THIS IS A PRELIMINARY PROSPECTUS RELATING TO THESE SECURITIES, A COPY OF WHICH HAS BEEN FILED WITH THE ALBERTA, BRITISH COLUMBIA AND ONTARIO SECURITIES COMMISSIONS BUT WHICH HAS NOT YET BECOME FINAL FOR THE PURPOSE OF A DISTRIBUTION. INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME A RECEIPT IS OBTAINED FROM THE ALBERTA, BRITISH COLUMBIA AND ONTARIO SECURITIES COMMISSIONS FOR THE FINAL PROSPECTUS.

This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. No securities commission or similar regulatory authority in Canada has in any way passed upon the merits of the securities offered and any representation to the contrary is an offence. This document does not constitute an offer to sell or the solicitation of an offer to buy any of these securities in the United States. These securities have not been approved by the United States Securities and Exchange Commission nor has any state securities regulatory authority passed upon or endorsed the merits of this offering or the adequacy or accuracy of this prospectus. These securities are subject to restrictions on transferability and resale in the United States and by U.S. persons.

Preliminary Prospectus

New Issues (Alberta) **Date: March 7, 2000**
Initial Public Offerings (British Columbia and Ontario)

HIGHPOINT TELECOMMUNICATIONS INC.

This prospectus qualifies the five separate distributions of securities of Highpoint Telecommunications Inc. (the "Company") described below. See "Plan of Distribution". Unless otherwise noted all amounts are in U.S. dollars.

First Offering: US$ 50,010,000
10% Convertible Debentures, Series II due 2004

The first distribution qualified by this prospectus is of US$ 50,010,000 principal amount of 10% convertible debentures, series II due 2004 ("Exchanged Debentures") of the Company in exchange for US$ 50,010,000 principal amount of 10% convertible exchangeable debentures, series II due 2004 ("Original Debentures") of the Company. The exchange will occur without additional payment by the holders of the Original Debentures. The Original Debentures were issued on a private placement basis in August, 1999 in the principal amount of US$ 1,000 each. The Exchanged Debentures will have substantially equivalent terms to the Original Debentures. See "Description of Share and Debt Capital — Original and Exchanged Debentures - Series II" and "Plan of Distribution — First Offering".

Interest paid to holders of Exchanged Debentures not resident in Canada will not be subject to Canadian withholding tax. At the election of the holder the principal due under the Exchanged Debentures is convertible, in increments of US$ 1,000, into Common Shares of the Company ("Common Shares") at the US dollar equivalent of CDN$ 11 per share, determined at the time of the conversion. At the election of the Company the Exchanged Debentures are redeemable after February 18, 2001 on 30 days notice provided the closing price of the Common Shares is equal to or greater than CDN$ 11 (or, if the Common Shares are then trading in U.S. dollars, the U.S. dollar equivalent of CDN$ 11 at the time of the notice of redemption) for at least 20 consecutive trading days during the three month period preceding the notice of redemption. The Exchanged Debentures shall be subordinate to all existing and future Senior Indebtedness (as described herein) of the Company and the Exchanged Debentures - Series I (as defined herein). No sinking fund has been established for the redemption of Exchanged Debentures.

Second Offering: CDN$ 1,400,000
175,000 Common Shares and 175,000 Share Purchase Warrants

The second distribution qualified by this prospectus is of 175,000 Common Shares and 175,000 share purchase warrants of the Company ("Ordinary Warrants #1") to be issued on the exercise or deemed exercise of 175,000 outstanding special warrants ("Special Warrants #1"). The Common Shares and Ordinary Warrants #1 will be issued without additional payment by the holders of the Special Warrants #1. The Special Warrants #1 were issued by the Company on a private placement basis in April, 1999. Each Ordinary Warrant #1 shall entitle the holder to purchase one Common Share at a price of CDN$ 8.50 on or before April 27, 2001. See "Plan of Distribution — Second Offering".

Third Offering: CDN$ 10,093,616
1,261,702 Common Shares and 1,261,702 Share Purchase Warrants

The third distribution qualified by this prospectus is of 1,261,702 Common Shares and 1,261,702 share purchase warrants of the Company ("Ordinary Warrants #2") to be issued on the exercise or deemed exercise of 1,261,702 outstanding special warrants ("Special Warrants #2"). The Common Shares and Ordinary Warrants #2 will be issued without additional payment by the holders of the Special Warrants #2. The Special Warrants #2 were issued by the Company on a private placement basis in June, 1999. Each Ordinary Warrant #2 shall entitle the holder to purchase one Common Share at a price of CDN$ 8.50 on or before June 16, 2001. See "Plan of Distribution — Third Offering".

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Fourth Offering: CDN$ 20,250,000
3,071,672 Common Shares

The fourth distribution qualified by this prospectus is of 3,071,672 Common Shares to be issued upon the conversion of 3,071,672 outstanding Preferred Shares, Series I ("Series I Preferred Shares") previously issued by the Company in connection with its acquisition of a 50% interest in The North American Gateway Inc. See "Business — Current Business — The North American Gateway Inc. — Share Purchase Agreement", "Description of Share and Debt Capital — Share Capital — Preferred Shares" and "Plan of Distribution — Fourth Offering".

Fifth Offering: US$ 7,500,000
900,360 Series II Preferred Shares

The fifth distribution qualified by this prospectus is of 900,360 Preferred Shares, Series II ("Series II Preferred Shares") of the Company to be issued upon the conversion of US$ 7,500,000 principal amount of convertible debentures due 2001 ("UBS Debentures") of the Company. The UBS debentures were issued by the Company on a private placement basis in February, 2000. See "Description of Share and Debt Capital — Preferred Shares and — UBS Debentures" and "Plan of Distribution — Fifth Offering".

Offering	Issue Price[(1)]	Agent's Commission	Proceeds to Company[(2)]
First Offering			
Per Debenture	US$ 1,000	US$ 70	US$ 930
Total	US$ 50,010,000	US$ 3,500,700	US$ 46,509,300
Second Offering			
Per Special Warrant #1	CDN$ 8.00	CDN$ 0.56	CDN$ 7.44
Total	CDN$ 1,400,000	CDN$ 98,000	CDN$ 1,302,000
Third Offering			
Per Special Warrant #2	CDN$ 8.00	CDN$ 0.40	CDN$ 7.60
Total	CDN$ 10,093,616	CDN$ 504,681	CDN$ 9,588,935
Fourth Offering			
Per Series I Preferred Share	CDN$ 6.5925	—	—
Total	CDN$ 20,250,000	—	—
Fifth Offering			
Per Series II Preferred Share	US$ 8.33	US$ 0.5831	US$ 7.7469
Total	US$ 7,500,000	US$ 525,000	US$ 6,975,000

(1) The issue price of the securities was determined by negotiation between the Company and the Agent except in the Fourth Offering which was determined by negotiation with the recipient.

(2) Before deducting expenses of this transaction, including the preparation of this prospectus, which are estimated to be CDN$ 250,000. The Company has received the net proceeds from the sale of the securities in the First, Second, Third and Fifth Offerings. The Company did not receive any cash proceeds from the Fourth Offering.

Investment in the securities offered hereby is subject to various risk factors. Investors should be prepared to lose their entire investment given the formative stage of development of the operations of the Company and the risks associated therewith. The Company is in the early stages of its development and its performance will depend upon its ability to effectively manage its growth. The Company may incur significant expenses in attempting to integrate acquisitions in and investments with those of the Company. The Company expects to continue to incur significant additional indebtedness and increasing operating losses and negative cash flow while it expands its business and builds its customer base. The Company will require significant additional capital to continue its development. The Company has already incurred substantial indebtedness and may have difficulty servicing or retiring such debt. The telecommunications industry is highly competitive. The Company's business is dependent upon favourable relationships with other telecommunications carriers whose services the Company must use. The Company will be competing with established telecommunications carriers in international markets. Changes in exchange rates may have a significant adverse effect on the Company's results of operations. Regulation of the telecommunications industry is changing rapidly which may present developmental and operational risks to the Company. If the holder of the Series I Preferred Shares exercises her right to redeem such shares and the Company does not pay the redemption amount the Company must transfer to her all of the shares in a corporation in which the Company has made a significant investment. The Company's ability to achieve its strategic objectives depends upon the successful development and completion of its various telecommunications projects. The technology used in the telecommunications industry is rapidly evolving and the failure to

(cover continued over ...)

maintain pace with such evolution could have a material adverse effect on the Company. The Company's management information systems may malfunction or there may be delays in implementing new systems which could adversely effect the Company's operations. The Company depends on the efforts of certain key management and technical personnel, the loss of any of whom might have a material adverse effect on its business. The Company has not begun a comprehensive marketing effort in respect of its telecommunications services and has generated limited revenue. The loss of one or more significant customers of the Company could have a material adverse effect on its business or financial condition. The Company's limited revenues and significant expenses will vary significantly between financial periods. Other shareholders or directors of companies in which the Company has invested may have interests or objectives inconsistent with those of the Company. The issuance of preferred shares by the Company could materially and adversely effect the holders of the Common Shares. There is no market through which the Exchanged Debentures, Ordinary Warrants or Series II Preferred Shares may be sold. Upon completion of these offerings and assuming no Common Shares are issued from the exercise of outstanding options or warrants or conversion of debentures or Series II Preferred Shares ! % of the Common Shares then outstanding will be owned by the public as compared to ! % that will then be owned by the promoter, insiders and control persons of the Company and by the Agent. The Company's operations may be affected by internal or external failures of computer systems to be year 2000 compliant. Future sales of Common Shares could lower the Common Share trading price and adversely effecting the Company's ability to raise equity funding. The market for the Common Shares may be illiquid. See "Risk Factors".

Certain legal matters in connection with these offerings have been passed upon by O'Neill & Company, Vancouver, British Columbia, Canada on behalf of the Company.

Agent:

CANACCORD CAPITAL CORPORATION
Vancouver, British Columbia
Canada

TABLE OF CONTENTS

SUMMARY . . . 1
- The Company . . . 1
- The Offerings . . . 2
- Use of Proceeds . . . 4
- Risk Factors . . . 5

GLOSSARY . . . 6

CORPORATE INFORMATION . . . 9

BUSINESS . . . 12
- History . . . 12
- Telecommunications Industry Overview . . . 14
- Current Business . . . 14
  - The North American Gateway Inc. . . . 14
  - Axxon Holding Company B.V. . . . 17
  - Vine Telecom Limited . . . 19
  - AduroNet Limited . . . 21

USE OF PROCEEDS . . . 21

MANAGEMENT'S DISCUSSION AND ANALYSIS . . . 22

MANAGEMENT . . . 29

EXECUTIVE COMPENSATION . . . 31
- Employment and Consulting Agreements . . . 31
- Pension Plans . . . 32
- Compensation of Directors . . . 32
- Other Remuneration . . . 32
- Compensation Summary . . . 32
- Stock Options . . . 33
- Indebtedness of Directors and Officers . . . 34

DESCRIPTION OF SHARE AND DEBT CAPITAL . . . 35
- Share Capital . . . 35
- Original and Exchanged Debentures - Series II . 36
- Exchanged Debentures - Series I . . . 37
- UBS Debentures . . . 38
- Other Indebtedness . . . 38

PRIOR SALES . . . 38

TRADING HISTORY . . . 40

CAPITALIZATION . . . 41

OPTIONS TO PURCHASE SECURITIES OF THE COMPANY . . . 43

PRINCIPAL HOLDERS OF SECURITIES . . . 44

PLAN OF DISTRIBUTION . . . 44
- First Offering . . . 44
- Second Offering . . . 45
- Third Offering . . . 45
- Fourth Offering . . . 46
- Fifth Offering . . . 46
- No US Registration . . . 46

RISK FACTORS . . . 47

DILUTION . . . 52

ESCROWED SHARES . . . 53

DIVIDEND POLICY . . . 53

PROMOTER . . . 54

MATERIAL CONTRACTS . . . 54

AUDITORS AND REGISTRAR AND TRANSFER AGENT . . . 56

LEGAL MATTERS . . . 56

OTHER MATERIAL FACTS . . . 56

PURCHASERS' STATUTORY RIGHTS . . . 56

CONTRACTUAL RIGHT OF ACTION FOR RECISSION . . . 56

FINANCIAL STATEMENTS . . . 57

CERTIFICATES . . . 84

SUMMARY

The following information does not purport to be complete and is qualified in its entirety by and should be read in conjunction with the information appearing elsewhere in this prospectus and in the financial statements. Unless otherwise noted all amounts are in United States dollars. All amounts converted from Canadian dollars to United States dollars have been converted at the rate of exchange in effect on the date the cash was received.

The Company

Overview

Highpoint Telecommunications Inc. ("Highpoint" or the "Company" and which includes its wholly-owned subsidiaries) is a telecommunications company with strategic investments in four companies operating in different sectors within the telecommunications arena. These investments are an approximate 48% interest in The North American Gateway Inc. ("NAG"), a 50% interest in Vine Telecom Limited ("Vine") (completion pending), a 100% interest in Axxon Holding Company B.V. ("Axxon") and a 38% interest in AduroNet Limited ("AduroNet"). Highpoint intends to transfer its interest in Axxon to a joint venture with KAST Telecom S.A. in exchange for a 40% interest in the joint venture.

The North American Gateway Inc.

NAG is a multi-service international voice, data and Internet services provider based in Toronto, Ontario, Canada. It was formed in 1994 and has since grown to become a significant international long distance carrier in Canada and an alternative to Teleglobe Inc. ("Teleglobe"), the principal Canadian international long distance carrier. NAG began as a switch-based reseller which allowed it to control capital costs while building traffic volumes. In 1999, it began installing a multi-service ATM backbone network to lower its transmission costs and to support the deployment of high bandwidth and IP services in response to growing customer demand. This network provides for termination and far-end origination of voice and a multiplicity of value-added data services directed at both carrier and ISP customers. NAG plans to expand the network to include local broadband access delivered over xDSL.

NAG intends to utilize its established relationship with Nortel Networks Corporation ("Nortel Canada") to facilitate its acquisition of the latest and most effective technology required to implement its expansion plans. NAG intends to implement its global network rollout on a turnkey basis from suppliers. NAG's relationship with partners resident in international markets should provide it with local network access and distribution channels with incremental opportunities for bilateral arrangements, intra-regional services, retail services, data services and foreign origination of voice and data traffic.

Vine Telecom Limited

Vine intends to develop a pan-European, high capacity, fibre optic network. The planned network is expected to cover up to 10 countries and approximately 100 cities and will be delivered in three phases. The first phase is expected to cover cities in the United Kingdom, France, Belgium, the Netherlands and Germany. Vine plans to develop its network to cover locations poorly served by existing and planned networks using the most cost effective technology, rights-of-way, leases and other means of securing capacity available for that route.

Vine conducted a competitive tender process in connection with the selection of a telecommunications supplier to provide services to Vine relating to the design, development, assembly, maintenance and performance of the network. In January, 2000 Vine, subject to completion of final documentation and agreements, selected Nortel Networks plc ("Nortel UK") to lead a consortium of vendors (the "Consortium") as its preferred supplier to deliver Vine's European network. The Consortium will have complete responsibility for delivering to Vine a dense, high bandwidth, pan-European fibre optic network at a pre-determined price and in accordance with the specifications as developed by Vine. The Consortium will design, maintain and provide the network for and to Vine for a period extending over at least seven years.

Axxon Holding Company B.V.

Axxon established operations in 1998 to capitalize on increasing deregulation in the European telecommunications market. Axxon's business objective is to become a pan-European alternative telecommunications service provider by providing services to small and medium sized businesses and customers. Axxon currently provides international and domestic long distance services in the Netherlands, Belgium, the United Kingdom, Germany and France. Highpoint has agreed to contribute Axxon to a joint venture with KAST Telecom S.A. to build a pan-European facilities-based CLEC. The joint venture company will be known as "KAST Telecom N.V.".

AduroNet intends to develop a pan-European IP services network utilizing IP technology recently developed in the Silicon Valley of California. AduroNet plans to offer a portfolio of value-added IP services and expects to provide its customers with a high security, high performance, managed virtual IP network providing extensive network coverage across Europe.

