2003

FOURTH QUARTER REPORT

RADIANT
COMMUNICATIONS
keeping IT simple

About Radiant

Radiant Communications provides high-speed, IP-based, data communications services, Internet connectivity, network security, web hosting, web development and marketing services to businesses, primarily in North America. Radiant's success results from our unique position as a national, full-service single source for Internet services. Radiant has offices in five major Canadian cities, over 100 employees and over 10,000 customers. The company trades on the TSX Venture exchange under the symbol RCX. Radiant's website is www.radiant.net.

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Letter to Investors

Dear Investor,

"Radiant ended 2003 with strong growth…"

In the fourth quarter of 2003, Radiant Communications experienced strong business growth and realized a few important corporate milestones. On the business front, revenue continued to grow, particularly in the recurring connectivity and advanced hosting business segments. This growth enabled Radiant to complete 2003 with an overall revenue increase of 33% over 2002. In addition, this was the second consecutive year with a gross margin of 47%.

During the fourth quarter, Radiant closed an equity financing of $4.0 million. We were pleased to attract several new investors, including institutional investors and leading Toronto fund managers. This financing will support Radiant's business plan, including a significant focus on meeting the high-speed technology needs of Canada's retail sector.

In 2003, public attention on corporate governance was renewed as a result of extensive negative publicity surrounding activities in a few very large North American companies. Radiant has always been very proud of our corporate governance. Although we are a relatively small company, the majority of our board is composed of outside directors (6 out of 7 directors are outside directors) and our Audit and Compensation committees are composed entirely of outside directors.

In December, we took the very important step of separating the roles of Chairman and President and CEO with the appointment of Mr. Chris Worthy as Chairman. In his new capacity, Mr. Worthy is reviewing Radiant's overall board performance and took the initial step in January of establishing a Corporate Governance Committee.

Also in December, we announced that Mr. Marc Bouchard was joining the board. Mr. Bouchard has significant operational experience within the telecom industry and a very strong investment industry background. Being from Montreal, Mr. Bouchard also contributes geographical representation to the board.

Key Financial Indicators Comparable Periods In thousands (except per share amounts)	**Year Ended December 31, 2003**	**Year Ended December 31, 2002**	**Year Over Year Improvement**
Revenues			
Professional Services	3,053	2,485	23%
Connectivity / Hosting	12,463	9,145	36%
Total Revenue	15,516	11,630	33%
Gross Profit	7,245	5,464	33%
Gross Profit %	47%	47%	
Operating Expenses	10,315	10,663	3%
EBITDA	(1,447)	(3,607)	60%
Net Income (Loss)	(3,718)	(5,668)	34%
Loss per Share	($0.19)	($0.41)	54%

On a final note, customer satisfaction continues to be one of Radiant Communications' strongest competitive advantages. In December, we completed a Customer Satisfaction Survey of over 160 General Motors dealerships that Radiant serves. The results were outstanding with a score of 4.75 out of 5 on overall satisfaction. We had several very positive comments on Radiant's professionalism and service excellence. Our review of the results with General Motors was very upbeat and may lead to additional business opportunities.

Radiant ended 2003 with strong growth and in a good position for 2004. As we continue to execute our business plan and focus on targeted opportunities, we are especially positive about Radiant's prospects this year and well into the future.

Sincerely,
Jim Grey, *President & CEO*

Management's Discussion and Analysis of Operating Results and Financial Condition

The following discussion and analysis should be read in conjunction with the Company's Interim Unaudited Financial Statements for the year ended December 31, 2003 and Audited Financial Statements and Management's Discussion and Analysis for December 31, 2002 and accompanying notes thereto.

Radiant Communications Corp. (the "Company" or "Radiant") is a leading national provider of advanced IP-based data communications and Internet services to businesses. Radiant delivers an array of advanced solutions designed to help companies harness the power of the Internet. These services include high-speed DSL connectivity solutions such as Turbo DSL and secure virtual private networks ("VPN"), high availability web hosting and content management solutions, e-business applications, web development and marketing services to customers in Canada, the United States and internationally. Radiant has offices in Toronto, Montreal, Calgary, Edmonton and Vancouver. The Company currently serves over 10,000 business customers with a team of 100 employees nationwide.

HIGHLIGHTS

In the fourth quarter, the Company continued to deliver on its growth strategy with a seventh consecutive quarter of revenue growth. The Company's revenues in the fourth quarter increased 20% over the fourth quarter one year ago and revenues for the year ended December 31, 2003 were 33% higher than in 2002. During the fourth quarter, the Company acquired a number of new national customers including Wal-Mart Canada Corp., Imperial Parking Canada Corporation, Blacks Photography, Silent Witness Enterprises Ltd. and Lululemon Athletica. Both EBITDA[1] and Net Loss improved significantly for the year ended December 31, 2003 over the prior year due to the higher revenues and lower operating costs. The Company had expected to reach positive EBITDA for the fourth quarter but revenue growth was weaker than anticipated as retail businesses delayed network decisions until after the holiday season. Fourth quarter EBITDA was also impacted by the recognition of $86,000 in stock based compensation for 2003 as a result of the early adoption of CICA Handbook Section 3870.

Private Placement

On November 7, 2003 the Company closed a private placement offering of 10,000,000 units at a price of $0.40 per unit for gross proceeds of $4 million (the "Private Placement") to Working Opportunity Fund (EVCC) Ltd., Pacific Venture Fund Limited Partnership and a group of investors led by Toll Cross Securities Inc. Each unit consists of one common share and one half of a common share purchase warrant with each whole warrant exercisable into one common share for twenty four months from the date of grant at an exercise price of $0.60 per share. The net proceeds of the offering will be used for general working capital to facilitate ongoing growth.

