

Consolidated Financial Statements
(Expressed in Canadian dollars)

RADIANT COMMUNICATIONS, INC.

Nine months ended December 31, 2001 and 2000 (Unaudited)
Years ended March 31, 2001, 2000 and 1999

AUDITORS' REPORT

To the Directors

We have audited the consolidated balance sheets of Radiant Communications, Inc. as at December 31, 2001 and March 31, 2001 and the consolidated statements of operations and deficit and cash flows for the nine months ended December 31, 2001 and the year ended March 31, 2001. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2001 and March 31, 2001 and the results of its operations and its cash flows for the nine months ended December 31, 2001 and the year ended March 31, 2001 in accordance with Canadian generally accepted accounting principles. As required by the Company Act (British Columbia), we report that, in our opinion, these principles have been applied on a consistent basis.

The consolidated financial statements as at March 31, 2000 and 1999, and for the years then ended were audited by other auditors who expressed an opinion without reservation on those statements in their report dated October 13, 2000.

Signed "**KPMG LLP**"

Chartered Accountants

Vancouver, Canada

March 14, 2002

RADIANT COMMUNICATIONS, INC.

Consolidated Balance Sheets
(Expressed in Canadian dollars)

	December 31, 2001	2001	March 31,	
			2000	1999
Assets				
Current assets:				
Cash and cash equivalents	\$ 470,535	\$ 2,394,152	\$ 171,534	\$ 104,354
Temporary investment (note 3)	24,404	23,927	22,965	21,591
Trade accounts receivable, net of allowance for doubtful accounts of \$149,894 (2001 - \$163,178; 2000 - \$75,932; 1999 - nil)	1,435,996	1,857,061	363,180	69,090
Due from shareholder and director (note 13(c))	135,552	177,363	-	-
Income taxes recoverable	45,453	45,453	-	-
Inventories	127,350	193,009	-	-
Prepaid expenses and deposits	103,553	194,633	51,207	16,613
Deferred development costs	-	-	32,907	-
Deferred financing charges	226,247	-	-	-
	<u>2,569,090</u>	<u>4,885,598</u>	<u>641,793</u>	<u>211,648</u>
Deposits	108,268	-	-	-
Capital assets (note 6)	2,311,725	2,426,655	481,970	85,078
Goodwill and other intangible assets (note 7)	2,278,734	2,659,100	-	-
	<u>\$ 7,267,817</u>	<u>\$ 9,971,353</u>	<u>\$ 1,123,763</u>	<u>\$ 296,726</u>
Liabilities and Shareholders' Equity (Deficiency)				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 2,553,076	\$ 2,428,169	\$ 522,220	\$ 50,078
Customer deposits	203,424	413,353	105,600	-
Deferred revenue	897,698	649,630	8,530	29,955
Bridge loan (note 5)	5,710,188	-	-	-
Current portion of due to related party	500,000	1,004,842	4,842	8,988
Current portion of obligations under capital leases	553,984	441,254	46,994	-
	<u>10,418,370</u>	<u>4,937,248</u>	<u>688,186</u>	<u>89,021</u>
Due to related party (note 8)	-	500,000	-	4,842
Obligations under capital leases (note 9)	615,504	632,568	84,316	-
Shareholders' equity (deficiency):				
Share capital (note 10)	1,864,473	2,323,276	1,310,105	600,000
Contributed surplus	13,177,280	7,284,564	-	-
Shares to be issued (note 8)	100,000	-	-	-
Deficit	(18,907,810)	(5,706,303)	(958,844)	(397,137)
	<u>(3,766,057)</u>	<u>3,901,537</u>	<u>351,261</u>	<u>202,863</u>
	<u>\$ 7,267,817</u>	<u>\$ 9,971,353</u>	<u>\$ 1,123,763</u>	<u>\$ 296,726</u>

Future operations (note 1(b))
Commitments (note 11)
Subsequent events (notes 1, 8 and 15)
Contingencies (note 14)

See accompanying notes to financial statements.

Approved on behalf of the Board:

(signed) "Jim Grey" Director

(signed) "Doug Forster" Director

RADIANT COMMUNICATIONS, INC.

Consolidated Statements of Operations and Deficit
(Expressed in Canadian dollars)

	Nine months ended December 31,		Years ended March 31,		
	2001	2000	2001	2000	1999
		(unaudited)			
Revenue	\$ 7,556,097	\$ 5,508,168	\$ 8,015,015	\$ 1,917,581	\$ 871,424
Cost of sales	4,592,213	3,070,606	5,096,564	1,146,431	304,778
Gross profit	2,963,884	2,437,562	2,918,451	771,150	566,646
Expenses:					
Amortization of capital assets	955,403	395,632	545,632	81,867	43,192
Amortization of goodwill and other intangible assets	423,166	433,891	583,891	-	-
General and administrative	5,423,612	3,056,448	5,419,203	1,081,357	412,384
Sales and marketing	3,104,260	849,971	1,224,014	138,870	37,304
	9,906,441	4,735,942	7,772,740	1,302,094	492,880
Operating earnings (loss)	(6,942,557)	(2,298,380)	(4,854,289)	(530,944)	73,766
Interest, including accretion of deemed discount on bridge loan	(5,713,568)	-	-	-	-
Other earnings (expenses)	(545,382)	68,422	61,377	(30,763)	(157)
Earnings (loss) before income taxes	(13,201,507)	(2,229,958)	(4,792,912)	(561,707)	73,609
Income tax recoverable	-	45,453	45,453	-	-
Earnings (loss) for the period	(13,201,507)	(2,184,505)	(4,747,459)	(561,707)	73,609
Deficit, beginning of period	(5,706,303)	(958,844)	(958,844)	(397,137)	(470,746)
Deficit, end of period	\$ (18,907,810)	\$ (3,143,349)	\$ (5,706,303)	\$ (958,844)	\$ (397,137)

See accompanying notes to financial statements.

RADIANT COMMUNICATIONS, INC.

Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

	Nine months ended December 31.		Years ended March 31.		
	2001	2000	2001	2000	1999
		(unaudited)			
Cash provided by (used in):					
Operations:					
Earnings (loss) for the period	\$ (13,201,507)	\$ (2,184,505)	\$ (4,747,459)	\$ (561,707)	\$ 73,609
Items not involving cash:					
Amortization of capital assets	955,403	395,632	545,632	81,867	43,192
Amortization of goodwill and other intangible assets	423,166	433,891	583,891	-	-
Loss on disposal of capital assets	69,118	-	-	38,079	1,968
Write-off of deferred development costs	-	-	32,907	(32,907)	-
Accretion of deemed discount on bridge loan (note 5)	5,433,913	-	-	-	-
	(6,319,907)	(1,354,982)	(3,585,029)	(474,668)	118,769
Change in non-cash operating working capital:					
Temporary investment	(477)	-	(962)	(1,374)	(224)
Trade accounts receivable	421,065	(167,429)	(906,477)	(294,090)	(30,654)
Other receivables	41,811	(157,543)	(177,363)	-	-
Income taxes recoverable	-	(45,453)	(45,453)	-	-
Inventories	65,659	-	(162,306)	-	-
Prepaid expenses and deposits	91,080	(8,056)	(135,016)	(34,594)	(14,283)
Accounts payable and accrued liabilities	124,907	(574,142)	999,410	472,142	11,567
Customer deposits	(209,929)	110,624	307,753	105,600	-
Deferred revenue	248,068	208,000	242,663	(21,425)	19,867
	(5,537,723)	(1,988,981)	(3,462,780)	(248,409)	105,042
Investments:					
Purchase of capital assets	(428,750)	(703,508)	(1,217,682)	(365,652)	(59,112)
Acquisition of Bullseye Communications Group Inc. (note 4)	-	(48,443)	(48,443)	-	-
Acquisition of Top Choice Systems Inc. (note 4)	-	(82,786)	(82,786)	-	-
Acquisition of Thinkinc Communications Ltd. (note 4)	-	-	(70,299)	-	-
Acquisition of customer lists	(42,800)	-	-	-	-
Deposits	(108,268)	-	-	-	-
	(579,818)	(834,737)	(1,419,210)	(365,652)	(59,112)
Financing:					
Due to related party	(904,842)	-	-	(8,988)	(4,170)
Payments under capital leases	(385,175)	(44,727)	(180,691)	(19,876)	-
Proceeds from bridge financing	5,710,188	-	-	-	-
Proceeds from issuance of convertible preferred shares	-	7,055,359	7,285,299	710,105	-
Deferred financing charges	(226,247)	-	-	-	-
	4,193,924	7,010,632	7,104,608	681,241	(4,170)
Increase (decrease) in cash and cash equivalents	(1,923,617)	4,186,914	2,222,618	67,180	41,760
Cash and cash equivalents, beginning of period	2,394,152	171,534	171,534	104,354	62,594
Cash and cash equivalents, end of period	\$ 470,535	\$ 4,358,448	\$ 2,394,152	\$ 171,534	\$ 104,354
Supplementary information:					
Cash paid for interest	\$ 180,815	\$ 34,003	\$ 84,608	\$ 17,967	\$ 13,645
Non-cash transactions:					
Shares issued as consideration for acquisition of Bullseye Communications Group Inc.	-	1,012,436	1,012,436	-	-
Deferred consideration payable to a related party for acquisition of Top Choice Systems Inc.	-	1,500,000	1,500,000	-	-
Shares issued to settle financing fees	-	360,998	360,998	-	-
Shares to be issued to a related party for acquisition of Top Choice Systems Inc.	100,000	-	-	-	-
Acquisition of capital assets under capital leases	480,841	207,852	-	-	-

See accompanying notes to financial statements.

RADIANT COMMUNICATIONS, INC.

Notes to Consolidated Financial Statements
(Expressed in Canadian dollars)

Nine months ended December 31, 2001 and 2000 (Unaudited)
Years ended March 31, 2001, 2000 and 1999

1. General:

(a) Nature of operations and basis of presentation:

Radiant Communications, Inc. (the "Company" or "Radiant Delaware") was incorporated on September 26, 2000 under the laws of the State of Delaware. The Company has three wholly owned subsidiaries, Radiant Exchangeco Ltd. ("Radiant Exchangeco"), a company incorporated on October 5, 2000 under the federal laws of Canada and 607316 B.C. Ltd., a company incorporated on May 18, 2000 under the laws of British Columbia. Radiant Exchangeco is a holding company for Radiant Communications Canada Ltd. ("Radiant Canada"), a company incorporated as Kwik Net Communications Ltd. on February 23, 1996 under the laws of British Columbia and continued under the laws of Canada on October 30, 2000. 607316 B.C. Ltd. is a holding company for certain share transactions related to the reorganization.

The Company provides a complete range of Internet solutions to small and medium-sized business including dial-up and high-speed Internet access, web hosting, web development and web application development.

Effective May 6, 2000, Radiant Canada acquired 100% of the shares of Bullseye Communications Group Inc. ("BCG") pursuant to a Purchase and Sale Agreement. BCG was a provider of marketing-based web development, electronic commerce development and web application development services. On November 30, 2000 BCG was wound-up and dissolved and all the assets and liabilities rolled up into Radiant Canada.

Effective June 13, 2000, Radiant Canada acquired 100% of the shares of Top Choice Systems Inc. ("TCS") pursuant to a Purchase and Sale Agreement. TCS was a provider of web hosting services. On November 30, 2000 TCS was wound-up and dissolved and all the assets and liabilities rolled up into Radiant Canada.

Effective March 31, 2001, Radiant Canada acquired the capital assets and work-in-progress of Thinkinc Communications Ltd. pursuant to an Asset Purchase Agreement.

On November 30, 2000, a wholly-owned subsidiary of Radiant Canada, Digicorp Internet Corp., was also wound-up and all the assets and liabilities rolled up into Radiant Canada.