The Offerings

This prospectus qualifies five distributions of the Company's securities as follows:

First Offering

Securities Qualified	Exchanged Debentures US$ 50,010,000 principal amount of Original Debentures were sold to investors by way of private placement in August, 1999. Each Original Debenture is exchangeable, without further payment, for an Exchanged Debenture in the same principal amount and having substantially the same attributes as the Original Debentures.
Amount	US$ 50,010,000 principal amount
Maturity	August 23, 2004
Interest	10% per annum payable semi-annually on May 1 and November 1 of each year commencing in 1999. The Original Debentures bear interest at the rate of 11% per annum until the earlier of August 18, 2000 and the issuance of the Exchanged Debentures. Interest payments on the Original Debentures are and the Exchanged Debentures will be exempt from any Canadian withholding taxes.
Conversion	The principal amount of the Exchanged Debentures is convertible into Common Shares at the option of the holder in increments of US$ 1,000 at a price equal to the U.S. dollar equivalent of CDN$ 11 per share determined at the time of conversion.
Optional Redemption	The principal amount of the Exchanged Debentures may be wholly or partially redeemed at the option of the Company at face value plus accrued interest at any time after February 18, 2001 with 30 days advance notice to the registered holders provided the closing price of the Common Shares is equal to or greater than CDN$ 11 (or, if the Common Shares are then trading in U.S. dollars, the U.S. dollar equivalent of CDN$ 11 at the time of the notice of redemption) for at least 20 consecutive trading days during the three month period preceding the notice of redemption.
Security	Security interest in all present and after-acquired property of the Company. The Exchanged Debentures will be subordinate to Senior Indebtedness and Exchanged Debentures - Series I.
Commission	7%, previously paid in cash. No further commission will be paid.

Second Offering

Securities Qualified	175,000 Common Shares 175,000 Ordinary Warrants #1 175,000 Special Warrants #1 were sold to investors by way of private placement in April, 1999. Each Special Warrant #1 entitles the holder to receive, on the exercise or deemed exercise of the Special Warrant #1, one Common Share and one Ordinary Warrant #1 without further payment.

Issue Price	CDN$ 8.00 per Special Warrant #1
Proceeds	CDN$ 1,400,000 (received on sale of Special Warrants #1)
Ordinary Warrants	Each Ordinary Warrant #1 entitles the holder to purchase a further Common Share for CDN$ 8.50 on or before 4:00 p.m. (Vancouver time) on April 27, 2001.
Commission	7%, previously paid in cash. No further commission will be paid.

Third Offering

Securities Qualified	1,261,702 Common Shares 1,261,702 Ordinary Warrants #2 1,261,702 Special Warrants #2 were sold to investors by way of private placement in June, 1999. Each Special Warrant #2 entitles the holder to receive, on the exercise or deemed exercise of the Special Warrant #2, one Common Share and one Ordinary Warrant #2 without further payment.
Issue Price	CDN$ 8.00 per Special Warrant #2
Proceeds	CDN$ 10,093,616 (received on sale of Special Warrants #2)
Ordinary Warrants	Each Ordinary Warrant #2 entitles the holder to purchase a further Common Share for CDN$ 8.50 on or before 4:00 p.m. (Vancouver time) on June 16, 2001.
Commission	5%, previously paid in cash. No further commission will be paid.

Fourth Offering

Securities Qualified	3,071,672 Common Shares 3,071,672 Series I Preferred Shares were issued to Emily M. Aspell-Science in connection with the Company's acquisition of a 50% interest in NAG completed in April, 1999. Each Series I Preferred Share entitles her to receive one Common Share on conversion.
Issue Price	CDN$ 6.5925 per Series I Preferred Share
Proceeds	CDN$ 20,250,000
Commission	None

Fifth Offering

Securities Qualified	900,360 Series II Preferred Shares US$ 7,500,000 principal amount of UBS Debentures were sold to investors by way of private placement in February, 2000. The principal amount and accrued interest secured by each debenture is convertible into Series II Preferred Shares at the rate of US$ 8.33 per share.
Issue Price	US$ 8.33 per Series II Preferred Share
Proceeds	US$ 7,500,000 (received on sale of UBS Debentures)
Commission	7%, previously paid in cash. No further commission will be paid.

Use of Proceeds

The gross proceeds from the sale of the Original Debentures were US$ 50,010,000, the Special Warrants #1 were CDN$ 1,400,000 (approximately US$ 966,000), the Special Warrants #2 were CDN$ 10,093,616 (approximately US$ 6,964,000) and the UBS Debentures were US$ 7,500,000. The Company did not realize any cash proceeds from the Fourth Offering. The aggregate proceeds from these offerings were approximately US$ 65,440,000. In addition, the Company received CDN$ 16,138,400 (approximately US$ 10,660,000) from a private placement of 2,017,300 Special Warrants at CDN$ 8.00 per Special Warrant in March, 1999, CDN$ 7,020,000 (approximately US$ 4,698,000) from a private placement of 702,000 Common Shares at CDN$ 10.00 per share in August, 1999 and CDN$ 4,500,000 (approximately US$ 3,105,000) from a short term loan in August, 1999 for aggregate proceeds of approximately US$ 18,463,000. The expenditure of these proceeds was as follows:

Description	Amount (in thousands of US Dollars)
Axxon	
• purchase of equity	16,000
• third party acquisition	1,000
Vine	
• purchase of equity	13,000
• third party acquisition	9,000
NAG	
• purchase of equity	8,000
• third party acquisition	1,500
AduroNet (Highpoint Telecom Limited)	
• development expenditures and operating expenses	3,000
Funding to support International Carrier Wholesale Operations and Satellite Services and Equipment Operations	
• selling, administration and operating expenses	10,680
• network	5,500
• European operations	600
Commissions and Offering Costs	
• First Offering	3,600
• Second Offering	65
• Third Offering	360
• Fifth Offering	885
Interest Payments and Fees	
• Convertible Debentures Series I	3,370
• Convertible Debentures Series II	1,030
• short term loans	1,100
Administrative costs	1,200
Cash and cash equivalents on hand	4,013
Total Proceeds	83,903

None of the proceeds received by the Company from the Offerings were or will be used or applied by the Company for the benefit of the Agent except for the payment of the commissions and costs of the Offerings described under "Plan of Distribution".

The Company will require substantial additional financing to carry out its planned programs and capital expenditures. The extent of the additional financing required will depend upon the rate of the Company's expansion and the success of the Company's business. To obtain such financing the Company may make public or private offerings of its debt or equity securities, negotiate credit facilities or sell certain assets. There can be no assurance that such additional financing will be available to the Company or that it can be obtained on acceptable terms.

Risk Factors

Investment in the securities offered hereby is subject to various risk factors. Investors should be prepared to lose their entire investment given the formative stage of development of the operations of the Company and the risks associated therewith. The Company is in the early stages of its development and its performance will depend upon its ability to effectively manage its growth. The Company may incur significant expenses in attempting to integrate acquisitions in and investments with those of the Company. The Company expects to continue to incur significant additional indebtedness and increasing operating losses and negative cash flow while it expands its business and builds its customer base. The Company will require significant additional capital to continue its development. The Company has already incurred substantial indebtedness and may have difficulty servicing or retiring such debt. The telecommunications industry is highly competitive. The Company's business is dependent upon favourable relationships with other telecommunications carriers whose services the Company must use. The Company will be competing with established telecommunications carriers in international markets. Changes in exchange rates may have a significant adverse effect on the Company's results of operations. Regulation of the telecommunications industry is changing rapidly which may present developmental and operational risks to the Company. If the holder of the Series I Preferred Shares exercises her right to redeem such shares and the Company does not pay the redemption amount the Company must transfer to her all of the shares in a corporation in which the Company has made a significant investment. The Company's ability to achieve its strategic objectives depends upon the successful development and completion of its various telecommunications projects. The technology used in the telecommunications industry is rapidly evolving and the failure to maintain pace with such evolution could have a material adverse effect on the Company. The Company's management information systems may malfunction or there may be delays in implementing new systems which could adversely effect the Company's operations. The Company depends on the efforts of certain key management and technical personnel, the loss of any of whom might have a material adverse effect on its business. The Company has not begun a comprehensive marketing effort in respect of its telecommunications services and has generated limited revenue. The loss of one or more significant customers of the Company could have a material adverse effect on its business or financial condition. The Company's limited revenues and significant expenses will vary significantly between financial periods. Other shareholders or directors of companies in which the Company has invested may have interests or objectives inconsistent with those of the Company. The issuance of preferred shares by the Company could materially and adversely effect the holders of the Common Shares. There is no market through which the Exchanged Debentures, Ordinary Warrants or Series II Preferred Shares may be sold. Upon completion of these offerings and assuming no Common Shares are issued from the exercise of outstanding options or warrants or conversion of debentures or Series II Preferred Shares ! % of the Common Shares then outstanding will be owned by the public as compared to ! % that will then be owned by the promoter, insiders and control persons of the Company and by the Agent. The Company's operations may be affected by internal or external failures of computer systems to be year 2000 compliant. Future sales of Common Shares could lower the Common Share trading price and adversely effecting the Company's ability to raise equity funding. The market for the Common Shares may be illiquid. See "Risk Factors".

GLOSSARY

Certain terms used in this prospectus are defined as follows:

Advanced Hosting: The use of a device (such as a computer) on a network to perform sophisticated server functions.

ATM (Asynchronous Transfer Mode): An international switching standard for operating high-speed broadband packet-switched networks at digital transmission speeds above 1.544 Mbps. ATM includes a protocol that specifies how diverse kinds of traffic are transformed into standardized packets whose transport can be managed uniformly within the network.

Backbone: The core infrastructure of a network. The portion of the network that transports information from one central location to another central location where it is off-loaded onto a local system.

Bandwidth: (1) The width of a communications channel measured in hertz (analogue format) or bits per second (digital format). (2) The capacity to move information (which is a function of the width of the band).

Broadband: A wide communications channel or one able to transmit large amounts of information (greater than 45 Mbps). Broadband systems are generally fibre optic based.

Cable: A number of electrical or optical conductors assembled in a compact form and bound together with a strong, flexible, waterproof sheath.

Carrier: A company authorized by a regulatory agency to provide communication services.

Circuit: The physical connection (or path) of channels, conductors and equipment between two points through which an electrical current may be established.

CLEC (Competitive Local Exchange Carrier): A company that provides customers with an alternative to the local telephone company for a wide range of services including private line, special access, switched access, local dial tone and enhanced services.

CRTC: Canadian Radio Television and Telecommunications Commission, the Canadian federal telecommunications regulatory authority.

Dark Fibre: Unused fibre strand in a fibre optic cable through which no light (and therefore, no signal) is transmitted. A purchaser of dark fibre must supply their own electronic equipment to light (make operational) the fibre.

Dedicated Line: A telecommunications circuit which exists for the exclusive use of one or more specific users. Dedicated lines are leased or owned by such users.

EBITDA (Earnings before interest, taxes, depreciation and amortization): A common measurement of operating cash flow.

Enhanced Service: Any for-profit telecommunications service that adds value to users' voice and data messages during the course of transmission. Examples of enhanced services include storage of a spoken message within the network for forwarding or retrieval at some future time, processing data within the network and sending the results to the intended recipient and call waiting.

Fibre Optics: Technology based on thin filaments of glass or other transparent materials used as the medium for transmitting coded light pulses that represent data, image and sound. Fibre optic technology offers extremely high transmission speeds.

Gateway: An entrance into and exit from a communications network. The gateway is the hardware and software that connects computer networks which use different protocols or that transfers data between two incompatible computer programs (also called an "application") on a network. A gateway reformats the data into a format readable by the other network or application.

Hub: (1) The point in a network where a member of circuits are connected. (2) A device, sometimes a computer, used to connect several computers together.

Interconnection: Connection of a piece of telephone equipment to the telephone network or of a data terminal to a data communications network. Also refers to the connection of one communications network to another so that users of one network can communicate with users of another network.

IP (Internet Protocol): IP is the most important of the protocols on which the Internet is based. It allows a packet (a generic term for a bundle of data organized in a specific way for transmissions) to traverse multiple networks on the way to its final destination.

ISP (Internet Service Provider): Supplier of Internet access to a customer.

IRU (Indefeasible Right of Use): An owner of an IRU has the right to use the circuit for the time and bandwidth (or capacity to transmit information) to the extent to which the IRU permits.

LAN (Local Area Network): Group of interconnected computers that can share data, programs and resources (such as printers).

Local Loop: A wired or wireless connection from the customer to the carrier's POP.

Multiplexing: Combining several signals (using a device called a "multiplexor") for transmission over one circuit.

Network: Any system designed to provide one or more access paths for communications between users at different geographic locations. Communications networks may be designed for voice, text, data, facsimile image and/or video. They may feature limited access (private networks) or open access (public networks) and will employ whatever analog or digital switching and transmission technologies are appropriate.

POPs (Points of Presence): Locations where a long distance carrier has installed transmission equipment in a service area that serves as, or relays calls to, a network switching centre of that long distance carrier.

Protocols: The rules used by computer hardware and software on a network to communicate.

PTT (Public Telephone and Telegraph): Former public telephone and telegraph monopolies usually created by the governments of various countries.

Reseller: A carrier that does not operate its own transmission facilities (although it may own its own switches or other equipment) but obtains communications services from another carrier for resale to the public for profit.

Senior Exchange: One of the Toronto Stock Exchange, New York Stock Exchange, American Stock Exchange, NASDAQ Stock Market, London Stock Exchange or Frankfurt Stock Exchange.

SME: Small and medium sized enterprises.

Switch: A device that opens or closes circuits or selects the paths or circuits to be used for transmission of information. Switching is the process of interconnecting circuits to form a transmission path between users.

Switched Services: Telecommunications services, such as local dial tone and long distance services, involving processing traffic through the switches of a carrier.

Switching: The process of interconnecting circuits to form a transmission path between users. The process may be conducted using wide range of technologies and may include a number of peripheral functions.

Traffic: A generic term that includes any and all calls, messages and data sent and received by means of telecommunications.

VPN (Virtual Private Network): A network the boundaries of which are defined by software (instead of hardware) and which offers the appearance, functionality and usefulness of a dedicated private network (which uses hardware to define its boundaries) but at a cost savings.

xDSL (x Digital subscriber line): A generic (the letter x representing any number of possible letters which can be inserted) term for Digital Subscriber Line equipment and services, including ADSL, HDSL, IDSL, SDSL and VDSL. xDSL technologies provide extremely high bandwidth over the twisted copper pair line that runs from the phone company's central office to one's home or office. Some xDSL lines are symmetrical (same bandwidth in both directions) while some, like ADSL, are asymmetrical (different bandwidth). xDSL technology is often used for high speed Internet connections.

VSAT (Very Small Aperture Terminal): A relatively small satellite antenna, typically 1.5 to 3.0 metres in diameter, used for satellite-based point-to-multipoint data communications applications.

CORPORATE INFORMATION

Highpoint Telecommunications Inc. (the "Company" or "Highpoint") is a Canadian company continued under the laws of the Yukon Territory, Canada. It was incorporated under the laws of Alberta, Canada on February 1, 1996 as "683185 Alberta Ltd.". The Company changed its name on March 7, 1996 to "Highpoint Capital Corporation" and then on July 27, 1998 to "Highpoint Telecommunications Inc.". On July 29, 1998 the Company was continued under the laws of the Yukon Territory, Canada.

Highpoint's common shares ("Common Shares") trade on the Canadian Venture Exchange Inc. ("CDNX", which includes one of its predecessors, the Alberta Stock Exchange (the "ASE"), on which the Common Shares were listed prior to the formation of the CDNX on November 26, 1999) under the symbol "HGP". See "Trading History". The Company's head office is located at Suite 530, 999 West Hastings Street, Vancouver, British Columbia, Canada.