Alliance with Reynolds & Reynolds

In the fourth quarter, the Company formed an alliance with Reynolds and Reynolds (Canada) Ltd. ("Reynolds") to provide Internet services under the Reynolds brand to automotive retailers across Canada. Developed exclusively for Reynolds and referred to as 'Reynolds' Preferred Internet Access', this high-speed Internet service is tailored specifically to meet the requirements of Canadian automotive, truck and recreation vehicle dealers. The Reynolds branded service allows dealers to connect multi-store locations to their in-house solution or single locations to Reynolds' ASP solution in a reliable, economical and secure fashion through the Internet. Reynolds is the leading provider of integrated solutions for automotive retailers to manage change and improve their profitability and is a wholly owned subsidiary of The Reynolds and Reynolds Company (NYSE: REY).

[1] Earnings Before Interest, Taxes, Depreciation and Amortization. An approximate measure of operating cash flow based on data from the company's income statement. The disclosure of EBITDA is intended to add to and not replace the discussion of financial results from operations or cash flow. Readers are cautioned that EBITDA as calculated by the Company may not be comparable to similarly titled amounts reported by other companies.

Board of Directors

During the quarter, Mr. Marc Bouchard, Chairman of Toll Cross Securities Inc. was appointed to the Company's Board of Directors and Mr. Chris Worthy, President of Worthy Capital Ltd. was appointed Chairman of the Board. Previously Mr. Bouchard was a senior officer with BCE and fONOROLA. Prior to joining fONOROLA Mr. Bouchard spent 13 years with Lehman Brothers. Mr. Worthy has served on the Company's Board of Directors since December 2002. During his career Mr. Worthy has been a director and a senior financial executive with large corporations in Canada and the United Stated and has served as a principal for an international firm of Chartered Accountants and Management Consultants.

Recent Changes to Accounting Policies

In the fourth quarter, the Company adopted the recommendations of CICA Handbook section 3870 "Stock-based compensation and other stock-based payments" on a prospective basis, as it relates to employee stock options. Before adopting the new standard, the Company disclosed the pro forma impact on net income of employee stock based compensation in the notes to our financial statements. Section 3870 recommends that the fair value of stock-based compensation arrangements granted, modified, or settled after January 1, 2002 be recognized as stock based compensation expense in the income statement. Section 3870 must be adopted for years starting on January 1, 2004 and later unless companies choose to adopt the recommendations on a prospective basis for any employee options granted, modified, or settled after January 1, 2003. As a result of applying this change, the Company recognized stock based compensation expense of $86,000 in the fourth quarter for 2003 employee option activity. The pro forma impact on net income of all options issued after January 1, 2002 and prior to January 1, 2003 will continue to be disclosed in the notes to the financial statements until those options have expired.

RESULTS OF OPERATIONS

Three months ended December 31, 2003 ("Q4 2003") compared to the three months ended December 31, 2002 ("Q4 2002")

Revenue

Fourth quarter revenue increased 20% to $4.1 million compared to $3.4 million for the same period in 2002 from the continued addition of recurring connectivity and hosting services contracts and higher revenues from professional services.

Connectivity and hosting revenues increased 23% to $3.3 million or 82% of total revenue in Q4 2003 compared to $2.7 million or 80% of total revenue for Q4 2002. Revenue growth is primarily due to the continued rollout of DSL and virtual private network services to new multi-location clients that require the higher bandwidth and national reach offered by the Company's DSL network. Revenue from U.S. customers, primarily for hosting services, was impacted by the 18% decline in the U.S. dollar against the Canadian dollar in 2003. Revenue growth for the quarter was lower than expected as businesses in the retail industry deferred network decisions until after the holiday season.

Professional services revenue, which includes web site content management, web development, e-business solutions and marketing services, climbed 10% to $738,000 in the fourth quarter compared to $669,000 for Q4 2002 and accounted for 18% of total revenues. With a stronger economic outlook and renewed interest in traditional and online marketing, businesses are turning to the Company's award winning professional services group to redesign web sites, develop e-commerce applications and rejuvenate marketing to improve sales.

During the fourth quarter, gross profits grew 18% with the increase in revenues to $1.9 million from $1.6 million in Q4 2002. Gross margins remained strong at 46% for the quarter and are expected to remain at or above that level as the Company's network infrastructure can accommodate additional customer growth and communications costs are purchased under long-term contracts from various carriers.

Expenses

Operating expenses increased 9% to $2.8 million in Q4 2003 versus $2.6 million in Q4 2002 as a result of higher sales and marketing and general and administrative costs.

Sales and marketing expenses, which were 20% of total revenues in both periods, increased 25% in Q4 2003 to $826,000 compared to $660,000 for Q4 2002 as a result of higher direct sales compensation.

General and administrative expenses ("G&A") which include technical, network, executive and administrative staff, systems development, hardware, software, premises, office and general expenses rose 13% to $1.5 million in Q4 2003 compared to $1.3 million in Q4 2002. The increase was primarily due to higher technical support salaries and consulting costs associated with the migration of the Company's data centre to its new headquarters. However, G&A declined to 37% of total revenue in the fourth quarter from 40% in the same period last year.

EBITDA decreased to ($493,000) in Q4 2003 compared to ($432,000) in the same period in the prior year due to the Company's higher revenues and stable margins offset by the higher expenses including the $86,000 in stock based compensation recognized on the early adoption of the CICA Handbook Section 3870 described above. The deferral of network decisions by retail businesses in the fourth quarter resulted in lower than expected improvement to EBITDA.