On October 30, 2000, the Board of Directors authorized a corporate reorganization. Through a series of share exchange agreements, Radiant Delaware, emerged as the parent company of Radiant Exchangeco which is the holding company of Radiant Canada.

Under the terms of the reorganization, there was no change in ownership and, therefore, Radiant Canada, has been treated as a predecessor business and its results presented as the historic results of the Company. The predecessor business's financial statements presented herein include the results of operations and cash flows for the years ended March 31, 2000 and 1999 and the balance sheet as of March 31, 2000 and 1999.

RADIANT COMMUNICATIONS, INC.

Notes to Consolidated Financial Statements
(Expressed in Canadian dollars)

Nine months ended December 31, 2001 and 2000 (Unaudited)
Years ended March 31, 2001, 2000 and 1999

1. General (continued):

(b) Future operations:

The Company had the following deficit and working capital (deficiency) at the following dates:

	Deficit	Working capital (deficiency)
December 31, 2001	\$ (18,907,810)	\$ (7,849,280)
March 31, 2001	(5,706,303)	(51,650)
March 31, 2000	(958,844)	(46,393)
March 31, 1999	(397,137)	122,627

These consolidated financial statements have been prepared on the going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The continued operations of the Company are dependent on its ability to obtain additional financing and generate future profitable operations. Management is of the opinion that sufficient working capital will be obtained from operations and/or external financing to meet the Company's liabilities and commitments as they become due. The Company is preparing to merge with a Canadian public company (note 14(a)). In conjunction with the merger, a total of \$5 million will be raised, of which \$3 million has been raised and placed in escrow until completion of the merger to the date of this audit report. Upon completion of the merger, a total of \$6.4 million of debt securities and accrued interest at December 31, 2001 will be converted to common shares in the new entity. However, there can be no assurance that such financing will be available at sufficient levels when required.

2. Significant accounting policies:

(a) Basis of consolidation:

The consolidated financial statements of the Company have been prepared in accordance with Canadian generally accepted accounting principles and include the accounts of the Company and its wholly owned subsidiaries, Radiant Exchangeco including its wholly-owned subsidiary, Radiant Canada and 607316 B.C. Ltd. All significant intercompany accounts and transactions have been eliminated.

(b) Use of estimates:

The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principals requires the Company's management to make estimates and assumptions that affect the amounts reported in the financial statements and related notes to the financial statements. Significant financial statement items which involve the use of estimates include revenue recognized on

the percentage of completion basis, the allowance for doubtful accounts and the amortization of capital assets, goodwill and other intangible assets. Actual results could differ from those estimated.

RADIANT COMMUNICATIONS, INC.

Notes to Consolidated Financial Statements
(Expressed in Canadian dollars)

Nine months ended December 31, 2001 and 2000 (Unaudited)
Years ended March 31, 2001, 2000 and 1999

2. Significant accounting policies (continued):

(c) Cash and cash equivalents:

Cash and cash equivalents consist of cash on deposit and highly liquid short-term term deposits with a term to maturity of three months or less when acquired. Securities having a term to maturity in excess of three months are classified as temporary investments.

(d) Inventories:

Inventories are valued at the lower of cost and net realizable value. The cost of materials is determined on a weighted average basis. Work-in-progress and finished goods inventories include materials, direct labour and production overhead. Inventories are recorded net of any obsolescence provisions.

(e) Deferred development costs:

Deferred development costs, related to the development of clearly defined and technically feasible applications, are deferred and amortized over a two-year period. As at December 31, 2001, all the costs have been amortized.

(f) Deferred financing charges:

Deferred financing charges are related to the costs associated to date on the proposed merger and financing (note 14(a)), which will be offset against share capital upon completion of the transaction or expensed in a future period if the transaction is not completed.

(g) Capital assets:

Capital assets are stated at cost less accumulated amortization. Amortization of capital assets is recorded on a straight-line basis over their estimated useful economic lives as follows:

Asset	Rate
Computer equipment	3 years
Computer software	2 years
Office furniture and equipment	5 years
Asset under capital leases	term of lease
Leasehold improvements	term of lease

RADIANT COMMUNICATIONS, INC.

Notes to Consolidated Financial Statements
(Expressed in Canadian dollars)

Nine months ended December 31, 2001 and 2000 (Unaudited)
Years ended March 31, 2001, 2000 and 1999

2. Significant accounting policies (continued):

(g) Capital assets (continued):

The Company monitors the recoverability of long-lived assets, based on factors such as current market value, future asset utilization, business climate and future undiscounted cash flows expected to result from the use of the related assets. The Company's policy is to record an impairment loss in the period when it is determined that the carrying amount of the asset may not be recoverable. The impairment loss is calculated as the amount by which the carrying amount of the asset exceeds the undiscounted estimate of future cash flows from the asset. To December 31, 2001, no impairment losses have been recorded.

(h) Goodwill and other intangible assets:

Goodwill, representing the difference between the cost of the investment in acquired businesses and the fair value of their underlying net identifiable assets at the time of acquisition, is amortized by the straight-line method over a period of five years. Other intangible assets include customer lists, which are amortized by the straight-line method over their expected life.

The Company evaluates the carrying value of goodwill and customer lists for potential permanent impairment on an ongoing basis. In order to determine if such a permanent impairment of goodwill exists, the Company's management considers each business unit's financial condition and projected future earnings before tax. For customer lists, the Company's management considers future cash flow before tax from sales to those customers. A permanent impairment in the value of goodwill or customer lists is charged to earnings in the year such impairment is recognized. To December 31, 2001, no impairment losses related to goodwill or customer lists have been recorded.

(i) Convertible debentures:

Convertible debentures are accounted for in accordance with the CICA Handbook Section 3860 "Financial Instruments". The equity components of the convertible debentures were calculated using the Black-Scholes fair value model. The equity components include a beneficial conversion feature into common shares of the Company and detachable warrants that are redeemable into common shares of the Company. The debt component is the difference between the gross proceeds received and the equity component. The debt component is accreted to its face value at maturity over the term of the debt through a charge to interest expense.

RADIANT COMMUNICATIONS, INC.