Highpoint's principal holding companies, active subsidiaries and principal investments are set out in the following table:

Name of Subsidiary	Operations	Jurisdiction of Incorporation	Percentage Owned[(1)]
Thyme Limited	Holding company	Bermuda	100
Pilot Limited	Holding company	Bermuda	100
Global Fibernet N.V.	Holding company	Netherlands Antilles	100
Vine Telecom Limited	Holding company	Bermuda	50[(2)]
Axxon Holding Company B.V.	Holding company	Netherlands	100[(3)]
Axxon Telecom B.V.	European telecommunications services provider	Netherlands	100[(3)]
The North American Gateway Inc.	International telecommunications services provider	Ontario	48
North American Gateway Limited	European telecommunications services provider	England & Wales	48[(4)]
Vine Telecom Holdings Ltd.	European fibre optic telecommunications network	England & Wales	50[(5)]
AduroNet Limited	European IP services	England & Wales	38
Highpoint Telecom Limited	European IP services	England & Wales	38[(6)]
Highpoint Carrier Services Europe Ltd.	European management company	England & Wales	100
Vitacom Corporation	Former satellite-based telecommunications activity	California	80

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(1) On a non-diluted basis.

(2) Upon completion of a revised agreement. See "Business — Vine Telecom Limited — Acquisition by Highpoint Telecommunications Inc.".

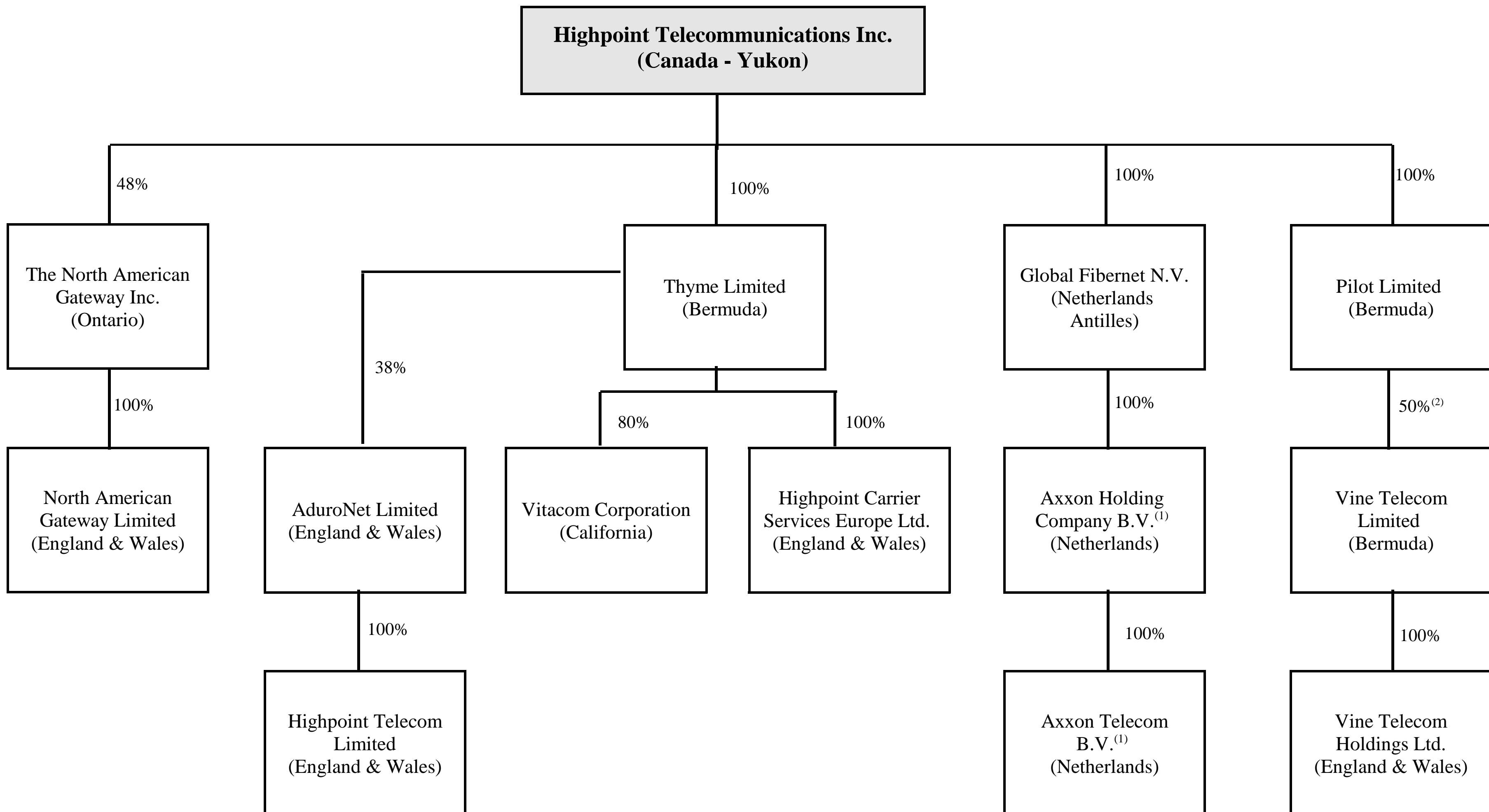
(3) To be transferred to a joint venture. See "Business — Axxon Holding Company B.V. — Proposed Joint Venture with KAST Telecom S.A.".

(4) Wholly-owned by NAG.

[5] Wholly-owned by Vine Telecom Limited.

[6] Wholly-owned by AduroNet.

Highpoint's corporate structure is shown on the following chart:



(1) To be transferred to a joint venture. See “Business — Axxon Holding Company B.V. — Proposed Joint Venture with KAST Telecom S.A.”.

(2) Upon completion of a revised agreement. See “Business — Vine Telecom Limited — Acquisition by Highpoint Telecommunications Inc.”.

BUSINESS

History

Formation

Highpoint was initially formed as a "junior capital pool" in Alberta in 1996 under the policies of the Alberta Securities Commission and the ASE. In 1998 the Company entered the telecommunications business with the acquisition of Vitacom as described below.

Acquisition of Vitacom Corporation from and control by Global Light Telecommunications Inc.

Vitacom Corporation ("Vitacom") was a telecommunications company based in Mountain View, California that specialized in satellite-based communications technology and networks. Vitacom supplied earth station equipment and satellite communication networks utilizing VSAT technology which were used to transmit telecommunications traffic from remote areas to standard wireline networks.

In May, 1998 Global Light Telecommunications Inc. ("Global"), a telecommunications company listed on the American Stock Exchange and the CDNX, acquired a controlling interest in Highpoint and appointed a majority of the directors to Highpoint's Board of Directors. In connection with this acquisition, Global transferred its 80% interest in Vitacom to Highpoint in consideration for 10,000,000 Common Shares at an issue price of CDN$ 1.00 per share. This interest was acquired through the transfer of Thyme Limited ("Thyme"), a wholly-owned subsidiary of Global and the holder of its interest in Vitacom.

Global initially acquired its 80% interest in Vitacom pursuant to a stock purchase agreement dated as of December 12, 1996 among Cable & Wireless, plc ("Cable & Wireless"), Vitacom, Global and GST Telecommunications, Inc. ("GST Tel"). Global paid US$ 1,900,000 for this 80% interest and reimbursed Cable & Wireless approximately US$ 500,000 for funds loaned by Cable & Wireless to Vitacom subsequent to the effective date of the acquisition on October 1, 1996 and the actual closing date. Subsequent to its acquisition of Vitacom, Global advanced approximately US$ 6,000,000 to Vitacom to fund its ongoing development and working capital requirements.

In connection with Global's acquisition of the 80% interest Global, Vitacom and Cable & Wireless entered into a stockholders' agreement dated as of December 12, 1996. Pursuant to that agreement, Cable & Wireless was granted the right to require the holder of the 80% interest in Vitacom to purchase its 20% interest in Vitacom for US$ 1,500,000 payable in cash or common shares. This right was exercisable between October 1, 1999 and November 29, 1999. Cable & Wireless exercised its right to require the purchase of this interest for cash. As a result of the transfer of Vitacom from Global to Highpoint this became an obligation of Highpoint. Cable & Wireless is currently owed US$ 1,300,000 by Highpoint in connection with the exercise of this option by Cable & Wireless. This amount will be paid to Cable & Wireless in instalments during 2000.

Development of International Carrier Operations

During 1998, Highpoint continued funding the operations of Vitacom and commenced operations as an international telecommunications carrier by acquiring certain rights to carrier and facilities contracts and by acquiring certain switch facilities in Denver, Los Angeles and New York and a network operations center in Denver, including a billing system and a network management system as described below.

In August, 1998 the Company acquired the rights to certain telecommunications contracts and the right to pursue certain pending contracts and contract opportunities (the "Carrier Contracts") from Cyberlight International, Inc. The Carrier Contracts related to various terminating relationships for the termination of international long distance telecommunications traffic and certain contracts for transmission facilities for the transport of telecommunications traffic. In November, 1998 Highpoint acquired certain assets of Athena International LLC ("Athena") from Advantage Capital Partners II, III and IV Limited Partnerships. These assets included leases in three digital switches located in New York, Denver and Los Angeles, a network operating centre located in Denver, Colorado and a billing system. The Carrier Contracts and the assets of Athena enabled Highpoint to begin the development of a network to offer switched telecommunications services on a wholesale basis to long distance carriers.

Divestiture of International Carrier and Satellite Operations

In September, 1999 Vitacom sold its interest in certain intellectual property rights, intangibles, inventory, contracts and certain other assets and liabilities related to Vitacom's VSAT IP technology and operations in China to NeTrue Communications, Inc., a subsidiary of Global, for US$ 2,547,000.

In October, 1999 Highpoint sold substantially all of its assets related to its international wholesale carrier operations and satellite communication facilities located in and operated from Mountain View, California and Denver, Colorado to eGlobe, Inc. ("eGlobe"). In consideration for the sale of these assets, eGlobe issued to Highpoint US$ 9,000,000 in convertible preferred stock and assumed US$ 1,500,000 in liabilities. The convertible preferred stock can be converted by Highpoint after one year into 3,772,003 common shares of eGlobe or, under certain circumstances, may be repurchased by eGlobe. The preferred shares are also automatically converted into common shares of eGlobe under certain circumstances. Highpoint has put eGlobe on notice that events causing the automatic conversion of the preferred shares have occurred. Highpoint and eGlobe are in discussions respecting this conversion. eGlobe is a public company listed on the NASDAQ Stock Market.

Acquisition of an interest in The North American Gateway Inc.

In November, 1998 Highpoint entered into a letter of intent to acquire a 50% interest in NAG. This acquisition was completed in April, 1999 for a total consideration of CDN$ 30,000,000. See "The North American Gateway Inc. — Share Purchase Agreement".

NAG is a multi-service international voice, data and Internet telecommunications services company based in Toronto, Ontario, Canada. See "The North American Gateway Inc.".

Acquisition of Axxon Holding Company B.V.

In January and February, 1999 Highpoint entered into certain arrangements to acquire a 55.55% interest in Axxon for a total consideration of US$ 10,800,000. This included Global's 44.44% interest in Axxon that was acquired for US$ 9,000,000, which was equal to Global's acquisition cost. Highpoint issued 1,590,000 Common Shares to Global at an issue price of CDN$ 8.50 per share in consideration for the acquisition of this interest in Axxon. Also included was an 11.12% interest which was purchased for US$ 1,800,000 paid by issuing 322,411 Common Shares at an issue price of CDN$ 8.50 per share. In October, 1999 the Company purchased the balance of the shares of Axxon (which were held by Sonera Corporation) to hold 100% of Axxon. See "Axxon Holding Company B.V. — Acquisition by Highpoint Telecommunications Inc.".

Axxon is developing a low-cost, city-based telecommunications network in western Europe which offers international telephone and value-added telecommunication services to its retail and SME customers. See "Axxon Holding Company B.V.".

Acquisition of an interest in Vine Telecom Limited

In March, 1999 Highpoint entered into a heads of agreement to acquire a controlling interest in Vine. In connection therewith, Highpoint advanced US$ 9,000,000 to Vine to facilitate its development. In October, 1999, Highpoint completed the acquisition of a 94% interest in Vine in consideration of cash payments to the vendors totalling US$ 9,000,000 and the issuance on Financial Close (as defined below) of Common Shares with an aggregate value of US$ 50,000,000 at an issue price equal to the lower of CDN$ 13.50 per share and the average trading price over the 20 trading days preceding Financial Close. Highpoint also committed to provide the necessary equity funding on Financial Close, contributed an additional US$ 1,000,000 to Vine to fund additional project expenditures and agreed to fund certain ongoing working capital requirements of Vine. In January, 2000 Highpoint agreed to reduce its payment obligation on Financial Close from US$ 50,000,000 to approximately US$ 20,000,000 (still to be paid by way of the issuance of Common Shares) and to eliminate its obligation to provide the necessary equity funding for the project on Financial Close. As a result, Highpoint's equity interest in Vine will be 50% on completion under the revised agreement. See "Vine Telecom Limited — Acquisition by Highpoint Telecommunications Inc."

Vine intends to develop a pan-European, high-capacity, fibre optic network in three phases. Vine expects to provide service to 10 countries and approximately 100 cities in Europe. See "Vine Telecom Limited".

Acquisition of an interest in AduroNet Limited

In February, 2000 Highpoint acquired an approximate 38% interest in AduroNet in consideration of the transfer to AduroNet of 100% of Highpoint Telecom Limited. Subsequent to the transfer of Highpoint Telecom Limited, AduroNet entered into a securities purchase agreement relating to the investment by ComVentures and UBS Capital LLC of up to US$ 30,000,000 in AduroNet. See "AduroNet Limited — Acquisition by Highpoint and Financing".

AduroNet, based in London, England intends to develop a pan-European IP services network utilizing IP technology recently developed in the Silicon Valley of California. Initial development work for the AduroNet project of approximately US$ 3,000,000 was done by and funded by Highpoint Telecom Limited. See "AduroNet Limited".

Telecommunications Industry Overview

Recent regulatory changes in the international telecommunications industry including the U.S. *Telecommunications Act of 1996* and the World Trade Organization Accord signed in 1997 by 69 countries have given telecommunications companies greater access to foreign markets for their services. The objective of the 1997 World Trade Organization's Accord on Basic Telecommunications was to open telecommunications services to competition and to improve foreign investment opportunities in the telecommunications industry.

In the World Trade Organization Accord a total of 69 countries agreed, with varying degrees of commitment, to open their markets to competition, to allow foreign investment in domestic telecommunications companies and to enact fair trade legislation. The services covered by the accord include voice telephony, data transmission, telex, telegraph, facsimile, private leased circuits, fixed and mobile satellite systems, wireless telephony, mobile data services and paging.

Prior to deregulation, the telecommunications industry was primarily comprised of government controlled monopolies in most countries. Competition was effectively non-existent and prices were artificially high. The International Telecommunications Union ("TCU") established a system of bilateral agreements between nations which set prices. Because of the lack of competition these prices were typically set at artificially high levels.

In the 1970s the United States began to deregulate its market for long distance and international telecommunications services. In 1984 the former monopoly of AT&T was broken up. Other countries such as England, Sweden, Australia, Japan, New Zealand and Canada followed in the 1980s and early 1990s. In 1997 the World Trade Organization established an agreement on basic telecommunications services for 69 countries which signed the accord. Most countries within the European Union opened their markets to competition and deregulated the telecommunications industry beginning on January 1, 1998.

With increased competition, prices to end-users are declining and increasing numbers of people are gaining access to telecommunications services. However, even with price declines the rapid growth in the size of the market has meant that revenues for the industry continue to grow. The International Telecommunications Union has estimated that worldwide revenues for international telecommunications services will grow from CDN$ 92 billion in 1996 to CDN$ 129 billion in 2000. Technological advancements are also contributing significantly to the growth in the international telecommunications sector. The growing demand for data and IP services is driving growth in volume of international telecommunications traffic.

PTTs in deregulating countries around the world are often focused on protecting their dominant position in their domestic markets. Accordingly, new entrants have an opportunity to capture profitable opportunities by providing international long distance carrier and data services.