Amortization of capital assets decreased 27% to $374,000 for Q4 2003 from $509,000 for Q4 2002 as significant capital expenditures from 2000 and prior have been fully depreciated. However, depreciation expense is expected to increase in the future as the Company has purchased additional equipment to upgrade its network and provide for future customer growth. Amortization of intangible assets increased to $91,000 in Q4 2003 from $53,000 in Q4 2002 as customer acquisition costs from the InQuent Technologies Inc. ("InQuent") customer purchase at the end of May 2002 are amortized over their expected life and deferred financing fees from the debentures issued in December 2002 are amortized over their three year term.

Other

Interest expense increased to $160,000 for Q4 2003 versus $49,000 for Q4 2002 primarily due to interest charges on the Company's three-year senior debentures that were issued in December 2002.

Other income and expenses, which includes foreign exchange gains and losses, increased to $87,0000 for Q4 2003 versus $34,000 in Q4 2002. Future fluctuations in the U.S. currency against the Canadian dollar will affect revenue recognized on customers billed in U.S. dollars and gains or losses may be recorded on outstanding net U.S. receivables or payables.

Net Loss

The Company's net loss for the fourth quarter rose by 12% to $1.2 million or $0.05 per common share compared to a loss of $1.1 million or $0.06 per common share in the fourth quarter of 2002 as higher operating and interest expenses offset strong revenue growth and higher gross profits. The Company anticipates that net losses will improve in 2004 with continued revenue growth.

Twelve months ended December 31, 2003 ("YTD 2003") compared to the twelve months ended December 31, 2002 ("YTD 2002")

Revenue

For the twelve months ended December 31, 2003, revenue increased 33% to $15.5 million compared to $11.6 million for YTD 2002 with strong growth in connectivity, advanced hosting and professional services.

Connectivity and hosting revenue grew by 36% to $12.5 million or 80% of total revenue compared to $9.1 million or 79% for the 2002. Revenue growth is primarily a result of the addition of long-term connectivity contracts for DSL and VPN services to national, multi-location clients. Low customer churn and the acquisition of shared hosting customers from InQuent midway through 2002 also contributed to revenue growth in 2003. Revenues from U.S. customers, primarily for hosting services, were reduced by an 18% decline in the U.S. currency against the Canadian dollar in 2003.

Professional services revenues improved to $3.1 million for YTD 2003 up 23% from $2.5 million for YTD 2002 as traditional businesses are choosing to enhance or redesign their web sites to be more effective marketing and sales tools after a period of weak demand due to a poor economy in 2002.

For the twelve months ended December 31, 2002, gross profits increased 33% over the comparable period in 2002 due to higher revenues and stable margins. Gross profits for YTD 2003 were $7.2 million, up from $5.5 million in YTD 2002. Long-term service contracts with the Company's telecommunications providers and low fixed communications costs kept margins unchanged at 47% for both periods.

Expenses

Operating expenses were reduced 3% to $10.3 million in YTD 2003 from $10.7 million in YTD 2002 as a result of both lower sales and marketing and lower general and administrative costs.

Sales and marketing expenses for YTD 2003 were 1% lower at $3,012,000 or 19% of revenue compared to $3,037,000 or 26% of revenue for YTD 2002 as a result of reductions to sales and business development consulting and direct sales compensation.

General and administrative expenses declined 6% to $5.7 million or 37% of revenue in YTD 2003 compared to $6.0 million or 52% of revenue in YTD 2002. The decrease is a result of lower stock based compensation expense, platform license fees and administrative staff compensation. In 2002 the Company recorded $192,000 in stock based compensation for consultant and incentive stock option grants and $160,000 in license fees for the use of InQuent's hosting platform on the acquisition of their retail hosting customer base.

EBITDA was significantly improved for the twelve months ended December 31, 2003 over the prior year due to the Company's continued revenue growth and reduced cash operating expenses. EBITDA increased 60% to ($1,447,000) from ($3,607,000) in the same period last year.

Capital assets acquired in 2000 and prior have been fully depreciated and therefore amortization of capital assets dropped to $1,234,000 for YTD 2003 over $1,485,000 for YTD 2002. Amortization of intangible assets increased to $389,000 in YTD 2003 from $106,000 in YTD 2002 as a result of the amortization of customer acquisition costs from the InQuent customer purchase and deferred financing fees from the Company's senior secured debentures issued at the end of 2002.

Other

Effective January 1, 2002 goodwill amortization has been discontinued in accordance with the new accounting recommendations of the CICA Handbook Section 3062. Goodwill will not be amortized but will be subject to annual assessment of impairment. No goodwill impairment was recorded in YTD 2003 or YTD 2002. On adoption of the new accounting recommendations on January 1, 2002, the Company recorded a Goodwill impairment charge to retained earnings of $673,000 related to the professional services operations.

Interest on the Company's outstanding debt and equipment loans decreased to $587,000 for YTD 2003 versus $654,000 for YTD 2002 due to a lower amount of outstanding debt during 2003. Significant U.S. debt was retired as part of the Company's qualifying transaction in May 2002.

Other income and expenses decreased to $61,000 expense for YTD 2003 from $184,000 in income for YTD 2002 as significant foreign exchange gains were recognized in YTD 2002 on the conversion of U.S. debt as part of the Company's qualifying transaction in May 2002.

Net Loss

The Company reduced its net loss by 34% to $3.7 million or $0.19 per common share in YTD 2003 compared to a loss of $5.7 million or $0.41 per common share in YTD 2003 as a result of both higher revenues and lower operating costs.

LIQUIDITY AND CAPITAL RESOURCES

The Company significantly increased its cash position in the fourth quarter as a result of net proceeds of $3.8 million from the Private Placement. Cash and working capital had been reduced during the year by net losses. At December 31, 2003, the Company had cash and temporary investments totalling $3.3 million up slightly compared to $3.1 million in cash at December 31, 2002.