Notes to Consolidated Financial Statements
(Expressed in Canadian dollars)

Nine months ended December 31, 2001 and 2000 (Unaudited)
Years ended March 31, 2001, 2000 and 1999

2. Significant accounting policies (continued):

(j) Revenue recognition:

The Company records revenues for all services when the services are provided to customers. Amounts for services billed in advance of the service period are recorded as unearned revenues and recognized as revenue when earned. The Company typically charges a setup fee for new dedicated access and web hosting customers. This setup fee is deferred and recognized over the estimated life of the customer, typically eighteen months.

Revenue from marketing-based Web development, electronic commerce development and custom Web application development are recognized on a percentage of completion basis.

(k) Foreign currency translation:

The Company has adopted the Canadian dollar as its reporting currency, which is also its functional currency. Monetary assets and liabilities denominated in a foreign currency have been remeasured in Canadian dollars at the rate of exchange in effect at the balance sheet date. Other assets, revenue and expense items are measured using the rate of exchange prevailing at their respective transaction dates. Exchange gains and losses resulting from the remeasurement of foreign denominated monetary assets and liabilities into Canadian dollars are reflected in earnings for the period.

(l) Leases:

Leases which transfer substantially all of the benefits and risks incidental to ownership are accounted for as capital leases. All other leases are accounted for as operating leases.

(m) Income taxes:

The Company follows the asset and liability method of accounting for income taxes whereby future income tax assets and liabilities are determined based on temporary differences between the accounting and tax bases of assets and liabilities, and are measured using the tax rates expected to apply when these differences reverse. A valuation allowance is recorded against any future tax asset if it is more likely than not that the asset will not be realized.

Prior to the adoption of this new accounting standard, the Company accounted for income taxes using the deferral method whereby deferred income tax expense was determined based on timing differences between the accounting and tax recognition of items of expense or income, and was measured using tax rates in effect in the year the differences originated. Certain deferred tax assets, such as the benefit of tax losses carried forward were not recognized unless there was virtual certainty that they would be realized.

RADIANT COMMUNICATIONS, INC.

Notes to Consolidated Financial Statements
(Expressed in Canadian dollars)

Nine months ended December 31, 2001 and 2000 (Unaudited)
Years ended March 31, 2001, 2000 and 1999

2. Significant accounting policies (continued):

(n) Financial instruments:

(i) Foreign currency risk:

Foreign currency risk reflects the risk that the Company's foreign currency denominated net assets or operations will be negatively impacted due to fluctuations in exchange rates. Revenue and expenses of the Company denominated in foreign currencies come due in the short-term and accordingly, management of the Company believes there is no significant exposure to foreign currency fluctuations. The Company does not have foreign currency hedges in place.

(ii) Credit risk:

Financial instruments subjecting the Company to concentrations of credit risk consist primarily of cash and cash equivalents, temporary investments and trade accounts receivable. The Company maintains cash and cash equivalents with high quality financial institutions.

The Company's customers are currently 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.

(o) Stock-based compensation plans:

The Company introduced a stock-based compensation plan during the year ended March 31, 2001, and 391,666 options have been authorized for granting under the plan. No compensation expense is recognized for the plan when stock or stock options are issued to officers, directors and employees. Any consideration paid by officers, directors and employees on exercise of stock options or purchase of stock is credited to share capital.

(p) Advertising costs:

The Company expenses advertising costs as incurred.

(q) Comparative figures:

Certain comparative figures have been reclassified to conform with the basis of presentation adopted in the current year.

3. Temporary investment:

Temporary investment represents a guaranteed investment certificate and is recorded at cost plus accrued interest which approximates fair value. The investment certificate has been pledged as security to a bank.

RADIANT COMMUNICATIONS, INC.

Notes to Consolidated Financial Statements
(Expressed in Canadian dollars)

Nine months ended December 31, 2001 and 2000 (Unaudited)
Years ended March 31, 2001, 2000 and 1999

4. Business acquisitions:

- (a) On May 6, 2000, the Company acquired all the issued and outstanding shares of Bullseye Communications Group Inc. The acquisition was accounted for using the purchase method of accounting and the results of operations have been consolidated from the date of acquisition. The fair values of the assets acquired and liabilities assumed were as follows:

Cash	\$	1,557
Current assets (excluding cash)		298,393
Capital assets		46,334
Current liabilities		(255,448)
<hr/>		
Excess of assets over liabilities		90,836
Goodwill arising on acquisition		971,600
<hr/>		
	\$	1,062,436
<hr/>		
Total purchase price:		
Cash consideration	\$	50,000
1,557,594 common shares		1,012,436
<hr/>		
	\$	1,062,436

- (b) On June 13, 2000, the Company acquired all the issued and outstanding shares of Top Choice Systems Inc. The acquisition was accounted for using the purchase method of accounting and the results of operations have been consolidated from the date of acquisition. The fair values of the assets acquired and liabilities assumed were as follows:

Cash	\$	367,214
Current assets (excluding cash)		297,421
Capital assets		63,502
Current liabilities		(1,049,528)
<hr/>		
Excess of liabilities over assets		(321,391)
Goodwill arising on acquisition		2,271,391
<hr/>		
	\$	1,950,000
<hr/>		
Total purchase price:		
Cash consideration	\$	450,000
Loan payable		1,500,000
<hr/>		
	\$	1,950,000

RADIANT COMMUNICATIONS, INC.