Current Business

Highpoint's current business activities relate to its interests in Axxon, NAG, Vine and AduroNet. These projects are described below.

The North American Gateway Inc.

NAG is a multi-service international voice, data and Internet telecommunications services company based in Toronto, Ontario, Canada. It was formed in 1994 and NAG has since grown to become a significant international long distance carrier in Canada and an alternative to Teleglobe, the principal Canadian international long distance carrier and former government established monopoly (see "The Canadian Regulatory Environment"). NAG began as a reseller which allowed it to control capital costs while building traffic volumes. In 1999, it began installing a multi-service ATM backbone network to lower its transmission costs and to support the deployment of high bandwidth and IP services in response to growing customer demand. This network

provides for termination and far-end origination of voice and a multiplicity of value-added data services directed at both carrier and ISP customers. NAG plans to expand the network to include local broadband access delivered over xDSL.

NAG intends to utilize its established relationship with Nortel Canada to facilitate its acquisition of the latest and most effective technology required to implement its expansion plans. NAG intends to implement its global network rollout on a turnkey basis from suppliers. NAG's relationship with partners resident in international markets should provide it with local network access and distribution channels with incremental opportunities for bilateral arrangements, intra-regional services, retail services, data services and foreign origination of voice and data traffic.

NAG's principal lines of business include services marketed directly to carriers and SME customers. Business services include value-added voice, data and IP services packaged specifically for SME customers. Carrier services include originating traffic at a particular POP for far-end termination, receiving return traffic from countries on a bi-directional basis and originating and terminating traffic within a region.

NAG has developed relationships with other international service providers. Many of these relationships originated because of its position in Canada as an international carrier and are now being further developed and expanded on the basis of competitive services.

The Canadian Regulatory Environment

NAG commenced operations in Canada in 1994 by introducing "switched hubbing" in competition with the incumbent monopoly Teleglobe. Switched hubbing involved routing traffic originating in Canada to the United Kingdom and then re-routing these calls from the United Kingdom to their final international destinations. Teleglobe had been created by and its monopoly position was established by, the *Teleglobe Canada Reorganization and Divestiture Act* (Canada) which implemented the privatization of Teleglobe.

In 1995, Teleglobe attempted to disconnect NAG on the basis that it was effectively routing traffic to international destinations other than on private lines leased from Teleglobe in contravention of Teleglobe's monopoly position for the provision of certain overseas service facilities. In May, 1997, the CRTC ruled in favor of Teleglobe and against switched hubbing. In June, 1997, NAG obtained a federal court ruling in Canada to stay the CRTC decision. In December, 1997 the CRTC ruled in favor of NAG and permitted switched hubbing.

Substantial amendments to the *Telecommunications Act* (Canada) which came into effect on October 17, 1998 caused Canada to comply with its commitments made as part of the World Trade Organization's Accord on Basic Telecommunications signed in 1997. Under this legislation, the CRTC is empowered to issue licenses to international telecommunications service providers, certain restrictions on routing Canadian traffic through the U.S. were removed (including Canada-Canada traffic as well as Canada-overseas traffic) and the method of calculating contribution charges payable by international service providers to support the provision of local and access services was changed. Two categories of licenses were created: (i) Class A licenses allows licensees to operate telecommunications facilities, whether owned or leased, used in transporting basic telecommunications service traffic to or from Canada, and (ii) Class B licenses allows licensees to provide international basic telecommunications services but not operate any telecommunications facilities. NAG has been issued a Class A license. The elimination of routing restrictions allows Canadian operators to take advantage of alternatives to route their traffic in the most efficient and cost-effective way. The method of calculating the contribution charges to the relevant local telephone companies was changed from a "per circuit" basis to a "per minute" basis.

Business Development

NAG's business strategy is comprised of the following elements:

Enhanced Services: In addition to voice and data termination services, NAG intends to offer value-added services to its SME customer base in selected international markets. With ongoing investment in its core technologies and network elements NAG is able to support an expansion of its value-added service capabilities and deliver voice, data and IP services to its business customers in selected international markets. NAG is also developing new dedicated line and broadband access services in response to business customers' requirements to support new high bandwidth applications.

Facilities Optimization: NAG intends to manage its facilities costs by utilizing the most cost-effective means for providing network elements including ownership of facilities where appropriate. Direct control of network components allows for optimizing network capacity using various configurations of network elements such as voice compression, voice and data integration, multiplexing and advanced transmission protocols such as ATM.

Long-Term Technological Partnerships: NAG intends to utilize its established relationships with technology partners to provide the latest and most effective technology required to implement its expansion plans. NAG proposes to utilize a strategy of implementing network additions on a turnkey basis from suppliers, thereby offering a cost-effective and lower risk means of establishing timely connections. Currently, NAG has developed key supplier and technology relationships with Nortel Canada.

Alternate Canadian Carrier Status: NAG's position as a significant alternate Canadian carrier for international telecommunications traffic is expected to provide it the opportunity to develop partnerships with carriers in foreign countries, including incumbent carriers and new competitors, enabling it to expand direct interconnections with foreign carriers.

Local Business Partners: NAG's relationships with local partners in international markets is expected to provide it with local network access and distribution channels and present it with an opportunity to expand its services to include bilateral arrangements, intra-regional services, retail services and data services and foreign origination of voice and data traffic with the local business partner providing local access and distribution channels.

Carrier Services

NAG's international carrier business in Canada and the United States has been developed on the basis of direct relationships with certain carriers of international traffic allowing NAG to route calls to specific destinations. Aggregating traffic volumes from a number of customers allows NAG to obtain access to greater discount levels than could generally be obtained by the customer.

NAG intends to expand its direct interconnections with foreign carriers, including both incumbents and new competitors. The benefits to expanding its direct interconnections include: reduced costs for terminating traffic where NAG has a POP; enabling "hubbing" arrangements out of the foreign country with the direct interconnection thereby extending NAG's coverage; operational efficiencies that can be obtained by using ATM technology as the underlying transport technology thereby providing a multi-service infrastructure facility so that integrated data, voice and IP traffic can be carried in addition to switched voice minutes; and entering into bilateral agreements for return traffic from the foreign country to Canada, the United States and the United Kingdom, reducing termination costs and sharing of the facility cost.

NAG has identified 16 different countries and regions for initial implementation of direct routes, namely, Bangladesh, Cuba, Egypt, India, Indonesia, Italy, Ivory Coast, Jamaica, Jordan, Pakistan, Senegal, Sri Lanka, Turkey, Ukraine, Venezuela and Vietnam. The selection of countries is dependent on the particular market opportunity, margin capabilities and domestic relationships.

Network Development

NAG's network includes advanced ATM circuit and packet switching equipment and technology that allows for cost efficient and high quality routing of traffic. It is planned to expand the network to include local broadband access delivered over xDSL.

Share Purchase Agreement

In April, 1999 Highpoint acquired a 50% interest in NAG pursuant to a share purchase agreement dated January 1, 1999 made among Emily Aspell-Science ("EAS") of Toronto, Ontario, NAG and Highpoint. The purchase price was CDN$ 30,000,000. EAS was subsequently appointed to Highpoint's Board of Directors.

The 50% interest was acquired by a combination of shares issued directly by NAG and shares transferred from EAS, the sole shareholder of NAG. The consideration was paid as follows: (i) US$ 5,000,000 was paid directly to NAG (advanced in November, 1998); (ii) US$ 1,500,000 was paid directly to EAS; and (iii) 3,071,672 Series I Preferred Shares were issued to EAS. Under the terms of the share purchase agreement, Highpoint agreed to qualify, by way of a prospectus filed with the Alberta and the Ontario Securities Commissions, the conversion of the Series I Preferred Shares into Common Shares by April 1, 2000. If such conversion is not qualified by that date and if Highpoint is not listed on a Senior Exchange by that date, then EAS could require Highpoint to redeem such shares for CDN$ 20,250,000. If redeemed by EAS then Highpoint could elect to pay the redemption price through the return to EAS of the shares of NAG acquired by Highpoint. Highpoint became obligated to pay EAS fees of CDN$ 135,000 on November 1, 1999, CDN$ 151,875 on December 1, 1999 and CDN$ 168,750 on the first day of each month thereafter until the conversion of the Series I Preferred Shares into Common Shares is qualified or the Series I Preferred Shares are redeemed.

In connection with the acquisition agreement, Highpoint also entered into a shareholders' agreement dated as of January 1, 1999 with EAS and NAG. Under the shareholders' agreement, EAS, Highpoint and NAG agreed to the manner in which certain fundamental matters concerning the organization and management of NAG would be dealt with by the board of directors of NAG. In addition, the shares of NAG may only be transferred in accordance with the shareholders' agreement and any transferees must

become parties to the shareholders' agreement. If either EAS or Adrian Science (the Chief Executive Officer of NAG and now a director of Highpoint) dies, the shares owned by such person shall be sold to Highpoint. If either EAS or Adrian Science becomes disabled, Highpoint has an option to acquire such shares and the disabled party has an option to require Highpoint to purchase such shares. If either EAS or Adrian Science ceases to be employed by NAG because of termination under certain circumstances, the other may acquire such shares. If such option is not exercised by the other, or if both cease to be employed by NAG, Highpoint may acquire such shares. If such option is not exercised by Highpoint, EAS may require Highpoint to acquire her shares except where termination is by death, disability or by voluntary resignation prior to December 15, 2000. Commencing on December 15, 2000, EAS may require Highpoint to acquire her shares of NAG for any reason. Purchases by Highpoint under the agreement are at the fair market value determined at that point in time by an independent valuator. Closing will take place within 120 days of Highpoint's exercise of its disability or termination option and within 180 days in other circumstances. Highpoint will have the option to pay up to 50% of the consideration in the form of freely transferable Common Shares if the Common Shares are listed on a Senior Exchange. The shareholders' agreement will terminate if NAG becomes a public company. The shareholders agreement also provides for certain "tag along" and "drag along" rights if EAS or Highpoint wish to transfer their shares of NAG.

Revisions to the terms of the Series I Preferred Shares and the shareholders' agreement are under discussion between Highpoint and EAS.

Subsequent Funding

In September, 1999 NAG completed a private placement of its common shares to raise approximately US$ 15,000,000. Highpoint participated in this private placement to the extent of US$ 8,000,000 and increased its ownership in NAG to 51%.

In February, 2000 NAG completed an additional private placement of common shares raising approximately CDN$ 7,500,000 in which the Company did not participate. As a result, Highpoint's ownership in NAG was reduced to approximately 48%.

Axxon Holding Company B.V.

Axxon's telecommunications project was formed in 1997 to capitalize on increasing deregulation in the European telecommunications market. With deregulation in Europe, the emergence of resale domestic and international telecommunications traffic and the ability to buy and sell or lease bulk capacity from existing carriers, including incumbent state monopolies, and sell it to customers is now occurring.

Axxon was incorporated as a joint venture corporation pursuant to an agreement dated February 27, 1998 among Global, Sonera Corporation ("Sonera") (the Finnish PTT formerly called "Telecom Finland Limited") and Axxess Networks Limited ("Axxess"). The objective of the joint venture was to build a low risk, low cost, city-based telecommunications network across Europe, except Finland, Sweden, Estonia, Latvia and Lithuania, offering long distance international telephone and value-added telecommunications services.

In 1998 Global paid US$ 9,000,000 to fund the joint venture's initial development costs in consideration of which it received an approximate 44.44% interest in Axxon. Axxess was responsible for bringing the joint venture into commercial operation in consideration of which it received an approximate 11.12% interest in Axxon. Sonera acquired the remaining approximate 44.44% interest in Axxon for contributing services and facilities worth US$ 9,000,000.

Acquisition by Highpoint Telecommunications Inc.

In January, 1999 Highpoint agreed to purchase the interest in Axxon held by Axxess in exchange for 322,411 Common Shares at an issue price of CDN$ 8.50 per share. This acquisition was completed in September, 1999.

In February, 1999 Global agreed to transfer its interest in Axxon to Highpoint in consideration for 1,590,000 Common Shares at an issue price of CDN$ 8.50 per share. The transfer was effected through the transfer to Highpoint of Global Fibernet N.V., a wholly-owned subsidiary of Global. Minutes Europe B.V., a wholly-owned subsidiary of Global Fibernet N.V., holds a 100% interest in Axxon. In October, 1999 Minutes Europe B.V. changed its name to "Axxon Holding Company B.V.". The transfer was completed in September, 1999.

In February, 1999 Highpoint agreed to provide additional funding to Axxon of US$ 11,000,000 by way of a convertible loan for developmental and working capital purposes. Upon completion of the transfers from Global and Axxess and conversion of this convertible loan into Axxon shares, Highpoint would have owned more than 76% of Axxon, thereby giving Highpoint certain

majority rights pursuant to the Axxon shareholder agreement. Highpoint subsequently agreed to provide an additional US$ 5,000,000 to Axxon under certain circumstances.

In October, 1999 Highpoint purchased the interest in Axxon held by Sonera for US$ 1,000,000 in cash to hold a 100% interest in Axxon.

Business Development

Axxon is developing a multi-city telecommunications network across western Europe offering low cost international long distance and value added telecommunications services. To date its business has been based primarily on basic switched resale voice and data services. As of December, 1999 Axxon had approximately 1,200 SME customers.

Axxon is in the process of installing a high capacity pan-European backbone network to be comprised of six publicly interconnected carrier grade voice switches and 19 new POPs for customer access and the delivery of integrated voice and data services. This network uses ATM as an enabling technology and is scheduled to be completed before 2001.

Axxon's business objective is to become a pan-European alternative telecommunications service provider primarily supplying certain services to SME and residential customers. Axxon provides international and domestic long distance services in selected European markets. Axxon currently has operations in the Netherlands, Belgium, the United Kingdom, Germany and France. Axxon's primary market is in secondary cities that have traditionally been under-served by new market entrants. Axxon intends to deploy a multi-service platform capable of combining voice, data and IP over a single network. This network will be based on ATM as the transport layer and will comprise international gateways, switching, hubbing and data servers from which Axxon would provide bandwidth and end-user services via IRUs.

Axxon's current network includes switches in Amsterdam and Rotterdam with interconnection to KPN, FCI, GlobalOne and Telfort; switches in Brussels and Antwerp interconnected to British Telecom, GlobalOne, Worldcom and Telenet Flanders; and a switch in Dusseldorf. Axxon's network operating centre is located in Rotterdam. Axxon sells services to its primary markets through various channels. Direct sales are pursued through Axxon's dedicated city-based sales teams and indirect sales through a network of dealers and agents. Axxon's current services include international and domestic long distance, calling cards, toll free, Internet access and services and value-added services such as voice-mail and voice conferencing. Axxon's plans for new products include private network services, managed services, local area network (LAN) connectivity, enhanced Internet access services and tele-working solutions.

Nortel Networks plc Credit Facility

Axxon entered into a credit facility agreement dated December 21, 1999 with Nortel UK in respect of a credit facility of up to 35,250,000 euros. This facility is comprised of an equipment facility of 23,800,000 euros used to finance the acquisition by Axxon of equipment from Nortel UK and a working capital facility of 11,450,000 euros to fund Axxon's ongoing working capital needs. This facility is intended to allow Axxon to complete the development of its ATM network in Europe and meet its working capital needs to fund the expansion and growth in operations until revenue levels are sufficient to meet operating expenses. Highpoint guaranteed the facility up to a maximum of 9,254,000 euros, subordinated certain of Axxon's liabilities due to it and agreed to make available to Axxon up to 6,700,000 euros to be advanced by way of equity or debt if Axxon has not met certain financial targets, fails to make a payment due under the credit facility agreement or falls below certain capitalization ratios.

Proposed Joint Venture with KAST Telecom S.A.

In February, 2000 Highpoint entered a framework agreement with KAST Telecom S.A. ("KAST") to form a joint venture. Under that agreement Highpoint will contribute its holdings in Axxon to the joint venture in exchange for a 40% interest in the joint venture. KAST will contribute its European operating companies to the joint venture in exchange for a 60% interest. It is also intended the joint venture will be acquired by an inactive publicly listed company in consideration of shares of that public company and that US$ 10,000,000 in funding will be raised by the public company to provide working capital to the joint venture. Upon completion of such transactions Highpoint expects to have an approximate 33% interest in the public company.