For the twelve months ended December 31, 2003, the Company's net cash flows from operations were negative $2.0 million compared to negative $2.7 million during the twelve months ended December 31, 2002. Proceeds from the Private Placement were used to reduce trade payables which led to a reduction in non-cash working capital of $116,000 for YTD 2003. However in YTD 2002, changes in non-cash working capital, mostly trade payables and deferred revenue, contributed $1,017,000 to working capital.

In the twelve months ended December 31, 2003 the Company used cash, an equipment loan, capital lease financing, and a premises lease inducement to acquire capital assets to provide for customer growth and to upgrade its network and data centre. Total capital and intangible assets acquired were $1,178,000 in 2003, up from $812,000 in 2002.

In addition to $76,000 in new capital leases, the Company entered into a three year, secured equipment loan of $245,000, with principal and interest payable quarterly in arrears at terms consistent with existing lease financing. The Company also repaid capital lease obligations totalling $560,000 YTD 2003, down from the $697,000 repaid in the comparable period in 2002. These factors contributed to a net reduction of $270,000 to outstanding equipment related financing during the year ended December 31, 2003. Costs to acquire customers from InQuent totalled $432,000 for the prior year. The Company did not enter into any purchase agreements for customers in 2003. The Private Placement completed in the fourth quarter provided an additional $3.8 million in cash and working capital net of fees. Proceeds from the financing were used to reduce trade payables, fund capital expenditures and for general working capital.

At December 31, 2003, the Company had current assets of $5.3 million and current liabilities of $5.1 million for net working capital of $186,000 compared to a working capital deficiency of $659,000 at December 31, 2002. Current assets at December 31, 2003 were effectively unchanged from December 31, 2002. Current liabilities, composed principally of accounts payable, accrued liabilities and deferred revenue, decreased $860,000 primarily as a result of payment of trade payables, amounts due to a related party and lease obligations with available cash. Capital assets were slightly lower at $1.1 million at December 31, 2003 from the 2002 year-end as the Company's depreciation was higher than the amount it spent on capital additions during the year. Long-term liabilities increased by $162,000 as a result of the recognition of a long-term deferred lease inducement on the Company's move to a new data centre during the year.

OUTLOOK

Businesses are migrating to IP-based network services as a result of greater reliance on web-based and IP-based applications to share information resources between their multiple offices. As a result, they are demanding higher-speed connectivity, primarily DSL, and secure networks. This movement by business to less expensive, high-speed networks includes new customers who could not previously afford dedicated high-speed connections as well as businesses replacing slower and more expensive telecommunications services with DSL.

In response, the Company is promoting its national DSL services to multi-location businesses most likely to be best served by less expensive DSL, managed VPN and firewall services. The Company intends to focus on multi-location, medium and large enterprises within specific market segments and position the Company as a leading network supplier to specific industry verticals. In order to provide a path for customers to move from legacy data networks to

IP-enabled networks, the Company will further develop DSL based VPN solutions. The Company's strategy is to be a single source for these data and Internet services, to provide the broadest IP connectivity footprint in Canada and to deliver superior customer service.

The increased use of high-speed connectivity technologies is also leading to a growth in outsourcing of complex hosting and web development services. The Company will continue to invest in expanding its market share in its primary geographic markets and continue to grow advanced hosting and professional services. Resources are dedicated to new sales growth and customer service to keep customer churn below normal industry levels.

The Company will use targeted direct marketing and leverage relationships with other organizations that provide services or applications that require broadband connectivity including network based application services, system integrators and consultants, computer equipment and software vendors to reach a greater number of potential customers.

Revenues are expected to continue to grow with corresponding improvements to EBITDA and Net Income as a result.

Capital expenditures, which are expected to be the same as in prior years, will be made to enhance network performance, availability and reliability, support growth, existing product platforms and new products. Capital expenditures will be financed with equipment leases, bank or equipment loans or from cash.

Incumbent local exchange carriers dominate the data and Internet communications market for both very small and very large enterprises. The Company expects to grow by focusing on the medium to large businesses. External factors such the growth of viruses and spam, work stoppages at the Company's communications providers and CRTC's tariff on DSL services could impact the Company's ability to deliver services, compete effectively and achieve its goals. The Company actively monitors and adjusts its operations to mitigate the potential negative impact of competition and external factors.

While operating losses are improving rapidly they have been financed historically with issuances of debt and equity securities. The Company is dependent on available cash, the support of its creditors and additional debt or equity financing until it achieves profitable operations. The Company expects that it will be able to maintain sufficient cash resources to continue operations and meet anticipated capital expenditure requirements until it reaches positive cash flows. In the event the Company is unable to grow revenues, reduce cash requirements, or raise additional capital it will be required to re-evaluate its growth strategy and planned expenditures.

FORWARD-LOOKING STATEMENTS

This quarterly report including the Letter to Investors and the Management's Discussion and Analysis may contain forward-looking statements, including statements regarding the business and anticipated financial performance of the Company, which involve risks and uncertainties. These risks and uncertainties may cause the Company's actual results to differ materially from those contemplated by the forward-looking statements. Factors that might cause or contribute to such differences include, among others, competitive pressures, the growth rate of the Internet and telecommunications concerns, constantly changing technology and market acceptance of the Company's products and services. Investors are also directed to consider the other risks and uncertainties discussed in the Company's required financial statements and filings. All other companies and products listed herein may be trademarks or registered trademarks of their respective holders.