Notes to Consolidated Financial Statements
(Expressed in Canadian dollars)

Nine months ended December 31, 2001 and 2000 (Unaudited)
Years ended March 31, 2001, 2000 and 1999

4. Business acquisitions (continued):

- (c) On March 31, 2001, the Company acquired the capital assets and work-in-progress of Thinkinc Communications Ltd. for cash of \$70,299. The fair value of the assets acquired were as follows:

Work-in-progress	\$	30,703
Capital assets		39,596
	\$	70,299

5. Bridge loan:

10% convertible loans due May 15, 2002	\$	5,710,188
Deemed discount attributed to fair value of warrants and beneficial conversion options		5,433,913
		<hr/>
Amount accreted to principal and charged as interest expense		5,433,913
		<hr/>
Face value of bridge loans as at December 31, 2001	\$	5,710,188

On May 8, 2001, the Company received bridge financing of U.S. \$1,635,000 bearing interest at 10% per annum, maturing on October 31, 2001. The Company received an additional U.S. \$1,950,000 of bridge financing bearing interest at 10% per annum, maturing on October 31, 2001, on August 22, 2001 for an aggregate total of U.S. \$3,585,000. During the period ended December 31, 2001, the Company obtained waivers from each of the lenders for the payment due on October 31, 2001, and an extension on the due date to May 15, 2002. The loans are secured in favor of the lenders by a general security agreement over the assets of the Company and guaranteed by Radiant Canada.

On the date the Company successfully completes a minimum offering of U.S. \$415,000 by private placement(s) of securities of the Company, the respective portion of the principal and accrued interest for all financing shall be automatically converted into that number of private placement securities which is equal to the respective portion of the principal and accrued interest divided by the lowest subscription price paid.

RADIANT COMMUNICATIONS, INC.

Notes to Consolidated Financial Statements
(Expressed in Canadian dollars)

Nine months ended December 31, 2001 and 2000 (Unaudited)
Years ended March 31, 2001, 2000 and 1999

5. Bridge loan (continued):

In conjunction with the closing of each financing, the Company issued detachable warrants having a beneficial conversion option of \$785,338 and \$1,872,865 respectively, totalling \$2,658,203. The warrants entitle the lender to acquire an additional number of qualified securities equal to the lender's exercise total divided by the lowest subscription price paid of the qualifying financing. The warrants will have a 60 month term from the date of closing of the qualified financing.

In accordance with the Company's accounting policy, a deemed discount was attributed to the fair value assigned to the warrants and the beneficial conversion option, aggregating \$5,433,913, upon receipt of the financing. This amount is recognized as a discount to the face value of the loans and as a charge to the shareholders' equity contributed surplus. The balance assigned to the debt instrument is accreted to the face value of the convertible loans over the term of the loans. As this financing initially matured on October 31, 2001, \$5,433,913 of the deemed discount has been accredited back to the principal portion of the financing as a charge to interest expense during the period ended December 31, 2001.

6. Capital assets:

December 31, 2001	Cost	Accumulated amortization	Net book value
Computer equipment	\$ 1,446,269	\$ 737,998	\$ 708,271
Computer software	200,053	99,946	100,107
Office furniture and equipment	218,350	73,755	144,595
Assets under capital lease	1,755,230	620,582	1,134,648
Leasehold improvements	314,558	90,454	224,104
	\$ 3,934,460	\$ 1,622,735	\$ 2,311,725

March 31, 2001	Cost	Accumulated amortization	Net book value
Computer equipment	\$ 1,218,611	\$ 446,396	\$ 772,215
Computer software	169,287	31,522	137,765
Office furniture and equipment	210,237	42,830	167,407
Asset under capital leases	1,274,389	117,606	1,156,783
Leasehold improvements	239,862	47,377	192,485
	\$ 3,112,386	\$ 685,731	\$ 2,426,655

RADIANT COMMUNICATIONS, INC.

Notes to Consolidated Financial Statements
(Expressed in Canadian dollars)

Nine months ended December 31, 2001 and 2000 (Unaudited)
Years ended March 31, 2001, 2000 and 1999

6. Capital assets (continued):

March 31, 2000	Cost	Accumulated amortization	Net book value
Computer equipment	\$ 405,493	\$ 115,568	\$ 289,925
Computer software	20,577	1,334	19,243
Office furniture and equipment	25,763	2,396	23,367
Asset under capital leases	151,186	18,398	132,788
Leasehold improvements	19,050	2,403	16,647
	\$ 622,069	\$ 140,099	\$ 481,970

March 31, 1999	Cost	Accumulated amortization	Net book value
Computer equipment	\$ 153,999	\$ 69,670	\$ 84,329
Computer software	5,300	5,300	-
Office furniture and equipment	1,548	799	749
	\$ 160,847	\$ 75,769	\$ 85,078

7. Goodwill and other intangible assets:

December 31, 2001	Cost	Accumulated amortization	Net book value
Goodwill	\$ 3,242,991	\$ 995,947	\$ 2,247,044
Customer lists	42,800	11,110	31,690
	\$ 3,285,791	\$ 1,007,057	\$ 2,278,734

March 31, 2001	Cost	Accumulated amortization	Net book value
Goodwill	\$ 3,242,991	\$ 583,891	\$ 2,659,100

March 31, 2000 and 1999	Cost	Accumulated amortization	Net book value
Goodwill	\$ -	\$ -	\$ -

RADIANT COMMUNICATIONS, INC.

Notes to Consolidated Financial Statements
(Expressed in Canadian dollars)

Nine months ended December 31, 2001 and 2000 (Unaudited)
Years ended March 31, 2001, 2000 and 1999

8. Due to related party:

	December 31, 2001	2001	March 31, 2000	1999
Loan payable to a company controlled by a shareholder. The loan payable is unsecured, bears interest at 10% per annum, and is repayable on demand.	\$ -	\$ 4,842	\$ 4,842	\$ 13,830
Loan payable to an officer of the company and an associated person for the Purchase of Top Choice Systems Inc. The loan payable is unsecured, and is repayable in two installments. The first installment is due on June 1, 2001 and was paid in cash of \$900,000 and 10,040 class A common shares of the Company in lieu of the remaining \$100,000 owing at June 1, 2001. These shares were not issued until subsequent to period end. The second installment of \$500,000, is due on June 1, 2002.	500,000	1,500,000	-	-
	500,000	1,504,842	4,842	13,830
Current portion	500,000	1,004,842	4,842	8,988
	\$ -	\$ 500,000	\$ -	\$ 4,842

9. Obligations under capital leases:

Future minimum lease payments for obligations under capital leases as at December 31, 2001 are as follows:

2002	\$ 800,972
2003	417,520
2004	74,896
	1,293,388
Amount representing interest at rates ranging from 5.46% to 21.53%	123,900
	1,169,488
Current portion	553,984
	\$ 615,504

There are options to purchase the leased equipment at the estimated fair market value when the lease terms expire.