KAST, based in France, commenced operations in 1997 as a telecommunications company providing national and international voice and data services targeting SME customers. In early 1999 KAST deployed its switching and transmission network linking Paris, Lyon, Marseilles and Nice. KAST was awarded a National Network Operator's licence in France in February, 1999 and has been advised that its application for a National Network Provider's Licence in France has been approved. KAST has also applied for a wireless local loop licence in France and a national service and infrastructure licence in Italy.

The joint venture intends to establish itself as a European CLEC which competes with other providers on a selected basis for providing local exchange service as well as long distance and Internet access. CLECs develop their networks through building local loops and leasing local loops from the incumbent providers at wholesale rates for resale to end users.

The CLEC market in Europe is in the early stages of development with only a few competitors such as Colt, Worldcom and GTS. The current competitors are directing their efforts on corporate customers in the primary cities. The joint venture intends to specifically target the SME market in selected secondary cities, initially in those countries where KAST and Axxon have operations and particularly in the SME market where there are fewer competitive local access providers.

Vine Telecom Limited

Vine intends to develop a pan-European, high capacity, fibre optic network. The planned network is expected to cover up to 10 countries and approximately 100 cities and will be developed in three phases. The first phase is expected to cover cities in the United Kingdom, France, Belgium, the Netherlands and Germany. Vine plans to develop its network to cover locations poorly served by existing and planned networks using the most cost effective technology, rights-of-way, leases and other means of securing capacity available for that route.

Procurement and Financing Process

Vine conducted a competitive tender process in connection with the selection of a telecommunications supplier to provide it with services relating to the design, development, assembly, maintenance and performance of the network. In January, 2000 Vine, subject to completion of final documentation and agreements, selected Nortel UK to lead a consortium of vendors (the "Consortium) as its preferred supplier to deliver Vine's European network. The Consortium will have complete responsibility for delivering to Vine a dense, high bandwidth, pan-European fibre optic network at a pre-determined price and in accordance with the specifications as developed by Vine. The Consortium will design, maintain and provide the network for and to Vine for a period extending over at least seven years.

The Consortium will be responsible not only for the initial development and design of the network but also for network management, physical maintenance, testing and service provisioning. Vine will own all the assets within the network and be responsible for all aspects of customer service including product definition, pricing, marketing, sales, customer care and billing.

Vine has retained Babcock & Brown Limited of London, England to act as its procurement and financial advisor. Vine and Babcock & Brown are currently engaged in the process of obtaining financing proposals from prospective financiers to fund the network. It is expected that the project will be funded through a combination of debt and equity. Final terms for the network services agreement with the Consortium and the terms of the financing arrangements for the project will be determined at the time of Financial Close.

Vine's network will emphasize service to and between secondary cities (as measured by population). It is intended Phase 1 will provide service to Belgium, France, Germany, the Netherlands and England, Phase 2 will add Switzerland and Italy and Phase 3 will extend the network into Spain. The Consortium will provide the network in accordance with the specifications developed by Vine including locations for the points of delivery (that is, the node locations). Vine has obtained the necessary telecommunications licenses in all counties required for completion of Phase 1.

The network design proposed by the Consortium will provide fibre optic circuits through lease arrangements and IRU's acquired from existing fibre systems. Where fibre optic circuits are not available they will be provided through new construction. A multiplexing system will be used over the network to provide high transmission capacity at initial roll-out, which can be upgraded by over a factor of three across each fibre pair as traffic growth requires. An advanced synchronous digital hierarchy transmission management system will provide bandwidth management with five interconnected self-healing rings covering the network.

In addition to a comprehensive range of wavelength and fixed bandwidth services a variety of ATM and IP service platforms will be constructed into the network to provide variable bandwidth services. The networks as a whole and each of the network elements will be managed by a comprehensive network management system to permit the delivery of high quality end-to-end services between each of Vine's nodes. The network management system will be housed in a network operations centre to be managed by Nortel UK.

In addition to network services Vine will provide , at each of its nodes, high quality co-location services, which are expected to be in high demand in the targeted secondary cities. Vine's procurement strategy through the network services agreement with Nortel UK and its buy, build and lease strategy for network development is designed to put Vine into a low-cost environment with high service quality to ensure a competitive position.

Business Strategy

Existing carriers in Europe operate primarily between Europe's principal cities. Vine has adopted a "second city" strategy which means it will focus on the secondary urban centres which it believes are not adequately served by telecommunications carriers. On routes between secondary cities and within secondary cities Vine expects to be among the first carriers (excluding incumbents) to specifically address this sector of the market. Vine has designed its business plan and revenue model in conjunction with two leading telecommunications consultants: Analysys and Booz Allen Hamilton.

Vine's potential customers include emerging carriers, CLECs and Internet service providers. Vine expects that its products will include capacity sales in the form of dark fibre, IRUs and leased lines and usage-based products (such as switched minutes and data services).

Acquisition by Highpoint Telecommunications Inc.

In March, 1999 Highpoint entered into a heads of agreement with respect to the acquisition of a controlling interest in Vine. Pursuant to the terms of this heads of agreement, Highpoint advanced US$ 9,000,000 to Vine between March and July, 1999 to fund the initial development costs for the project. The heads of agreement was terminated in October, 1999 upon completion of the acquisition described below.

In October, 1999 Highpoint completed the purchase of the controlling interest in Vine through the purchase of a 100% interest in Pilot Limited ("Pilot"). In consideration for the acquisition of Pilot, Highpoint paid US$ 5,000,000 on closing and agreed to pay US$ 4,000,000 upon the appointment of a preferred supplier. When the Consortium, led by Nortel UK, was appointed as the preferred supplier in January, 2000 (subject to completion and execution of formal documentation) the US$ 4,000,000 was paid.

In connection with the acquisition Highpoint also agreed to issue Common Shares with an aggregate value of US$ 50,000,000 (at the issue price referred to below) on the date (the "Financial Close") on which supply contracts are entered into which provide for an aggregate expenditure of at least US$ 300,000,000 and the required financial commitments in respect of those contracts are in place. The Common Shares will be issued at an issue price equal to the lower of CDN$ 13.50 per share and the average trading price over the 20 trading days preceding the Financial Close. Highpoint also provided additional funding of US$ 1,000,000 to Vine in respect of project expenditures and agreed to provide ongoing working capital under certain circumstances. Highpoint also agreed to provide the necessary equity funding on Financial Close to support the level of debt financing obtained by Vine on Financial Close. Subsequent to the acquisition Highpoint provided an additional US$ 3,000,000 to Vine to fund its ongoing working capital requirements and development costs.

Immediately prior to the acquisition of Pilot by Highpoint, Pilot held a 77% interest in Vine and Yonge Holdings LLC ("Yonge") held a 23% interest. Under the terms of the acquisition the residual holding in Vine then held by Yonge was effectively reduced to 6% and transferred to a company called Co-Pilot Global Limited ("Co-Pilot"). The purchase agreements provide for certain representations on the board of directors of Vine Telecom Holdings Limited, which conducts operations in the United Kingdom and requires Highpoint to provide additional working capital to Vine prior to closing under certain circumstances. In addition, these agreements provide that the residual equity holding in Vine held by Co-Pilot cannot fall below the 6% level. Pilot and Co-Pilot have no liabilities and no assets other than their holdings in Vine. Incentive equity options granted to certain Vine employees prior to the time of the acquisition totalled approximately 3% of the outstanding capital of Vine, thereby reducing Pilot's effective interest in Vine to approximately 91% at the time of acquisition.

The purchase agreements also provide that at least 90 days prior to the Financial Close, Highpoint will be provided with an estimate of the amount of equity funding which is likely to be required. Highpoint must then elect to either provide such equity, to fund at least US$ 56,000,000 of this equity, or make no future investment. If Highpoint elects to make no further investment, then Highpoint will exchange the shares it owns in Pilot for the shares in Co-Pilot and Highpoint will have no obligation to issue the Common Shares. If that transfer occurs then, under certain circumstances, the former shareholders of Pilot can purchase Co-Pilot at Financial Close for US$ 19,000,000 plus any additional funds advanced to Vine by Highpoint.

In January, 2000 Highpoint agreed (subject to completion and execution of formal documentation) to reduce its payment obligation on Financial Close from US$ 50,000,000 to approximately US$ 20,000,000 and to eliminate its obligation to provide the necessary equity funding for the project on Financial Close. This payment is still to be made on Financial Close by the issuance of Common Shares at an issue price equal to the lower of CDN$ 13.50 per share or the 20 day trading average prior to Financial Close. As a result, Highpoint's equity interest in Vine, held through Pilot, will be 50% on completion of this revised agreement.

AduroNet Limited

AduroNet, headquartered in London, England, intends to develop a pan-European IP services network utilizing IP technology recently developed in the Silicon Valley of California.

Business Strategy

AduroNet plans to offer a portfolio of value-added IP services specializing in IP-VPN and advanced hosting through selected distribution channels including Internet, application and on-line service providers and system integrators. AduroNet expects to provide its customers with a highly secure, managed virtual IP network providing extensive network coverage across Europe with certain levels of security and performance. AduroNet will enable distribution partners to access new services and customer bases in these rapidly expanding markets with instant scaling and minimal financial commitment.

Acquisition by Highpoint Telecommunications Inc. and Financing

In February, 2000 the Company transferred Highpoint Telecom Limited to AduroNet in exchange for an approximate 38% interest in AduroNet. Initial development work in the amount of approximately US$ 3,000,000 for the AduroNet project was done by and funded by Highpoint Telecom Limited. Immediately following the transfer AduroNet secured (subject to satisfaction of conditions precedent) an investment through two leading investment partners, UBS Capital LLC of New York and ComVentures, a venture capital company in Silicon Valley of California, for a total of US$ 30,000,000. ComVentures is a venture capital firm in the communications industry located in California. UBS Capital manages a US$ 1.5 billion private equity fund directed primarily toward growth capital investing in telecommunications, software and aerospace.

AduroNet's corporate constitution provides for the manner in which certain fundamental matters concerning its organization and management will be dealt with by its Board of Directors. The constitution also provides for certain "tag along" and "drag along" rights if AduroNet's shareholders wish to transfer their shares of AduroNet and pre-emptive and anti-dilutive rights if AduroNet issues additional shares.

USE OF PROCEEDS

The gross proceeds from the sale of the Original Debentures were US$ 50,010,000, the Special Warrants #1 were CDN$ 1,400,000 (approximately US$ 966,000), the Special Warrants #2 were CDN$ 10,093,616 (approximately US$ 6,964,000) and the UBS Debentures were US$ 7,500,000. The Company did not realize any cash proceeds from the Fourth Offering. The aggregate proceeds from these offerings were approximately US$ 65,440,000. In addition, the Company received CDN$ 16,138,400 (approximately US$ 10,660,000) from a private placement of 2,017,300 Special Warrants at CDN$ 8.00 per Special Warrant in March, 1999, CDN$ 7,020,000 (approximately US$ 4,698,000) from a private placement of 702,000 Common Shares at CDN$ 10.00 per share in August, 1999 and CDN$ 4,500,000 (approximately US$ 3,105,000) from a short term loan in August, 1999 for aggregate proceeds of approximately US$ 18,463,000. The expenditure of these proceeds was as follows:

Description	Amount *(in thousands of US Dollars)*
Axxon	
• purchase of equity	16,000
• third party acquisition	1,000
Vine	
• purchase of equity	13,000
• third party acquisition	9,000
NAG	
• purchase of equity	8,000
• third party acquisition	1,500
AduroNet (Highpoint Telecom Limited)	
• development expenditures and operating expenses	3,000
Funding to support International Carrier Wholesale Operations and Satellite Services and Equipment Operations	
• selling, administration and operating expenses	10,680
• network	5,500
• European operations	600
Commissions and Offering Costs	
• First Offering	3,600
• Second Offering	65
• Third Offering	360
• Fifth Offering	885
Interest Payments and Fees	
• Convertible Debentures Series I	3,370
• Convertible Debentures Series II	1,030
• short term loans	1,100
Administrative costs	1,200
Cash and cash equivalents on hand	4,013
Total Proceeds	83,903

None of the proceeds received by the Company from the Offerings were or will be used or applied by the Company for the benefit of the Agent except for the payment of the commissions and costs of the Offerings described under "Plan of Distribution".

The Company will require substantial additional financing to carry out its planned programs and capital expenditures. The extent of the additional financing required will depend upon the rate of the Company's expansion and the success of the Company's business. To obtain such financing the Company may make public or private offerings of its debt or equity securities, negotiate credit facilities or sell certain assets. There can be no assurance that such additional financing will be available to the Company or that it can be obtained on acceptable terms.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion of Highpoint's financial condition and results of operations should be read in conjunction with the consolidated financial statements and the notes thereto included elsewhere in this prospectus. This prospectus contains forward-looking statements that involve risks and uncertainties. Actual results may differ materially from those indicated in such forward-looking statements. Some of the factors that could cause or contribute to such differences are discussed below and under the heading "Risk Factors."

The Company's consolidated financial statements as of December 31, 1998 and as of November 30, 1999, include the accounts of all entities that are controlled by the Company. Entities that are jointly controlled, referred to as joint ventures, are accounted for using proportionate consolidation. The Company's 50% interest in NAG for the period from April 1, 1999 to July 31, 1999 was considered to be a joint venture for accounting purposes. After July 31, 1999 the Company increased its ownership interest to 51% and, accordingly, the results of NAG are fully consolidated for accounting purposes for the period from August 1, 1999 to November 30, 1999.

Overview

Highpoint is a telecommunications company based in Vancouver, British Columbia, Canada. Highpoint invests in development stage telecommunications projects requiring substantial capital. As at November 30, 1999 the Company's four principal telecommunications projects were: (i) a 100% interest in Axxon; (ii) a 51% controlling interest in NAG; (iii) a 94% controlling interest in Vine; and (iv) a 100% interest in Highpoint Telecom Ltd. Subsequent to November 30, 1999 the Company's interest in NAG was reduced to approximately 48% and the Company agreed to reduce its ownership of Vine to 50%, contributed its interest in Highpoint Telecom Limited to AduroNet in exchange for a 38% interest in AduroNet and agreed to contribute its ownership in Axxon to a joint venture with KAST in consideration of an initial 40% interest in the joint venture. As at November 30, 1999, the Company also owned 80% of Vitacom and 100% of Highpoint Carrier Services, Inc. and Highpoint International Telecom, Inc. and certain Mexican operations. As of December 31, 1998 these subsidiaries were actively engaged in international wholesale carrier operations and satellite-based carrier and equipment service operations. This activity was phased out during 1999 and the assets of these operations had been substantially sold as of November 30, 1999. The Company's interests in NAG, Vine and Axxon were acquired during 1999.

International Wholesale Carrier Operations
Satellite-Based Carrier and Equipment Services

In May, 1998 Highpoint acquired an 80% interest in Vitacom, a provider of satellite telecommunications equipment and services, from Global in exchange for 10 million Common Shares.

Vitacom, based in Mountain View, California, was a supplier of earth station equipment and satellite communication networks used to transmit telecommunications traffic to standard wireline networks. Vitacom's telecommunications services utilized VSATs, dedicated satellite circuits and earth stations. Vitacom specialized in the development, engineering, integration, installation and operation of advanced satellite communications, wireless extension technologies and private carrier network solutions.