Balance Sheets

	December 31, 2003	December 31, 2002
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	$ 693,744	$ 3,124,636
Temporary investment	2,650,000	-
Trade accounts receivable, net of allowance for doubtful accounts of $96,146 (2002 - $212,705)	1,694,382	1,812,430
Income taxes recoverable	-	45,453
Inventories	129,278	133,901
Prepaid expenses and deposits	111,359	177,503
	5,278,763	5,293,923
Due from officer (note 8)	90,755	110,432
Deposits	29,223	47,432
Capital assets	1,133,811	1,205,129
Customer acquisition costs	68,008	357,970
Deferred charges	183,332	275,000
Goodwill	1,574,228	1,574,228
	$ 8,358,120	$ 8,864,114

Liabilities and Shareholders' Deficiency

	December 31, 2003	December 31, 2002
Current liabilities:		
Accounts payable and accrued liabilities	$ 2,869,249	$ 3,298,663
Customer deposits	160,947	178,637
Current portion of deferred lease inducements	45,670	-
Deferred revenue	1,708,287	1,675,277
Due to related party (note 3)	-	281,749
Current portion of long term debt	75,802	-
Current portion of obligations under capital leases	233,187	518,766
	5,093,142	5,953,092
Obligations under capital leases	11,419	208,923
Deferred lease inducement (note 4)	221,666	-
Long term debt (notes 5 and 8)	3,137,564	3,000,000
Shareholders' deficiency:		
Share capital (note 6)	28,559,806	24,630,062
Contributed surplus	300,823	191,520
Shares to be issued (note 6)	-	129,021
Deficit	(28,966,300)	(25,248,504)
	(105,671)	(297,901)
	$ 8,358,120	$ 8,864,114

Contingency (note 7)
See accompanying notes to financial statements.

Approved on behalf of the Board:

Jim Grey,
Director

Douglas Forster,
Director

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

	Years ended December 31, 2003	Years ended December 31, 2002	Three months ended December 31, 2003	Three months ended December 31, 2002
	(Unaudited)		(Unaudited)	(Unaudited)
Revenue	$ 15,516,458	$ 11,629,944	$ 4,070,006	$ 3,384,707
Cost of sales	8,271,669	6,165,448	2,216,518	1,808,427
Gross profit	7,244,789	5,464,496	1,853,488	1,576,280
Expenses:				
Sales and marketing	3,012,360	3,037,307	826,367	660,265
General and administrative	5,679,608	6,034,581	1,519,739	1,348,509
Amortization of capital assets	1,233,864	1,484,721	373,707	508,538
Amortization of customer acquisition costs	295,642	106,364	67,598	53,477
Amortization of deferred charges	93,095	-	22,917	-
	10,314,569	10,662,973	2,810,328	2,570,789
Operating loss	3,069,780	5,198,477	956,840	994,509
Interest expense	586,907	653,986	160,272	48,871
Other (income) expense	61,109	(184,585)	87,021	34,334
Loss for the period	3,717,796	5,667,878	1,204,133	1,077,714
Deficit, beginning of period	25,248,504	18,907,810	27,762,167	24,170,790
Adjustment to reflect change in accounting principles for impairment of goodwill	-	672,816	-	-
Deficit, end of period	$ 28,966,300	$ 25,248,504	$ 28,966,300	$ 25,248,504
Basic and diluted loss per share	$ (0.19)	$ (0.41)	$ (0.05)	$ (0.06)
Weighted average common shares, used in computing loss per share basic and diluted	19,615,634	13,841,954	24,187,985	17,652,972

See accompanying notes to financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years ended December 31, 2003	Years ended December 31, 2002	Three months ended December 31, 2003	Three months ended December 31, 2002
	(Unaudited)		(Unaudited)	(Unaudited)
Cash provided by (used in):				
Operations:				
Loss for the period	$ (3,717,796)	$ (5,667,878)	$ (1,204,133)	$ (1,077,714)
Items not involving cash:				
Amortization of capital assets	1,233,864	1,484,721	373,707	508,538
Amortization of customer acquisition costs	295,642	106,364	67,598	53,477
Amortization of deferred financing costs	93,095	-	22,917	-
Loss on disposal of capital assets	-	1,295	-	1,295
Write-off of obsolete inventory	-	31,981	-	31,981
Stock based compensation (note 6)	109,303	320,541	85,678	129,021
Unrealized foreign exchange (gain) loss	19,676	-	3,738	-
Non-cash lease costs (note 4)	44,556	-	20,420	-
	(1,921,660)	(3,722,976)	(630,075)	(353,402)
Change in non-cash operating working capital:				
Trade accounts receivable	118,048	(376,434)	15,666	52,200
Due from shareholders	-	24,056	-	31,415
Income taxes recoverable	45,453	-	-	-
Inventories	4,623	(38,532)	169,595	92,178
Prepaid expenses and deposits	73,176	(73,950)	41,412	12,849
Accounts payable and accrued liabilities	(372,905)	728,957	(385,682)	264,297
Customer deposits	(17,690)	(24,787)	(3,509)	(7,350)
Deferred revenue	33,010	777,579	17,400	42,568
	(2,037,945)	(2,706,087)	(775,193)	134,755
Investments:				
(Purchase) sale of temporary investment	(2,650,000)	24,404	(2,500,000)	-
(Purchase) disposal of capital assets	(852,167)	(123,822)	(228,605)	(6,105)
Customer acquisition costs	(26,474)	(432,644)	-	(190,949)
Deposits	-	60,836	-	11,281
Due from officer	-	1,064	-	(2,723)
	(3,528,641)	(470,162)	(2,728,605)	(188,496)
Financing:				
Due to related party	(281,749)	281,749	-	281,749
Payments under capital leases	(559,506)	(697,397)	(94,774)	(256,979)
Proceeds from issuance of debt	245,000	3,000,000	-	3,000,000
Repayment of long term debt	(33,748)	-	(10,297)	-
Proceeds from issuance of shares	4,000,000	4,995,000	4,000,000	-
Share issuance costs	(232,877)	(1,170,238)	(232,877)	82,909
Share price guarantee	-	(303,764)	-	(303,764)
Deferred financing costs	(1,426)	(275,000)	-	(275,000)
	3,135,694	5,830,350	3,662,052	2,528,915
Increase (decrease) in cash and cash equivalents	(2,430,892)	2,654,101	158,254	2,475,174
Cash and cash equivalents, beginning of period	3,124,636	470,535	535,490	649,462
Cash and cash equivalents, end of period	$ 693,744	$ 3,124,636	$ 693,744	$ 3,124,636

Supplementary cash flow information (Note 10)
See accompanying notes to financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of presentation:

The accompanying unaudited consolidated 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 consolidated financial statements for the year ended December 31, 2002, and should be read in conjunction with those financial statements and notes thereto.

