interest rate is minimal.

(iv) Liquidity

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash and cash equivalents. The ability to do this relies on the Company collecting its accounts receivables in a timely manner and by maintaining sufficient cash and cash equivalents in excess of anticipated needs.

RADIANT COMMUNICATIONS CORP.

NOTES TO FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

(Unaudited)

June 30, 2010 and 2009

7. Capital management

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of cash and cash equivalents, short-term investments, capital lease obligations and equity comprising of issued capital, contributed surplus and deficit.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues, share repurchases, the issue of debt or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged from the year ended December 31, 2009.

8. Segmented disclosures

The Company operates in one segment, connectivity and web hosting. This segment includes high-speed internet connectivity and hosting services, sophisticated e-commerce applications, and the design and management of dedicated server offerings.

The Company earned revenue for the three months and six months ended June 30, 2010 and 2009 by geographic area as follows:

| | Three months ended June 30, | | Six months ended June 30, | |
|---------------|--------------------------------|--------------|------------------------------|---------------|
| | 2010 | 2009 | 2010 | 2009 |
| Canada | \$ 6,913,260 | \$ 6,404,478 | \$ 13,844,651 | \$ 12,699,502 |
| United States | 814,185 | 936,602 | 1,662,344 | 1,875,512 |
| Other | 30,772 | 33,105 | 61,991 | 65,359 |
| Total | \$ 7,758,217 | \$ 7,374,185 | \$ 15,568,986 | \$ 14,640,373 |

One customer accounted for approximately 18% (2009 – 15%) of the Company's total revenue for the three months and six months ended June 30, 2010.

RADIANT COMMUNICATIONS CORP.

NOTES TO FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

(Unaudited)

June 30, 2010 and 2009

9. Supplementary cash flow information

| | Three months ended June 30, | | Six months ended June 30, | |
|---|--------------------------------|-----------|------------------------------|-----------|
| | 2010 | 2009 | 2010 | 2009 |
| Cash paid for interest | \$ 5,052 | \$ 14,439 | \$ 11,816 | \$ 31,438 |
| Cash received for interest | 146 | 340 | 197 | 1,160 |
| Non-cash investing and financing activities: | | | | |
| Issuance of common share purchase warrants | \$ 93,000 | \$ - | \$ 93,000 | - |