With the acquisition of Vitacom, Highpoint sought to take advantage of changes in the global telecommunications environment arising from deregulation and increased competition by commencing the development of an international carrier business. Accordingly, during 1998 Highpoint began the development of an international and domestic telecommunications infrastructure. In developing this infrastructure, Highpoint acquired certain assets of Cyberlight International, Inc. for consideration totalling approximately US$ 9.6 million, including US$ 1.2 million paid by way of the issuance of Common Shares, certain assets of Athena for consideration totalling US$ 2.4 million plus future lease obligations of approximately US$ 2 million, including US$ 0.8 million paid by way of the issuance of Common Shares, and all of the outstanding shares of Datamax Telemanagement Inc. for consideration totalling approximately US$ 1.3 million, including US$ 1.16 million paid by way of the issuance of Common Shares. As a result, as of December 31, 1998, Highpoint's international carrier infrastructure included digital switching capabilities in New York, Los Angeles and Denver and proprietary least-cost routing software, a billing system and a network control centre also located in Denver, as well as teleport facilities located in Mountain View, California and Mexico City. In October, 1999, substantially all of these assets were sold to eGlobe, Inc. in exchange for convertible preferred shares of eGlobe with a par value of US$ 9 million and the assumption of US$ 1.5 million in liabilities by eGlobe, Inc.

The North American Gateway Inc.

In November 1998, Highpoint entered into an agreement to acquire a 50% interest in NAG, a multi-service international voice, data and Internet telecommunications services company based in Toronto, Ontario, Canada, for consideration totalling CDN$ 30 million, including approximately CDN$ 20 million paid in the form of Series I Preferred Shares. Of the total consideration, US$ 5 million was paid in cash which was advanced as a deposit in November 1998. The acquisition was completed in April, 1999. With this acquisition, Highpoint's exposure to the international and North American telecommunications markets was substantially increased. In August, 1999 NAG raised additional equity through a private placement of its common shares. Highpoint participated in this private placement by investing an additional US$ 8 million to hold a 51% interest as of November 30, 1999.

Vine Telecom Limited

Continuing its emphasis on facilities and infrastructure, Highpoint entered into a heads of agreement in March, 1999 with respect to the acquisition of a controlling interest in Vine. Vine is developing a pan-European broadband fibre optic network designed to provide long distance services to secondary cities and under-served markets in western Europe. Highpoint's initial commitment in respect of the acquisition of the controlling interest was US$ 9 million. In October, 1999, Highpoint completed the purchase of a controlling interest in Vine, to hold a 94% interest (undiluted) as of November 30, 1999. As part of the acquisition terms Highpoint must also provide the equity portion of the project financing for the development of the Vine project and the working capital needed by Vine prior to Financial Close under certain circumstances. Subsequent to November 30, 1999 Highpoint agreed to reduce its interest in Vine to 50% and to eliminate the requirement to provide the equity portion of the project financing.

Axxon Holding Company B.V.

Axxon was initiated in 1997 and was formally established in May, 1998 with Global's acquisition of a 44.44% interest. Sonera also acquired a 44.44% interest at that time. Global acquired its equity interest through the contribution of US$ 9 million in cash and Sonera acquired its interest by contributing services and facilities valued at US$ 9 million.

Axxon commenced commercial operations in the third quarter of 1998. Axxon is building a multi-city-based ATM digital telecommunications network in western Europe, offering international and domestic long distance and value-added telecommunications services. Axxon has operations in England, the Netherlands, Belgium, France and Germany.

Subsequent to December 31, 1998, Highpoint acquired a 100% interest in Axxon. Of the interests in Axxon acquired by Highpoint, a 44.44% interest was acquired from Global for consideration of US$ 9 million (Global's cost) paid by the issuance of Common Shares to Global at an issue price of CDN$ 8.50 per share. Highpoint also acquired an 11.12% interest in Axxon from Axxess and the balance from Sonera to hold a 100% interest in Axxon as of November 30, 1999. Subsequent to November 30, 1999 Highpoint agreed to contribute its interest in Axxon to a joint venture being formed with KAST in consideration of a 40% interest in the joint venture.

IP Services

In September, 1999 Highpoint Telecom Limited commenced development of a European IP services business opportunity utilizing advanced telecommunications hardware and software developed in the Silicon Valley of California. Subsequent to November 30, 1999 this subsidiary was transferred to AduroNet in exchange for a 38% interest in AduroNet.

Results of Operations

Eleven month interim periods ended November 30, 1999 and 1998

Revenues. Highpoint generated consolidated revenues of US$ 45.6 million during the 11 months ended November 30, 1999 and US$ 7.3 million during the 11 months ended November 30, 1998. The revenue in 1999 was primarily derived from Highpoint's interest in NAG (US$ 31.8 million), Vitacom (US$ 5.0 million), Axxon (US$ 4.6 million) and revenue derived from the Company's international wholesale carrier operations (US$ 4.1 million). Revenue recorded in 1998 was primarily derived from sales of satellite telecommunications equipment and carrier services derived from the Company's interest in Vitacom. The increase from 1998 to 1999 arose because of the acquisition of the interests in NAG and Axxon in 1999 and the development of Highpoint's international wholesale carrier operations during 1999.

Cost of Revenues. Consolidated direct cost of revenues for the 11 months ended November 30, 1999 was US$ 45.2 million and US$ 7.5 million for the 11 months ended November 30, 1998. The direct cost of revenue in 1999 includes the direct cost of revenue realized by NAG (US$ 32.7 million), Axxon (US$ 3.0 million), Vitacom (US$ 2.0 million) and the international wholesale carrier operations (US$ 7.5 million) during the period. The direct cost of revenue for the 11 months ended November 30, 1998 was primarily derived from the satellite telecommunications equipment and carrier services operating activity results from the Company's interest in Vitacom.

Operating Expenses. Operating expenses include general and administrative expenses, engineering and development costs and selling and marketing expenses. Consolidated operating expenses for the 11 months ended November 30, 1999 were US$ 35.5 million and US$ 10.1 million for the 11 months ended November 30, 1998. The 1999 operating expenses were primarily comprised of US$ 4.7 million from NAG, US$ 5.0 million from Vitacom, US$ 7.5 million from Axxon, US$ 5.8 million from Vine, US$ 8.4 million from the international wholesale carrier operations, US$ 2.2 million from Highpoint Telecom Limited (IP services) and US$ 1.8 million from corporate activities. Operating expenses in 1998 were primarily from the satellite

telecommunications equipment and carrier services activities, corporate overhead expenses and the initial development of the international wholesale carrier operations. The largest component of operating expenses was general and administrative expenses which totalled US$ 28.3 million in 1999 and US$ 8.5 million in 1998. The increase from 1998 to 1999 is attributable to the acquisitions made by the Company in 1999 and the significant increase in activity in 1999 by the Company and its operating subsidiaries and joint ventures. These expenses were incurred as the Company was developing its carrier operations and developing opportunities in Europe.

Amortization. Highpoint recorded consolidated amortization for the 11 months ended November 30, 1999 in the amount of US$ 14.1 million and US$ 8.0 million for the 11 months ended November 30, 1998. The increase in amortization expense in 1999 is primarily attributable to the amortization derived from goodwill related to the acquisitions of NAG and Axxon in 1999.

Interest Income and Expense. Consolidated net interest expense for the 11 months ended November 30, 1999 was US$ 8.2 million and US$ 0.7 million for the 11 months ended November 30, 1998. The increase from 1998 to 1999 is attributable to the increases in the consolidated debt level arising from the issuance of US$ 22.4 million in Convertible Debentures, Series I in August, 1998 and US$ 50 million in Convertible Debentures, Series II in August, 1999.

Loss. The consolidated net loss for the 11 months ended November 30, 1999 was US$ 51.9 million and US$ 23.4 million for the 11 months ended November 30, 1998. The increase from 1998 to 1999 is attributable to the increased expenditures associated with the increased activity levels and the initiation of the wholesale carrier operations in late 1998, the acquisitions of three developing projects, NAG, Axxon and Vine, during 1999 and the initiation of development of the European IP services business opportunity. Because Highpoint and its operating subsidiaries and joint ventures only recently commenced operations or are still under development, these operating subsidiaries and joint ventures are not yet generating sufficient revenue to cover their costs and expenses.

Years ended December 31, 1998 and 1997

Revenues. Highpoint generated consolidated revenues of US$ 7.8 million in 1998 and US$ 4.4 million in 1997. The revenue in 1998 was derived primarily from the Company's interest in Vitacom (US$ 6.0 million) and the wholesale international carrier operations (US$ 1.8 million). Revenue recorded in 1997 was derived exclusively from Vitacom.

Cost of Revenues. Consolidated direct cost of revenues for 1998 was US$ 7.7 million and US$ 4.0 million in 1997. The direct cost of revenue in 1998 includes international carrier operations (US$ 1.3 million) and the direct cost of revenue realized by Vitacom (US$ 6.4 million) during the year. The direct cost of revenue in 1997 included only activities attributable to Vitacom.

Operating Expenses. Operating expenses include general and administrative expenses, engineering and development costs and selling and marketing expenses. Consolidated operating expenses for the year ended December 31, 1998 were US$ 11.6 million and US$ 1.6 million for the year ended December 31, 1997. The largest component of operating expenses was general and administrative expenses which totalled US$ 10.4 million in 1998 and US$ 0.5 million in 1997. The increase from 1997 to 1998 is attributable to the significant increase in expansion and acquisition activity in 1998 through the initiation of international carrier operations in 1998.

Amortization. Highpoint recorded consolidated amortization for the year ended December 31, 1998 in the amount of US$ 8.8 million and US$ 1.1 million for the year ended December 31, 1997. The increase in amortization expense in 1998 is primarily attributable to the amortization derived from the acquisition of certain assets related to the development and initiation of the Company's international wholesale carrier operations (US$ 1.1 million) and the write-down of investments in contracts (US$ 7.6 million) acquired from Cyberlight International, Inc.

Interest Income and Expense. Consolidated net interest expense for the year ended December 31, 1998 was US$ 0.8 million and US$ 0.4 million for the year ended December 31, 1997. The increase from 1997 to 1998 is attributable to the increases in the consolidated debt level arising from the issuance of convertible debentures of US$ 22.4 million in August, 1998.

Loss. The consolidated net loss for the year ended December 31, 1998 was US$ 25.1 million and US$ 5.6 million for the year ended December 31, 1997. The increase from 1997 to 1998 is attributable to the increased expenditures associated with the increased activity levels associated with the initiation of the international carrier operations in 1998 and the acquisition activity undertaken by the Company. Because Highpoint and its operating subsidiaries and joint ventures are still developing these operating subsidiaries and joint ventures are not yet generating sufficient revenue to cover these costs and expenses.

Liquidity and Capital Resources

Exercise of Warrants and Options

During 1999, share purchase warrants and options were exercised for total proceeds of US$ 940,000. The exercise of these share purchase warrants and options resulted in the issuance of 746,000 Common Shares.

Cash and Cash Equivalents

Highpoint's consolidated cash and cash equivalent position was US$ 6.3 million at November 30, 1999 compared to US$ 1.4 million at December 31, 1998.

Convertible Debentures, Series I

Convertible debentures with a face value of US$ 22.4 million were issued by Highpoint in August, 1998. These debentures bear interest at 10% per year and mature in September, 2003. The debentures are convertible, at the option of the holder, into common shares of Highpoint at the rate of CDN$ 10.25 per common share. The debentures are redeemable, at the option of Highpoint, at any time after 18 months from the date of issuance if the closing price of the Common Shares exceeds the conversion price for 20 consecutive days.

Gross proceeds of US$ 22.4 million were received upon issuance of the debentures. The estimated equity value of the conversion feature of the debentures of US$ 5.2 million has been included as a component of non-controlling interest on the Company's balance sheet. The remaining US$ 17.2 million has been classified as a long-term liability. The debt component of the convertible debentures is being accreted to its face value at maturity over the term of the debt through a charge to interest expense.

Convertible Debentures, Series II

Convertible debentures with a face value of US$ 50.01 million were issued by Highpoint in August, 1999. These debentures bear interest at 10% per annum for the first 180 days, at 11% per annum until the earlier of the first anniversary of issuance or the issuance of the Exchanged Debentures and then at 10% per annum until maturity. The debentures mature in August, 2004. The debentures are convertible, at the option of the holder, into common shares of Highpoint at the rate of CDN$ 11.00 per common share. The debentures are redeemable, at the option of Highpoint, at any time after 18 months from the date of issuance if the closing price of the Common Shares exceeds the conversion price for 20 consecutive days.

Gross proceeds of US$ 50.01 million were received upon issuance of the Debentures. The estimated equity value of the conversion feature of the debentures of US$ 11.7 million has been included as a component of non-controlling interest on the Company's balance sheet. The remaining US$ 38.8 million has been classified as a long-term liability. The debt component of the convertible debentures is being accreted to its face value at maturity over the term of the debt through a charge to interest expense.

Equity Financings

In May, 1998 Highpoint completed an equity financing of CDN$ 2.25 million through a private placement of units at a price of CDN$ 1.50 per unit. Each unit consisted of one Common Share and one share purchase warrant entitling the holder thereof to acquire an additional Common Share at a price of CDN$ 2.00 per share at any time for a period of two years. The proceeds of this financing were used primarily to fund certain ongoing capital requirements of Vitacom.

In August, 1998 Highpoint completed another private placement of 2,500,000 Common Shares at a price of CDN$ 4.00 per Common Share for gross proceeds of CDN$ 10,000,000. The proceeds of this financing were used primarily to fund additional ongoing capital requirements of Vitacom.

In 1999, Highpoint issued a total of 3,454,002 special warrants (2,1017,300 in March, 1999, 175,000 in April, 1999 and 1,261,702 in June, 1999) at a price of CDN$ 8.00 per special warrant. Each special warrant is exercisable for one Common Share and one share purchase warrant. The share purchase warrants are exercisable at a price of CDN$ 8.50 per share for a period of two years from the date of issuance of the special warrant.

Use of Proceeds

The proceeds of the equity financings and the private placement of convertible debentures were utilized by Highpoint to fund the ongoing development of its international wholesale carrier operations, the acquisitions as described above and the working capital requirements of Vitacom.

Project Expenditures, Activities and Future Capital Requirements

Vitacom Corporation

During 1998, Highpoint advanced US$ 3.7 million to Vitacom and during 1999 Highpoint advanced a further US$ 2.9 million to fund Vitacom's ongoing developmental and working capital needs. During 1999 Highpoint sold the satellite telecommunications service and equipment operations of Vitacom. Accordingly, no further developmental or operating capital will be necessary with respect to these operations.

Carrier Services

During 1998 and 1999, Highpoint advanced approximately US$ 5.9 million and US$ 7.8 million respectively to its wholly-owned operating subsidiaries in respect of working capital required for the development of the international carrier business and capital required to develop Highpoint's carrier network. During 1999 Highpoint sold its international carrier operations. Accordingly, no further developmental or operating capital will be necessary with respect to these operations.

Axxon Holding Company B.V.

In 1998, Global entered into an agreement with Sonera and Axxess to establish Axxon. As of December 31, 1998 Global and Sonera each held a 44.44% interest in the joint venture and Axxess held an 11.11% interest. Axxon is building a low-cost, city-based telecommunications network across western Europe offering international long distance and value-added telecommunications services.

Under the terms of the joint venture, Global paid a total of US$ 9 million to Axxon during 1998 by way of periodic installments during the year. Sonera supplied the joint venture with services and facilities worth US$ 9 million in consideration for its interest in the joint venture.

In 1998, the respective contributions by the joint venture partners as described above were sufficient to meet Axxon's requirements in 1998. Additional funding was required to fund the ongoing expansion and development of Axxon's network and operations during the course of 1999. Highpoint agreed to acquire a controlling interest in Axxon in January and February, 1999 by acquiring Global's 44.44% position for US$ 9 million and to acquire the interest of 11.12% held by Axxess for US$ 1.8 million. Highpoint also agreed to acquire an additional equity interest in Axxon by investing up to US$ 11 million with such investment to initially be made by way of a convertible loan by a subsidiary of Highpoint. The convertible loan would also carry interest at the rate of 1% per month. The principal amount of the loan and accrued interest was convertible into common shares of Axxon. On completion of the two acquisitions and the conversion of the loan Highpoint would own more than 76% of Axxon thus giving it certain super majority rights under the terms of the Axxon shareholders agreement. Highpoint subsequently agreed to invest an additional US$ 5 million in Axxon to fund its ongoing developmental capital needs. In October, 1999 Highpoint acquired the balance of Axxon to hold 100% as of November 30, 1999.