For the nine months ended December 31, 2001, interest expense amounting to \$167,935 (March 31, 2001 - \$39,817; 2000 - \$5,429; 1999 - nil) related to obligations under capital leases.

RADIANT COMMUNICATIONS, INC.

Notes to Consolidated Financial Statements
(Expressed in Canadian dollars)

Nine months ended December 31, 2001 and 2000 (Unaudited)
Years ended March 31, 2001, 2000 and 1999

10. Share capital:

- (a) On September 18, 2001, the Company resolved to effect a reverse split on a one for six basis on the class A common shares and class B redeemable common shares of the Company and the series A preferred shares of Radiant Exchangeco. The number of class A common shares authorized for issuance was reduced from 89 million shares to 50 million and the number of class B common shares authorized for issuance was reduced from 11 million shares to 1,833,333.

The effect of this reverse stock split has been applied retroactively throughout these consolidated financial statements.

- (b) Authorized:

As at December 31, 2001 and March 31, 2001:

50,000,000	class A common shares, with par value \$0.00015
1,833,333	class B redeemable common shares, with par value \$0.00015
7,000,000	series A convertible preferred shares, with par value \$0.00015
13,000,000	preferred shares, with par value \$0.00015

As at March 31, 2000 and 1999:

100,000,000	common shares, without par value
-------------	----------------------------------

- (c) Issued and outstanding:

	Number of shares	Amount	Contributed surplus
<u>Radiant Communications, Inc.:</u>			
<u>Class A common shares:</u>			
Balance at incorporation, September 26, 2000	-	\$ -	\$ -
Issued for settlement of financing fees (note 10(d)(iii))	46,797	42	360,956
Balance, March 31, 2001	46,797	42	360,956
Beneficial conversion option of detachable warrants to bridge loan (note 5)	-	-	2,658,203
Beneficial conversion option of bridge loan (note 5)	-	-	2,775,710
Conversion of Radiant Exchangeco series A preferred shares	183,324	165	458,803
Balance, December 31, 2001	230,121	207	6,253,672

RADIANT COMMUNICATIONS, INC.

Notes to Consolidated Financial Statements
(Expressed in Canadian dollars)

Nine months ended December 31, 2001 and 2000 (Unaudited)
Years ended March 31, 2001, 2000 and 1999

10. Share capital (continued):

(c) Issued and outstanding (continued):

	Number of shares	Amount	Contributed surplus
<u>Radiant Communications, Inc.:</u>			
<u>Class B redeemable common shares:</u>			
Balance at incorporation, September 26, 2000	-	-	-
Issued pursuant to a general corporate reorganization (note 10(d)(i))	1,641,667	1,478	-
Balance, March 31, 2001	1,641,667	1,478	-
Redemption of shares pursuant to conversion of Radiant Exchangeco series A preferred shares	(183,324)	(165)	-
Balance, December 31, 2001	1,458,343	1,313	-
<u>Radiant Communications, Inc.:</u>			
Class A common shares balance, brought forward	230,121	207	6,253,672
Class B redeemable common shares balance, brought forward	1,458,343	1,313	-
<u>Series A convertible preferred shares:</u>			
Balance at incorporation, September 26, 2000	-	-	-
Issued for cash pursuant to a private placement (note 10(d)(iii))	4,905,500	736	7,512,528
Share issue costs	-	(43)	(588,920)
Balance December 31, 2001 and March 31, 2001	4,905,500	693	6,923,608
	6,593,964	2,213	13,177,280

RADIANT COMMUNICATIONS, INC.

Notes to Consolidated Financial Statements
(Expressed in Canadian dollars)

Nine months ended December 31, 2001 and 2000 (Unaudited)
Years ended March 31, 2001, 2000 and 1999

10. Share capital (continued):

(c) Issued and outstanding (continued):

	Number of shares	Amount	Contributed surplus
<u>Radiant Exchangeco:</u>			
Series A exchangeable preferred shares:			
Balance at incorporation, October 5, 2000	-	-	-
Issued pursuant to a general corporate reorganization (note 10(d)(ii))	1,641,667	2,321,063	-
Balance, March 31, 2001	1,641,667	2,321,063	-
Conversion to class A common shares of the Company	-	(458,803)	-
Balance, December 31, 2001	1,641,667	1,862,260	-
Total share capital as at December 31, 2001		\$ 1,864,473	\$ 13,177,280

The series A exchangeable preferred shares ("series A") in Radiant Exchangeco, a wholly-owned subsidiary of the Company, paired with the class B redeemable common shares ("class B") of the Company can be exchanged into class A common shares ("class A") of the Company at the option of the holder. The class B shares are first redeemed at par value, then the series A are exchanged into class A shares of the Company.

In October of 2001, the Company exchanged 183,324 series A shares of Radiant Exchangeco into 183,324 class A common shares of the Company based on retraction requests from certain holders of class B redeemable common shares. In connection with this conversion, the Company also redeemed 183,324 class B redeemable common shares at par value. The 183,324 series A shares are held by 607316 B.C. Ltd., a wholly owned subsidiary, pursuant to the Exchange and Support Agreements dated October 5, 2000.

RADIANT COMMUNICATIONS, INC.