2. Change in accounting policy

During the fourth quarter of 2003, management early adopted the provisions of Section 3870 of the CICA Handbook, "Stock-Based Compensation and Other Stock Based Payments", as it relates to employee stock options. In accordance with the provisions of this section, the company has accounted prospectively for all employee stock options granted, settled, or modified since January 1, 2003 using the fair value method. The fair value method requires the company to expense the fair value, as determined using the Black Scholes option pricing model, of the employee options granted or modified. Accordingly, the company has recorded an amount of $85,647 in respect of these employee stock options (note 6).

3. Due to related party:

In June 2000, for the purchase of Top Choice Systems Inc., the Company issued an unsecured loan that was payable in installments. In an agreement dated May 17, 2002 the last installment of $500,000, due on June 1, 2002, was converted into 400,000 common shares, 200,000 warrants and 400,000 bonus warrants of the Company. In accordance with this agreement, should the former lenders sell all the common shares issued on the conversion within twelve months and gross less than $500,000 the lenders may request that the shortfall between $500,000 and the gross proceeds be paid by the Company. On January 31, 2003 the Company paid $281,749, which is net of $22,015 owed to the Company in settlement of this liability. The total of $303,764 has been recorded as a charge to share capital as a share price guarantee.

4. Deferred lease inducement:

The Company entered into a long-term lease agreement for office space and a data center that included certain lease inducements that are accounted for in accordance with EIC-21 "Accounting for Lease Inducements by the Lessee". These inducements included capital leasehold improvements funded by the lessor, as well as a rent-free period of 6 months after inception of the lease. The lease inducement benefits are amortized on a straight-line basis over the 60 month term of the lease as a reduction to rental expense. Leasehold improvements acquired as part of the lease inducement are amortized over the 5 year term of the lease.

5 Long term debt:

Effective June 9, 2003, the Company entered into a $245,000 three-year secured loan from a single private lender on terms consistent with the Company's existing lease financing to acquire certain network equipment. Principal and interest on the loan will be paid quarterly in arrears and the loan is secured by a specific charge against the acquired network equipment.

On December 23, 2002, the Company issued $3,000,000 of non-convertible debentures that mature on December 23, 2005. The debentures bear interest at 12% per annum which is payable quarterly in arrears, and are secured by a floating charge on all assets of the Company. The debentures are redeemable in whole or in part at the option of the

5 Long term debt (continued):

Company after December 23, 2003. Upon repayment, the debenture holders may be eligible for a bonus payment based on the appreciation in the Company's share price above $0.50. Bonus payments are calculated according to the following formula:

$$\frac{\text{Principal amount of debentures repaid}}{\$0.50} \times (\text{Market price of common shares at time of repayment} - \$0.50)$$

Bonus payments are payable to a maximum of $2,477 for each $1,000 of principal repaid, if repaid upon maturity. The portion of the bonus payment, if any, up to the original face value of the debenture is payable in cash. The Company has the option to settle any further bonus amounts payable by way of issuance of common shares based on converting the remaining bonus amount due at 95% of the market price of the Company's common shares at the time of repayment. On December 31, 2003, the Company's closing share price was $0.59, however, due to the long term nature of the debt and the uncertain nature of factors that may influence the company's future share price, a reasonable estimate of the share price on the date of repayment cannot be made. Accordingly, the company has not accrued any amounts with respect to any potential bonus payments.

6. 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:

As at December 31, 2003 there were 28,209,724 common shares issued and outstanding. There are a total of 3,509,174 shares subject to escrow agreements. In accordance with TSX Venture Exchange policies, the shares are held in escrow and released over a three-year period as follows:

(i) 40,736 shares remaining to be released pro-rata to shareholders one half on each of the second and third anniversaries of the completion of the qualifying transaction on May 22, 2002 based on TSX Venture Exchange Escrow Policies for Capital Pool Companies.

(ii) 3,468,438 shares remaining to be released pro-rata to shareholders over three years from the qualifying transaction on May 22, 2002 based on TSX Venture Exchange Policy 5.4 for Tier 2 listed Issuers.

On February 11, 2003 the Company issued 460,752 common shares from its treasury for 2002 annual employee bonuses totaling $129,021. Each employee received a number of shares equal to their individual bonus divided by the closing price of the Company's common shares on December 31, 2002 of $0.28. The shares were deposited in a Group Employee RRSP plan established by the Company and are subject to a minimum six-month hold.

On July 7, 2003 the Company issued 96,000 shares at their fair value of $0.35 to a Director and Officer of the Company in settlement of outstanding debt.

On November 7, 2003, the Company issued 10,000,000 units at a price of $0.40 per unit for gross proceeds of $4,000,000. Each unit consists of one common share and one half of one common share purchase warrant. In consideration, the Company paid a 6% agent's fee and a 5% agent's warrant for the portion of this offering arranged by the agent. The common share warrants issued as part of the units and the agent's warrants will be exercisable into one common share at a price of $0.60 per share, for a period of 24 months from the date of grant.