Subsequent to November 30, 1999 Axxon entered into a credit facility agreement with Nortel UK in respect of a credit facility of up to 35,250,000 euros. This facility is comprised of an equipment facility of 23,800,000 euros to finance the acquisition by Axxon of equipment from Nortel UK and a working capital facility of 11,450,000 euros to fund Axxon's ongoing working capital needs. This funding should allow Axxon to complete the development of its ATM network in Europe and its working capital needs to fund the expansion and growth in operations until revenue levels are sufficient to meet operating expenses. Highpoint guaranteed the facility up to a maximum of 9,254,000 euros, subordinated certain of Axxon's liabilities due to it and agreed to make available to Axxon up to 6,700,000 euros to be advanced by way of equity or debt if Axxon has not met certain financial targets, fails to make a payment due under the credit facility or falls below certain capitalization ratios.

The North American Gateway Inc.

In connection with Highpoint's initial acquisition of a 50% interest in NAG it invested US$ 5 million in equity in NAG. Highpoint also participated in a US$ 15 million equity placement by NAG to the extent of US$ 8 million. In addition to this total of US$ 20 million raised by NAG, an additional CDN$ 7.5 million in equity capital was raised by NAG in February, 2000. NAG has entered into negotiations with Nortel Canada for a credit facility for the purchase of equipment from Nortel Canada in an

amount of up to US$ 65 million. Nortel Canada has made US$ 14 million available to NAG in respect of this proposed facility prior to the permanent facility being established. Prior to funds being advanced under the permanent facility it is a requirement that NAG complete an equity placement of an additional US$ 30 million. NAG is currently seeking to obtain this additional funding. If such funding is obtained then it is expected that this capital together with the equipment facility from Nortel Canada will be sufficient to meet NAG's expansion and development plans with respect to the direct circuits to international locations which it is now installing. If such funding is not obtained then NAG will adjust its expansion plans.

Vine Telecom Ltd.

In connection with the heads of agreement entered in March, 1999 Highpoint advanced US$ 9 million to Vine to fund the development costs and capital requirements associated with the procurement and financing process of Vine's pan-European telecommunications project. Highpoint also advanced an additional US$ 1 million in November, 1999 to fund ongoing costs associated with the financing activity. In February, 2000 Highpoint provided Vine with an additional US$ 3 million to meet Vine's ongoing working capital needs. It is expected that Vine will require additional funding prior to Financial Close. Highpoint has agreed to fund its share of any additional costs prior to Financial Close.

Highpoint Telecom Limited

In September, 1999 Highpoint Telecom Ltd. commenced the development of a pan-European IP services business opportunity. In February, 2000 Highpoint Telecom Limited was transferred to AduroNet in consideration of a 38% interest in AduroNet. At the time of the transfer a total of approximately US$ 3 million had been expended in connection with the IP services business opportunity. Immediately following the transfer AduroNet secured (subject to satisfaction of conditions precedent) US$ 30 million in funding from various capital sources. It is expected that AduroNet will require additional capital to fund its ongoing business plan and operations. Highpoint may participate in future equity financings by AduroNet depending on the status of the project and availability of capital.

MANAGEMENT

The names, ages and positions held by each of the directors and officers of the Company are as follows:

Name & Municipality of Residence	Age	Position
Ian Watson[2][3][4][5] . . . . London, England	57	Chairman of the Board and Director
William Gordon Blankstein[2][4] . . . . Langley, British Columbia	49	Vice-Chairman of the Board, President, Chief Executive Officer and Director
Donald Duncan MacFayden[2][4] . . . . Vancouver, British Columbia	44	Chief Financial Officer, Secretary and Director
Robert Morley Blankstein[1][2][4] . . . . Whistler, British Columbia	39	Director
David William Warnes . . . . Los Altos, California	53	Director
Thomas Edgar Sawyer[1][3][5] . . . . Orem, Utah	67	Director
Robert Clive Gardner[1] . . . . Vancouver, British Columbia	59	Director
Kenneth Edward Berry[5] . . . . White Rock, British Columbia	39	Director
Emily Marie Aspell-Science . . . . Toronto, Ontario	51	Director
Adrian Lewis Science . . . . Toronto, Ontario	55	Director

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(1) Member of Audit Committee.

(2) Member of Executive Committee.

(3) Member of Compensation Committee.

(4) Member of Finance Committee.

(5) Member of Nominating Committee.

Ian Watson has been a director and the Chairman of the Board of the Company since April, 1998. He has been a director of Global since September, 1996, a Vice-Chairman of the Board of Global since January, 1997 and the President of Global since March, 1998. He was the Chief Executive Officer of Global from March, 1998 to October, 1999. He was a co-founder of GST Tel in September, 1992, a director of GST Tel from January, 1993 to March, 1998, the President and Chief Executive Officer of GST Tel from July, 1993 to March, 1995 and the Chairman of the Board of GST Tel from January, 1993 to July, 1995. Mr Watson was also a director of NACT Telecommunications, Inc. ("NACT"), a publicly traded subsidiary of GST Tel engaged in the manufacture of telecommunications switching software and hardware, from September, 1993 to November, 1996. From 1982 until January, 1993 Mr. Watson was engaged as a private investor in various activities. From 1974 through 1980 he was the Managing Director of Burns Fry International, an investment bank, based in London, England and a director of Burns Fry of Toronto, Ontario and a member of its five person Executive Committee. Mr. Watson was the Chairman of the Global Board of The Hunger Project from 1987 to 1994.

W. Gordon Blankstein has been a director and Vice-Chairman of the Board of the Company since April, 1998 and the President and Chief Executive Officer of the Company since January, 2000. He has been the Chairman of the Board of Global since September, 1996 and a director of Global since October, 1996. He co-founded GST Tel in September, 1992 and was the Chairman of GST Tel from February, 1995 to March, 1997, a Vice-Chairman of GST Tel from March, 1997 to October, 1997 and a director of GST Tel from November, 1992 to January, 1993 and January, 1994 to March, 1998. He was a director of NACT from September, 1993 to November, 1996. He is a founder, past President, Chairman of the Board and former director (from May, 1984 to December, 1992) of ICG Communications, Inc., a publicly traded telecommunications services provider. He is a former member of the Policy Advisory Committee of the Vancouver Stock Exchange, one of the predecessors to the CDNX. Mr. Blankstein holds a bachelor's degree and an M.B.A. from the University of British Columbia.

Donald D. MacFayden has been the Chief Financial Officer of the Company since January, 2000 and a director and the Secretary of the Company since April, 1998. Mr. MacFayden was also the Chief Financial Officer of the Company from April, 1998 to January, 1999. He has also been the Chief Financial Officer of Global since December 1, 1997, the Vice-President Finance of Global since June, 1999 and the Secretary of Global since November, 1998. Prior to joining Global Mr. MacFayden was employed by the Agent, Canaccord Capital Corporation, or its affiliates since 1986. Mr. MacFayden is also the President of MOF Management Ltd., a management company owned 50.1% by Canaccord Capital Corporation. From 1993 through 1997 he was a Vice-President of Canaccord Capital Corporation. From 1983 to 1986 he was employed by the Vancouver Stock Exchange as Manager, Listings. Prior thereto Mr. MacFayden was employed by Arthur Andersen & Co., Chartered Accountants. He holds a B.Sc. degree from McGill University and an M.B.A. from Queens University. He is a Chartered Accountant and a Chartered Financial Analyst.

Robert M. Blankstein has been a director of the Company since April, 1998. He has been a director of Global since November, 1993, a Vice-President since January, 1998 and an Assistant Secretary since March, 1997. He was a co-founder of GST Tel in September, 1992 and a director of GST Tel from February, 1993 to July, 1994. Mr. Blankstein holds a B.Sc. degree from the University of Saskatchewan.

David W. Warnes has been a director of the Company since April, 1998. He was the Company's President and Chief Executive Officer from April, 1998 to July, 1999. He has been the Chief Operating Officer of Global since September, 1997 and a director since June, 1997. He has been the President and Chief Executive Officer of Vitacom since December, 1995. Mr. Warnes was employed by Cable & Wireless, plc or its affiliated companies for almost 20 years, all of them in a managerial capacity. From October, 1992 through August, 1994 he was the Vice-President, Operations and Chief Operating Officer and from August, 1994 through October, 1995 he was an Assistant Managing Director of Tele 2, a telecommunications service provider in Sweden partially owned by Cable & Wireless. From August, 1988 through June, 1992 he was a principal consultant and the General Manager, Business Development of IDC, an international telecommunications service provider based in Japan and partially owned by Cable & Wireless. Mr. Warnes is a Chartered Engineer, a Fellow of the Institution of Electrical Engineers and a graduate of the University of East London.

Robert C. Gardner has been a director of the Company since February, 2000. He has been a director of Global since November, 1999. He has been the President and a director of Comptec Industries Ltd., a company involved in the plastic injection molding and PVC extrusion industries, since January, 1998 and was its Chief Executive Officer from then until May, 1999. Mr. Gardner is a lawyer practising in British Columbia, Canada and was appointed a Queen's Counsel in 1986. He holds an M.A. and an LL.B. from Cambridge University in the United Kingdom and is called to the Bar of England.

Thomas E. Sawyer has been a director of the Company since April, 1998. He has been the Chief Technology Officer of Global since October, 1999 and a director of Global since April, 1998. Dr. Sawyer is the Chairman of NeTrue Communications, Inc. a subsidiary of Global. He was the Chairman Emeritus of NACT from November, 1996 to April, 1998 and a director of GST Tel from August, 1995 to April, 1998. Dr. Sawyer was a director of NACT from 1982 to November, 1996 and its Chief Executive Officer from October, 1988 to March, 1996. Dr. Sawyer has over 35 years of experience in information technology industries and 23 years of experience in senior management of four publicly traded information technology companies. He holds an undergraduate degree in engineering from the University of California at Los Angeles, an M.A. from Occidental College and a Ph.D. in management from Walden University.

Kenneth E. Berry has been a director of the Company since its formation in 1996 and was its President until April, 1998. Mr. Berry was a director of Royalstar Resources Ltd., a publicly traded mining company, from 1994 to 1996. He was a director of Gold Capital Corporation, a publicly traded mining company, from 1995 to October, 1996 and a director of Attwood Gold Corporation, a publicly traded mining company, from 1995 to October, 1996. Mr. Berry was a marketing representative of Can-Am Media International, an international advertising agency from 1992 to 1994. Mr. Berry was an investment adviser with Yorkton Securities Inc. from 1987 to 1990.

Emily M. Aspell-Science has been a director of the Company since April, 1999. Ms. Aspell-Science is the Chief Executive Officer and was an Executive Vice-President of NAG since April, 1994. Ms. Aspell-Science holds a Business Management diploma from the British Columbia Institute of Technology.

Adrian L. Science has been a director of the Company since April, 1999. Mr. Science has been the President since April, 1994 and is the founder of NAG. He was the President of CR Telecom from December, 1989 to January, 1994.

EXECUTIVE COMPENSATION

Employment and Consulting Agreements

Ian Watson, the Chairman of the Board of the Company, entered into a services agreement dated April 1, 1999 with Highpoint Telecom Limited, a subsidiary of the Company until February, 2000 when it was transferred to AduroNet, pursuant to which he performs the duties and responsibilities of the Company's Chairman and provides administrative and management services with respect to its European activities. The agreement was assumed by the Company's subsidiary, Highpoint Carrier Services Europe Ltd., in February, 2000. It provides for an annual compensation of US$ 100,000 and a term of two years.

W. Gordon Blankstein, the President and Chief Executive Officer of the Company, and Donald D. MacFayden, the Chief Financial Officer of the Company, are remunerated by Global pursuant to employment agreements with it. Highpoint reimburses Global on an annual basis for their services. David W. Warnes, the President of Vitacom and Chief Operating Officer of Global and the President and Chief Executive Officer of Highpoint from April, 1998 to July, 1999, is remunerated by Global pursuant to a written employment agreement with one of its subsidiaries.

Reynaldo U. Ortiz, the President and Chief Executive Officer of the Company from July, 1999 to January, 2000, entered into an employment agreement dated July 1, 1999 with Highpoint Telecom Limited pursuant to which he was to devote all customary business hours to perform the duties and responsibilities of being the Company's Chief Executive Officer. His duties included responsibility for providing strategic and operational direction, including financial and operational management, for Highpoint. The agreement provided for annual compensation of £256,000 (approximately US$ 425,000), reviewable annually. In addition, Mr. Ortiz was eligible to receive an annual bonus based upon 80% of his base salary, subject to full achievement of objectives to be set by the Board from time to time. In respect of this annual bonus, Mr. Ortiz was to receive a guaranteed advance payable on or before April 30, 2000, which was to be equal to the higher of 50% of the estimated bonus for the first twelve months or £102,500 (approximately US$ 170,000). Mr. Ortiz was also granted options to purchase up to 800,000 Common Shares at an exercise price of CDN$ 9.10 per share subject to certain vesting criteria. In February, 2000 the number of shares subject to such options was reduced to 100,000 Common Shares (see "Options to Purchase Securities of the Company"). This employment agreement was mutually terminated in February, 2000 as part of the formation and organization of AduroNet. As part of that transaction Mr. Ortiz entered into a new employment agreement with AduroNet.

Daniel O'Callaghan, the Executive Vice-President of Construction of the Company from July, 1999 to February, 2000, entered into an employment agreement dated July 1, 1999 with Highpoint Telecom Limited pursuant to which he was to devote all customary business hours to perform the duties and responsibilities of being the Company's Executive Vice-President of Construction. His duties included responsibility for the development and enhancement of construction, contract management, field management, cost management and rights of way. The agreement provided for annual compensation of £150,000 (approximately US$ 249,000), reviewable annually. In addition, Mr. O'Callaghan was eligible to receive an annual bonus based upon 80% of his base salary, subject to full achievement of objectives to be set by the Board from time to time. Mr. O'Callaghan was also granted incentive stock options to purchase up to 200,000 Common Shares at an exercise price of CDN$ 9.10 per share subject to certain vesting criteria. In February, 2000 the number of shares subject to option was reduced to 50,000 Common Shares (see "Options to Purchase Securities of the Company"). This employment agreement was mutually terminated in February, 2000 as part of the formation and organization of AduroNet. As part of that transaction Mr. O'Callaghan entered into a new employment agreement with AduroNet.

Andrew Carver, the Executive Vice-President of Marketing, Sales and Service of the Company from July, 1999 to February, 2000, entered into an employment agreement dated August 1, 1999 with Highpoint Telecom Limited pursuant to which he was to devote all customary business hours to perform the duties and responsibilities of being the Company's Executive Vice-President of Marketing, Sales and Service. His duties included responsibility for the development and enhancement of marketing and sales activities, product and service development, distribution channel development, marketing and value-added services and sales, public relations and customer care and support. The agreement provided for annual compensation of £160,000 (approximately US$ 265,000), reviewable annually. In addition, Mr. Carver was eligible to receive an annual bonus based upon 80% of his base salary, subject to full achievement of objectives to be set by the Board from time to time. This employment

agreement was mutually terminated in February, 2000 as part of the formation and organization of AduroNet. As part of that transaction Mr. Carver entered into a new employment agreement with AduroNet.

The Company has not entered into any written employment or consulting agreements with any of its other executive officers. Bonuses and stock options may be paid or granted in the discretion of the Company's Board of Directors.

Pension Plans

The Company and its subsidiaries do not have any pension plans.

Compensation of Directors

The Company does not have any arrangements pursuant to which directors are remunerated by the Company or its subsidiaries for their services in their capacities as directors, consultants or experts other than (i) stock options to purchase shares of the Company which are granted to the Company's directors from time to time and (ii) an annual fee of US$ 25,000 paid to directors who are not officers of the Company, its subsidiaries or Global.

Other Remuneration

During the financial year ended December 31, 1999, there was not any other remuneration paid or payable, directly or indirectly, by the Company and its subsidiaries pursuant to any existing plan or arrangement to its directors and, if they earned more than CDN$ 100,000 per year, executive officers.