Notes to Consolidated Financial Statements
(Expressed in Canadian dollars)

Nine months ended December 31, 2001 and 2000 (Unaudited)
Years ended March 31, 2001, 2000 and 1999

10. Share capital (continued):

(d) Share reconciliation:

	Number of shares	Amount
<u>Radiant Canada:</u>		
<u>Common shares:</u>		
Balance, March 31, 1999	7,200,001	\$ 600,000
Issued for cash	1,092,470	710,105
Balance, March 31, 2000	8,292,471	1,310,105
Issue of shares as consideration for acquisition of Bullseye Communications Group Inc. (note 4(a))	1,557,594	1,012,436
Radiant Canada balances immediately prior to the reorganization	9,850,065	2,322,541
Cancellation of common shares (note 10(d)(i))	(9,850,065)	(2,322,541)
Balance, March 31, 2001	-	\$ -

- (i) Pursuant to the arrangement agreement of October 30, 2000, the Company issued 9,850,065 class B redeemable common shares with a par value of \$0.00015 per share. Each common share entitles the holder to one vote. Each share is paired with a series A exchangeable preferred share of Radiant Exchangeco. All the common shares in Radiant Canada were subsequently cancelled. The number of shares issued on this date, adjusted for the reverse split on September 18, 2001, was 1,641,667.
- (ii) Pursuant to the arrangement agreement of October 30, 2000, Radiant Exchangeco issued 9,850,065 series A exchangeable preferred shares in exchange for all the shares of Radiant Canada. Each share is paired with a class B redeemable common share of Radiant Delaware. The number of shares issued on this date, adjusted for the reverse split on September 18, 2001, was 1,641,667.
- (iii) Pursuant to a private placement in November and December of 2000, the Company issued 4,905,500 units at \$1.53 per unit for gross cash proceeds of \$7,512,528. Each unit consists of one series A convertible preferred share and one-half non-transferable class A common share purchase warrant. Each full purchase warrant gives the holder the right to purchase one class A common share at a price of \$12.00 at any time within two years from the issue of the units, after which time the purchase warrants expire.

RADIANT COMMUNICATIONS, INC.

Notes to Consolidated Financial Statements
(Expressed in Canadian dollars)

Nine months ended December 31, 2001 and 2000 (Unaudited)
Years ended March 31, 2001, 2000 and 1999

10. Share capital (continued):

(d) Share reconciliation:

(iii) (continued):

The Company also issued 210,400 class A common shares at \$1.53 per share in relation to the above share issue and 70,385 class A common at \$0.65 per share to settle financing fees in relation to shares issued in 1999. The total number of shares issued, adjusted for the reverse stock split on September 18, 2001, was 46,797.

(e) Stock options:

The following table summarizes the Company's stock options and stock option changes during the current year:

	Number of shares	Weighted average exercise price
Outstanding, March 31, 2000 and 1999	-	\$ -
Granted	340,167	4.80
Exercised	-	-
Forfeited	(26,667)	3.90
Outstanding, March 31, 2001	313,500	4.92
Granted	69,250	4.57
Exercised	(10,000)	(10.00)
Forfeited	(99,167)	(6.43)
Outstanding, December 31, 2001	273,583	\$ 4.04
Options exercisable, end of period	72,890	\$ 4.68

The number of options reserved under the Company's 2000 stock option plan has been increased during the nine months ended December 31, 2001 to 391,666 from 275,000 as at March 31, 2001.

The following table summarizes information about the stock options outstanding at December 31, 2001:

Exercise prices	Options outstanding		Options exercisable
	Number outstanding	Weighted average remaining contractual life	Number exercisable
\$ 3.90 - \$6.00	273,583	3.9 years	72,890

RADIANT COMMUNICATIONS, INC.

Notes to Consolidated Financial Statements
(Expressed in Canadian dollars)

Nine months ended December 31, 2001 and 2000 (Unaudited)
Years ended March 31, 2001, 2000 and 1999

10. Share capital (continued):

(e) Stock options (continued):

The following table summaries information about stock options outstanding at March 31, 2001:

Exercise prices	Options outstanding		Options exercisable
	Number outstanding	Weighted average remaining contractual life	Number exercisable
\$ 3.90 – 6.00	263,500	5 years	-
\$ 10.00	50,000	2 months	50,000
	313,500	4.23 years	50,000

(f) Share purchase warrants:

The following table summarizes outstanding share purchase warrants:

	Number of shares	Expiry date	Exercise price
Balance, March 31, 2000 and 1999	-		\$ -
Issued	251,289	November 07, 2002	12.00
Issued	33,333	November 21, 2002	12.00
Issued	111,666	December 14, 2002	12.00
Issued	4,166	January 03, 2003	12.00
Issued	8,333	February 02, 2003	12.00
Exercised	-		-
Balance, December 31, 2001 and March 31, 2001	408,787		\$ 12.00

(g) Share repurchase rights:

The Company has share repurchase rights upon the resignation or termination with cause of three employees after May 6, 2000. The share repurchase rights decline on a pro-rata basis over two years. As at December 31, 2001, the total number of shares that can be repurchased is 52,078 with a buyback price of \$3.90.

RADIANT COMMUNICATIONS, INC.

Notes to Consolidated Financial Statements
(Expressed in Canadian dollars)

Nine months ended December 31, 2001 and 2000 (Unaudited)
Years ended March 31, 2001, 2000 and 1999

11. Commitments:

The Company's minimum payments required under operating leases for premises and equipment and business service agreements are as follows at December 31, 2001:

2002	\$	1,142,300
2003		609,000
2004		250,000
2005		163,700
	\$	2,165,000

12. Income taxes:

The tax effect of the significant temporary differences which comprise future tax assets and liabilities, at December 31, 2001 and March 31, 2001 are as follows:

	December 31, 2001	March 31, 2001
Future income tax assets:		
Capital assets and intangibles	\$ 65,822	\$ 278,646
Deferred revenue and other reserves	49,035	100,362
Non-capital loss carryforwards	3,841,827	1,374,080
Total gross future income tax assets	3,956,684	1,753,088
Valuation allowance	(3,956,684)	(1,753,088)
Net future income tax asset	\$ -	\$ -

As at December 31, 2001, the Company has non-capital losses carried forward of approximately \$9,818,000 which are available to offset taxable income earned in Canada. These non-capital loss carryforwards expire as follows:

2004	\$	122,000
2005		106,000
2007		429,000
2008		3,865,000
2009		5,296,000
	\$	9,818,000

As at December 31, 2001, the Company has net operating losses of \$1,020,000 which are available to offset taxable income earned in the United States to 2022.

RADIANT COMMUNICATIONS, INC.