6. Share capital (continued):

(c) Stock options:

At December 31, 2003 the Company had 2,845,500 options outstanding with exercise prices ranging from $0.27 to $1.25 and a weighted average remaining contractual life of 3.6 years. There are 3,522,513 shares reserved for issuance under the Company's stock option plan. Except where noted, options granted have a five-year term, vest over three years and have an exercise price equivalent to market value at the time of grant. The options and warrants are not included in diluted per share calculations since their exercise would reduce loss per share.

On January 24, 2003 the Company reduced the exercise price of 1,563,500 employee, director and officer stock options from $1.25 to $0.65. The reduction to director and officer stock option exercise prices received disinterested shareholder approval at the Company's Special and Annual General Meeting on May 21, 2003.

The following table summarizes the continuity of the Company's stock options:

(Unaudited)	Number of shares	Weighted average exercise price
Balance, December 31, 2002	2,652,000	$ 0.99
Granted	504,000	0.57
Exercised	-	-
Forfeited	(310,500)	1.03
Outstanding, December 31, 2003	2,845,500	$ 0.58

The following table summarizes information about the stock options outstanding at December 31, 2003:

(Unaudited)	Options outstanding			Options exercisable	
Range of exercise prices	Number outstanding	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable	Weighted average exercise price
$0.27 to $0.40	388,500	4.1 years	$ 0.30	247,250	$ 0.27
$0.48 to $0.65	2,445,000	3.5 years	0.62	1,777,963	0.64
$1.25	12,000	3.4 years	1.25	12,000	1.25
	2,845,500	3.6 years	$ 0.58	2,037,213	$ 0.60

On July 16, 2003, the Company granted 125,000 stock options to a consultant pursuant to a services agreement. The options were granted with an exercise price of $0.65 per share, vested immediately, and expire August 1, 2004. The Company has recorded compensation expense of $23,625 in general and administrative expense in respect of these options, being their fair market value based on the Black Scholes option pricing model.

During the fourth quarter of 2003, management early adopted the provisions of Section 3870 of the CICA Handbook, "Stock Based Compensation and Other Stock Based Payments", as it relates to employee stock options. In accordance with the provisions of this section, the company has accounted prospectively for all employee stock options granted, settled, or modified since January 1, 2003 using the fair value method. The fair value method requires the company to expense the fair value, as determined using the Black Scholes option pricing model, of the employee options granted or modified. Accordingly, the company has recorded an amount of $85,647 in respect of these employee stock options as expense and as an increase to contributed surplus.

6. Share capital (continued):

The fair value for the options granted was estimated using the Black-Scholes option pricing model assuming no expected dividends and the following weighted average assumptions:

	Options		
	Interest rate	Term	Volatility
Three months ended December 31, 2003	3.30%	3 years	120%
Year ended December 31, 2003	3.24%	2.5 years	126%

The weighted average grant date fair value of options granted during the three months ended December 31, 2003 was $0.42 (Year ended December 31, 2003 - $0.29).

In addition, the Company is required to disclose the pro-forma effects on net loss and net loss per share data as if the Company had elected to use the fair value approach to account for its employee stock-based compensation plans for any options granted, settled, or modified from January 1, 2002 to December 31, 2002. If this approach had been applied, the Company's net loss and net loss per share would have been as indicated below:

	December 31, 2003 (Unaudited)
Loss for the year ended:	
As reported	$ (3,717,796)
Pro forma	(3,890,344)
Basic and diluted loss per share:	
As reported	$ (0.19)
Pro forma	(0.20)

(d) Share purchase warrants:

At December 31, 2003 the Company has the following share purchase warrants outstanding:

(Unaudited)	Number of warrants	Expiry Date	Exercise price
Share purchase warrants	3,815,468	May 22, 2004	$1.25
Share purchase warrants	5,250,000	November 7, 2005	$0.60
Outstanding, December 31, 2003	9,065,468		$0.87

6. Share capital (continued):

On November 7, 2003, pursuant to a private placement, the Company issued 5,000,000 share purchase warrants. In consideration, the Company issued 250,000 agent's warrants for the portion of this offering arranged by the agent. The common share warrants issued as part of the units and the agent's warrants will be exercisable into one common share at a price of $0.60 per share, for a period of 24 months from the date of grant. On November 22, 2003, 2,589,600 share purchase warrants with an exercise price of $1.25 expired without being exercised.

(e) Bonus warrants:

On May 22, 2003, 4,396,002 bonus warrants expired without being exercised.

7. Contingency:

In 2002, the Company received a request for arbitration relating to premises leased in the United States by a predecessor company for up to US$90,000 in unpaid rent and tenant's expenses. The Company subsequently reached a settlement with the claimant to dismiss the claim for no consideration and with each party bearing its own costs.

8. Related party transactions:

As at December 31, 2003, long-term debt includes $1,125,000 that is payable to officers or directors or to companies that are directly or indirectly controlled by officers or directors of the Company. During the three months ended December 31, 2003 the Company paid interest of $34,027 (year ended December 31, 2003 - $137,959; 3 and 12 months ended December 31, 2002 - $nil) to officers, directors or to companies that are directly or indirectly controlled by officers or directors of the Company.

The Company issued a share purchase loan on November 1, 2000 in the amount of US$70,000 (CDN$90,755) to an officer who is also a director of the Company. The loan bears no interest and is due on the earlier of November 1, 2004 or on the termination of the officer's employment and may be repaid in cash, shares or other consideration.

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.

9. Segmented disclosures:

The Company reports segmented information according to the 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.