Notes to Consolidated Financial Statements
(Expressed in Canadian dollars)

Nine months ended December 31, 2001 and 2000 (Unaudited)
Years ended March 31, 2001, 2000 and 1999

12. Income taxes (continued):

In assessing the realizability of future tax assets, management considers whether it is more likely than not that some portion or all of the future tax assets will not be realized. The ultimate realization of future tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of future tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The amount of the future tax asset considered realizable could change materially in the near term based on future taxable income during the carry forward period.

13. Related party transactions:

During the nine months ended December 31, 2001 and 2000 (unaudited) and the years ended March 31, 2001, 2000 and 1999, the Company was involved in the following related party transactions:

- (a) Consulting fees in the amount of nil were paid or accrued to a director for services rendered for the nine months ended December 31, 2001 (December 31, 2000 – nil (unaudited)). (March 31, 2001 - \$12,000; 2000 - \$263,182 and 1999 – \$148,846).
- (b) Interest expense in the amount of \$211,268 and nil (unaudited) was paid to a company controlled by a shareholder for the nine months ended December 31, 2001 and 2000, respectively. (March 31, 2001 - \$8,799; 2000 - \$978 and 1999 - \$814).
- (c) On December 31, 2001, there was \$135,552 receivable from a shareholder and director of the Company. (March 31, 2001 - \$177,363; 2000 and 1999 - nil). These amounts bear no interest and are due on demand.
- (d) On December 31, 2001, accounts payable include nil payable to shareholders or companies controlled by shareholders. (March 31, 2001 – nil; 2000 - \$3,692 and 1999 - \$2,677).
- (e) On December 31, 2001, bridge loan payable includes \$4,260,740 and accounts payable includes \$211,268 of accrued interest on the bridge loan payable to directors or to companies directly or indirectly controlled by directors of the Company. These amounts were nil at December 31, 2000 (unaudited) and March 31, 2001, 2000 and 1999.

All of the above noted transactions have been in the normal course of operations and, in management's opinion, undertaken with the same terms and conditions as transactions with unrelated parties.

RADIANT COMMUNICATIONS, INC.

Notes to Consolidated Financial Statements
(Expressed in Canadian dollars)

Nine months ended December 31, 2001 and 2000 (Unaudited)
Years ended March 31, 2001, 2000 and 1999

14. Contingencies:

(a) Merger with Castle Bay Enterprises Ltd.:

On December 5, 2001, the Company announced that it signed an engagement agreement with an Agent for the private placement of up to \$5 million of securities. These funds will be used by the Company to complete its expansion and to fund its continued growth. As part of this process, the Company signed a letter of intent with Castle Bay Enterprises Ltd. ("Castle Bay"), a public shell company, to complete a merger that will constitute a qualifying transaction on the Canadian Venture Exchange. The two will form a new company, Radiant Communications Corp., ("New Radiant"). The proposed merger is subject to shareholders' approvals for both companies and certain judicial and regulatory approvals. The merger is scheduled to close in April 2002, assuming all conditions are met. An offering memorandum relating to this proposed private placement was filed on December 13, 2001. The information circular to be provided to shareholders for approval of the merger is currently being filed.

The proposed arrangement between Castle Bay and Radiant also includes a condition to convert the existing common and preferred shareholders and the bridge loans in the Company to common shares of New Radiant.

(b) Legal contingency:

The legal proceeding against the Company, relating to unpaid rent and tenant's expenses for a leased premise in the U.S., was settled and dismissed on December 19, 2001.

15. Subsequent event:

On January 18, 2002, the Company obtained an interim loan in the amount of \$1.1 million, secured by a general security agreement over the assets of the Company. Interest accrues on the loan at 10% per annum and the loan is due the earlier of the date of the merger with Castle Bay (note 14(a)) or January 18, 2003. In consideration for providing the loan, the lenders will receive 137,500 common shares of the Company, at no additional cost.

16. Segmented disclosures:

The Company reports segmented information according to CICA handbook Section 1701, Segment Disclosures. The Company is a national provider of DSL and connectivity services, web hosting as well as web development and marketing services.

RADIANT COMMUNICATIONS, INC.

Notes to Consolidated Financial Statements
(Expressed in Canadian dollars)

Nine months ended December 31, 2001 and 2000 (Unaudited)
Years ended March 31, 2001, 2000 and 1999

16. Segmented disclosures (continued):

During the year ended 2001, the Company defined its operating segments through the type of services it provided. The accounting policies of the segments are the same as those described in note 2. The Company's share of operating results identified by management are as follows:

Nine months ended December 31, 2001				
	Connectivity/ Hosting	Professional Services	Corporate	Total
Revenues	\$ 5,638,917	\$ 1,917,180	\$ -	\$ 7,556,097
Amortization of capital assets	716,708	68,980	169,715	955,403
Amortization of goodwill and other intangible assets	296,385	126,781	-	423,166
Segment loss	(4,132,599)	(1,145,103)	(7,923,805)	(13,201,507)
Segment assets	4,373,914	1,391,635	1,502,267	7,267,816

Year ended March 31, 2001				
	Connectivity/ Hosting	Professional Services	Corporate	Total
Revenues	\$ 5,021,858	\$ 2,993,158	\$ -	\$ 8,015,015
Amortization of Capital Assets	396,859	73,226	75,547	545,632
Amortization of Goodwill	408,957	174,934	-	583,891
Segment loss	(2,933,673)	(829,554)	(984,231)	(4,747,459)
Segment assets	4,644,038	2,097,189	3,230,126	9,971,353

The geographic information is as follows:

	Nine months December 31, 2001		Year ended March 31, 2001	
United States	\$	1,194,064	\$	1,219,399
Canada		6,239,745		6,673,864
Other		122,288		121,752
Total	\$	7,556,097	\$	8,015,015

The Company does not have any customers that are considered significant.

As the Company did not evaluate business segments before the acquisition of Top Choice Systems Inc. and Bullseye Communication Group Inc. (note 4), comparative information is not available for those fiscal years before March 31, 2001.