The Company defines its operating segments through the type of services it provides. The Company's operating segments include connectivity/hosting and professional services. The connectivity and hosting segment includes high-speed Internet connectivity and hosting services, sophisticated e-commerce applications and the design and management of dedicated server offerings. The professional services segment includes web development and marketing services.

Year ended December 31, 2003 (Unaudited)	Connectivity/ Hosting	Professional Services	Corporate	Total
Revenues	$ 12,462,790	$ 3,053,668	$ -	$ 15,516,458
Amortization of capital assets	711,140	78,409	444,315	1,233,864
Amortization of customer acquisition costs	295,642	-	-	295,642
Amortization of deferred charges	-	-	93,095	93,095
Segment operating income (loss)	266,083	76,875	(3,412,738)	(3,069,780)
Impairment of goodwill	-	-	-	-
Segment assets	2,249,550	426,155	4,108,187	6,783,892
Goodwill	1,574,228	-	-	1,574,228

Year ended December 31, 2002 (Unaudited)	Connectivity/ Hosting	Professional Services	Corporate	Total
Revenues	$ 9,144,664	$ 2,485,280	$ -	$ 11,629,944
Amortization of capital assets	1,139,958	89,190	255,573	1,484,721
Amortization of customer acquisition costs	106,364	-	-	106,364
Amortization of deferred charges	-	-	-	-
Segment operating income (loss)	(2,397,983)	(374,147)	(2,426,347)	(5,198,477)
Impairment of goodwill	-	672,816	-	672,816
Segment assets	2,877,570	520,915	3,891,401	7,289,886
Goodwill	1,574,228	-	-	1,574,228

9. Segmented disclosures (continued):

Three months ended December 31, 2003 (Unaudited)	Connectivity/ Hosting	Professional Services	Corporate	Total
Revenues	$ 3,332,127	$ 737,879	$ -	$ 4,070,006
Amortization of capital assets	99,458	41,138	233,111	373,707
Amortization of customer acquisition costs	67,598	-	-	67,598
Amortization of deferred charges	-	-	22,917	22,917
Segment operating income (loss)	73,730	(15,089)	(1,015,481)	(871,162)
Impairment of goodwill	-	-	-	-
Segment assets	2,249,550	426,155	4,108,187	6,783,892
Goodwill	1,574,228	-	-	1,574,228

Three months ended December 31, 2002 (Unaudited)	Connectivity/ Hosting	Professional Services	Corporate	Total
Revenues	$ 2,715,765	$ 668,943	$ -	$ 3,384,708
Amortization of capital assets	386,833	31,327	90,378	508,538
Amortization of customer acquisition costs	53,477	-	-	53,477
Amortization of deferred charges	-	-	-	-
Segment operating income (loss)	(570,442)	(118,963)	(305,104)	(994,509)
Impairment of goodwill	-	-	-	-
Segment assets	2,877,570	520,915	3,891,401	7,289,886
Goodwill	1,574,228	-	-	1,574,228

The Company earned revenue for the years ended December 31 by geographic area as follows:

(Unaudited)	2003	2002
Canada	$ 13,179,619	$ 9,394,433
United States	2,097,952	1,982,446
Other	238,887	253,065
Total	$ 15,516,458	$ 11,629,944

9. Segmented disclosures (continued):

The Company earned revenue for the three months ended December 31 by geographic area as follows:

(Unaudited)	2003	2002
Canada	$ 3,576,404	$ 2,866,263
United States	444,677	462,140
Other	48,925	56,305
Total	$ 4,070,006	$ 3,384,708

The Company does not have any customers that account for 10% or more of total revenue.

10. Supplementary cash flow information:

	Years ended December 31,		Three months ended December 31,	
	2003	2002	2003	2002
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Supplementary information:				
Cash paid for interest	$ 586,906	$ 352,841	$ 160,272	$ 175,044
Cash received for interest	38,477	24,423	4,417	-
Non-cash investing and financing activities:				
Acquisition of capital assets under capital leases	76,422	255,598	-	162,387
Acquisition of capital assets through lease inducements (note 4)	222,780	-	-	-
Reduction of customer acquisition costs	20,794	-	-	-
Issuance of common shares in settlement of debt (note 6)	33,600	-	-	-
Shares issued as part of interim loan	-	171,875	-	-
Shares issued to related party for acquisition of Top Choice (note 5)	-	500,000	-	-
Shares issued on conversion of bridge loan	-	5,974,131	-	-
Shares issued on exercise of corporate finance warrants	-	589,658	-	-

Management Team & Corporate Directory

Management Team

Jim Grey
President & CEO

Geoff Davenport
Vice President Sales

Eleanor Jang
Vice President Services Delivery

Jim Johnson
Vice President & General Manager Central Canada

Robert MacDougall
Vice President Finance & Corporate Secretary

Heather Carter
Vice President Client Services

John Thomas
Vice President Internet Development

Karen Sam Leong
Human Resources Manager

Board of Directors

Marc Bouchard
Chairman, Toll Cross Securities Inc.

Rolf Dekleer[1]
Investment Manager, GrowthWorks Capital Ltd.

Omaya Elguindi
Corporate Director

Douglas Forster[1]
President, Quarry Capital Corporation

Jim Grey
President & CEO, Radiant Communications Corp.

Scot Land
Senior Partner, Encompass Ventures

Chris Worthy[1], Chairman
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Stock Exchange
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Symbol
RCX

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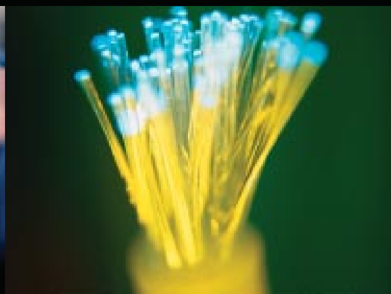

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