Compensation Summary

The following table discloses the compensation paid by the Company during the previous three financial years to its Chief Executive Officer and, if they earned more than CDN$ 100,000 per year, its four highest paid executive officers:

Summary Compensation Table

		Annual Compensation			Long-Term Compensation			
					Awards		Payouts	
Name and Principal Position	Year	Salary (US$)	Bonus (US$)	Other Annual Comp-ensation (US$)	Securities Under Options/SARs[1] Granted (#)	Restricted Shares or Restricted Share Units (US$)	LTIP Payouts (US$)	All other Comp-ensation (US$)
Reynaldo U. Ortiz[2] . . . CEO	1999	212,500[4]	85,000[4]	0	800,000[5] / -	0	0	0
David W. Warnes[2] . . . Former CEO	1999 1998[3]	190,000 218,000	25,000 0	0 0	0 / - 350,000 / -	0 0	0 0	0 0
Kenneth E. Berry[2] . . . . Former President	1998[3] 1997	0 0	0 0	0 0	30,000 / - 225,000 / -	0 0	0 0	0 0
Ian Watson . . . . Chairman	1999 1998[3]	75,000 0	0 0	0 0	350,000 / - 390,000 / -	0 0	0 0	0 0

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(1) The Company has not granted any stock appreciation rights ("SARs").

(2) W. Gordon Blankstein replaced Reynaldo U. Ortiz as President and Chief Executive Officer of the Company in January, 2000. Reynaldo U. Ortiz replaced David W. Warnes as President and Chief Executive Officer of the Company in July, 1999. David W. Warnes replaced Kenneth E. Berry as President of the Company in April, 1998.

(3) In 1998 Highpoint changed its financial year end from June 30 to May 19 to coincide with its acquisition of an 80% interest in Vitacom on May 20, 1998. Subsequently it changed its year end to December 31. The amounts shown are for the year ended December 31, 1998.

(4) Originally paid in British pounds.

(5) Reduced to 100,000 in February, 2000.

Stock Options

The Company may grant, pursuant to its stock option plan, stock options to directors, officers and employees of the Company or a subsidiary in consideration of them providing their services to the Company or subsidiary. The number of shares subject to each option is determined by the Company's Board of Directors within the guidelines established by the CDNX (and its predecessor stock exchanges). The options enable such persons to purchase Common Shares at a price fixed pursuant to the rules of the CDNX (and its predecessor stock exchanges). The option agreements provide that the option can only be exercised by the optionee and only so long as the optionee shall continue in the capacity as a director, officer or employee of the Company or subsidiary within a period of not more than 30 days after ceasing to be a director, officer or employee or, if the optionee dies, within one year from the date of the optionee's death.

The following table discloses the particulars of options to purchase Common Shares or SARs granted by the Company during the last financial year to its Chief Executive Officer and, if they earned more than CDN$ 100,000 per year, its four highest paid executive officers:

Option/SAR Grants
During the Most Recently Completed Financial Year

Name	Securities Under Options/SARs[1] Granted (#)	% of Total Options/SARs[1] Granted to Employees in Financial Year	Exercise or Base Price (CDN$/Security)	Market Value of Securities Underlying Options/SARs[1] on the Date of Grant (CDN$/Security)	Expiration Date
Reynaldo U. Ortiz[2] . . . . CEO	800,000[3] / -	33.3 / -	9.10	9.10 / -	June 22, 2004
David W. Warnes[2] . . . . Former CEO	0 / -	- / -	-	- / -	-
Ian Watson . . . . Chairman	350,000 / -	14.6 / -	9.10	9.10 / -	June 22, 2004

(1) The Company has not granted any SARs.

(2) W. Gordon Blankstein replaced Reynaldo U. Ortiz as President and Chief Executive Officer of the Company in January, 2000. Reynaldo U. Ortiz replaced David W. Warnes as President and Chief Executive Officer of the Company in July, 1999. David W. Warnes replaced Kenneth E. Berry as President of the Company in April, 1998.

(3) Reduced to 100,000 in February, 2000.

The following table discloses the particulars of stock options exercised during the last financial year by the Company's Chief Executive Officer and, if they earned more than CDN$ 100,000 per year, its four highest paid executive officers:

Aggregated Option/SAR Exercises
During the Most Recently Completed
Financial Year and Financial Year End Option/SAR Values

Name	Securities Acquired on Exercise (#)	Aggregate Value[1] Realized (CDN$)	Unexercised Options/SARs[2] at Financial Year End Exercisable / Unexercisable (#)	Value[1] of Unexercised in the Money Options/SARs[2] at Financial Year End Exercisable / Unexercisable (CDN$)
Reynaldo U. Ortiz[3] . . . . CEO	0	-	200,000[4] / 600,000[4]	280,000 / 840,000
David W. Warnes[3] . . . . Former CEO	0	-	183,333 / 166,667	1,231,665 / 663,335
Ian Watson . . . . Chairman	0	-	223,333 / 516,667	1,591,665 / 1,153,335

(1) Value is the product of the number of shares multiplied by the difference between the closing market price on the relevant date and the exercise price.

(2) The Company has not granted any SARs.

(3) W. Gordon Blankstein replaced Reynaldo U. Ortiz as President and Chief Executive Officer of the Company in January, 2000. Reynaldo U. Ortiz replaced David W. Warnes as President and Chief Executive Officer of the Company in July, 1999. David W. Warnes replaced Kenneth E. Berry as President of the Company in April, 1998.

(4) Reduced to an aggregate of 100,000 in February, 2000, all of which are exercisable.

See also "Options to Purchase Securities of the Company".

Indebtedness of Directors and Officers

None of the directors, executive officers or senior officers of the Company or persons who were directors, executive officers or senior officers of the Company at any time during the Company's last completed financial period ending December 31, 1998 and none of the associates of such persons are or have been indebted to the Company or its subsidiaries at any time since the beginning of the Company's last completed financial period except as set out in the following table. Furthermore, none of such persons were indebted to a third party during such period where their indebtedness was the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company or its subsidiaries. The aggregate indebtedness of all current and former directors, officers and employees to the Company and its subsidiaries is US$ 109,178 as at the date of this prospectus.

Table of Indebtedness
of Directors, Executive Officers and Senior Officers

Name and Principal Position	Involvement of Company or Subsidiary	Largest Amount Outstanding During Last Completed Financial Year (US$)	Amount Outstanding as at the date of this Prospectus (US$)
David W. Warnes Former President and CEO	Loan [1] (from Subsidiary)	109,178	109,178

(1) David W. Warnes, the President and Chief Executive Officer of Vitacom, was and is indebted to Vitacom in respect of a loan made to him by Vitacom prior to its acquisition by Global (see "Business — History — Acquisition of Vitacom Corporation from and Control by Global Light Telecommunications Inc."). The loan was made for the purchase of his residence in

California. It is secured by a second mortgage over his residence in England and is repayable on November 15, 2000 without interest.

DESCRIPTION OF SHARE AND DEBT CAPITAL

Share Capital

The authorized share capital of the Company consists of an unlimited number of Common Shares and an unlimited number of preferred shares (“Preferred Shares”).

Common Shares

All Common Shares, both issued and unissued, rank equally as to dividends, voting powers and distribution of assets upon liquidation, dissolution or winding-up of the Company. No Common Shares have been issued subject to call or assessment. There are no pre-emptive or conversion rights and no provisions for redemption, purchase for cancellation, surrender or sinking or purchase funds or amendment of the provisions attached to the Common Shares.

Preferred Shares

The Preferred Shares may be issued from time to time in one or more series, each consisting of a number of Preferred Shares determined by the Board of Directors of the Company. The Board may also fix the designations, rights, privileges, restrictions and conditions attaching to the shares of each series of Preferred Shares. With respect to payment of dividends and distribution of assets in the event of voluntary or involuntary liquidation, dissolution or winding-up of the Company or any other distribution of the assets of the Company among its shareholders for the purpose of winding-up its affairs, the Preferred Shares of each series shall rank equally with the Preferred Shares of every other series and shall be entitled to preference over the Common Shares.

In connection with the acquisition of a 50% interest in NAG in April, 1999 the Board of Directors of Highpoint created the Series I Preferred Shares as a series of the Preferred Shares. Each Series I Preferred Share is entitled to one vote at each meeting of holders of Common Shares. Each Series I Preferred Share shall be automatically converted into one Common Share on the fifth business day after the issuance of the receipts by the Alberta and Ontario Securities Commissions for the final version of this prospectus provided the Common Shares are then listed and posted for trading on a Senior Exchange. If such receipts are not issued on or before April 1, 2000 and the Common Shares are not listed and posted for trading on a Senior Exchange when such receipts are issued the holder of the Series I Preferred Shares may require the Company to redeem all of such shares for a redemption price of CDN$ 6.5925 (CDN$ 20,250,000 in the aggregate) per share plus all dividends accrued and unpaid thereon to the date of payment. If the Company fails to pay the amount required to redeem such shares within five business days it shall be obligated to transfer to the holder of such shares (provided it is Emily M. Aspell-Science or Adrian L. Science) all the shares of NAG owned by the Company in satisfaction of such redemption amount. The Series I Preferred Shares are entitled to dividends in priority to or at the same rate as dividends paid on Common Shares when declared by Highpoint’s directors. Upon a liquidation or winding-up of Highpoint the holders of the Series I Preferred Shares are entitled to a return of their paid up capital totalling CDN$ 20,250,000 in priority to a return of capital or distribution of assets to the holders of Common Shares. Once the holders of the Series I Preferred Shares and Common Shares have each received such amount they shall share equally in remaining assets of Highpoint.

In connection with the private placement of the UBS Debentures in February, 2000 the Board of Directors created the Series II Preferred Shares as a series of the Preferred Shares. Each Series II Preferred Share is entitled to one vote at each meeting of shareholders of Highpoint unless the holders of a class or series of shares is entitled to vote separately as a class or series. Each Series II Preferred Share is convertible into one Common Share. Each Series II Preferred Share is entitled to receive an equal dividend, payment or distribution whenever one is made on the Common Shares. The conditions attached to any series of the Preferred Shares and the Common Shares may not be deleted or amended without the prior written approval of the shareholders of the Series II Preferred Shares. The Series II Preferred Shares prevent Highpoint from creating or issuing any shares or rights to acquire shares ranking prior to or on parity with the Series II Preferred Shares in respect of return of capital, dividends or right of redemption without the prior written consent of the holders of the Series II Preferred Shares. The Series II Preferred Shares are entitled to be redeemed before any amount shall be paid or property of Highpoint distributed to the holders of the Common Shares or Preferred Shares (other than the Series I Preferred Shares).

Original and Exchanged Debentures - Series II

On August 18, 1999 the Company issued 50,010 Original Debentures at a price of US$ 1,000 each pursuant to a trust indenture entered into with Montreal Trust Company of Canada (the "Trustee"). The Company also entered into a trust indenture with the Trustee respecting the Exchanged Debentures (collectively the "Trust Indentures - Series II"). The debentures (Original and Exchanged) and the Trust Indentures have the following terms.

General

The debentures mature August 23, 2004.

The Original Debentures bear interest at the rate of 10% per annum for the first 180 days, at 11% per annum until the first anniversary of issuance and then at 10% per annum until maturity. The Exchanged Debentures bear interest at the rate of 10% per annum. Interest is payable in arrears on a semi-annual basis on May 1st and November 1st of each year commencing on November 1, 1999.

The Trust Indentures provide that the Company will not take any steps to approve or implement any of the following without the approval of an extraordinary resolution (being a resolution passed by holders of debentures representing greater than 25% of the outstanding principal where more than 66 2/3% of such debentures are voted in favour): a reclassification of the Common Shares at any time outstanding or change of the Common Shares into other shares; a consolidation, amalgamation or merger of the Company with or into any other corporation (other than a consolidation, amalgamation or merger which does not result in any reclassification of the outstanding Common Shares or a change of the Common Shares into other shares); a transfer of all or substantially all of the undertaking or assets of the Company to another person; an exchange of Common Shares into securities of another corporation; or a redemption or purchase any of its share capital from an affiliate. The Trust Indentures also provide that modification to them and the debentures may be made if authorized by an extraordinary resolution.

Conversion

The principal amount due under each debenture is convertible at the option of the holder into Common Shares at the US dollar equivalent (determined at the time of conversion) of CDN$ 11 per share. All accrued but unpaid interest on the debenture will be paid in cash. Partial conversions into Common Shares must be in increments of US$ 1,000.

The Trust Indentures provide for adjustments to the conversion price in certain events, including (i) the subdivision or consolidation of the outstanding Common Shares, (ii) the distribution of Common Shares to all or substantially all holders of Common Shares by way of a stock dividend or otherwise (other than an issue of Common Shares to holders of Common Shares in lieu of paying cash dividends paid in the ordinary course), (iii) the issuance of options, rights or warrants to all or substantially all holders of Common Shares entitling them to acquire Common Shares or other securities convertible into, or exchangeable for, Common Shares at a price per share less than 95% of the then current market price of the Common Shares and (iv) the distribution to all or substantially all holders of Common Shares of certain securities or assets, other than cash dividends and equivalent dividends in stock paid in lieu of cash dividends in the ordinary course.

No fractional Common Shares will be issued on any conversion. To the extent that a debenture holder would otherwise be entitled to receive a fraction of a Common Share on the conversion of a debenture such holder may exercise such right in respect of such fraction only in combination with another debenture or debentures which in the aggregate entitle the debenture holder to be issued a whole number of Common Shares. The Company will not be obligated to make any payment or adjustment in respect of such fraction of a share so disregarded.

Redemption

The debentures are redeemable by the Company on 30 days notice after February 18, 2001 provided the Common Shares have traded at a price equal to at least CDN$ 11 (or the US dollar equivalent if then trading in U.S. dollars), determined at the time of redemption, for not less than 20 consecutive trading days in the three months preceding the notice of redemption. No sinking fund has been established for the redemption of the debentures.

Exchange

The Original Debentures are exchangeable, without further payment or act of the debenture holder, for Exchanged Debentures in the same aggregate principal amount and having the same terms except the interest rate. The Exchanged Debentures shall be issued on the earlier August 18, 2000 or the issuance of the last receipt for this prospectus by the Alberta, British Columbia and Ontario Securities Commissions.

Security and Priority

The debentures are secured by a security interest in all present and after-acquired property of the Company and are subordinate to Senior Indebtedness and of all indebtedness arising under or secured by the Exchanged Debentures - Series I described below. "Senior Indebtedness" means the principal amount of and premium, if any, and interest on indebtedness of the Company (i) incurred in connection with a debt offering in a principal amount of not less than US$ 50,000,000 and having a term of not less than five years made on terms customary for such offerings (commonly referred to as "high yield offerings") by investment banking firms such as NationsBanc Montgomery Securities, Inc., J.P. Morgan & Co. Incorporated, Jeffries & Company, Inc. and PaineWebber Incorporated or (ii) borrowed from or due to commercial banks, equipment vendors or lessors or other financial institutions under a secured or unsecured line of credit, term loan or equipment lease or sale.

The debentures prevent the Company from granting any other security over its assets other than security in respect of Senior Indebtedness but do not prevent it from incurring other indebtedness.

Exchanged Debentures - Series I

On August 12, 1998 the Company issued 22,419 10% Convertible Exchangeable Debentures due 2003 (the "Original Debentures - Series I") at a price of US$ 1,000 each pursuant to a trust indenture entered into with the Trustee. The Company also entered into a trust indenture with the Trustee respecting 10% Convertible Debentures due 2003 (the "Exchanged Debentures - Series I") issuable in exchange for the Original Debentures - Series I. On August 12, 1999 a total of 22,069 Exchanged Debentures - Series I were issued in exchange for the Original Debentures - Series I (350 debentures having been converted into Common Shares). The debentures (Original and Exchanged - Series I) and the trust indentures have the same terms as the Original Debentures and Exchanged Debentures and the Trust Indentures for the Original and Exchanged Debentures except where noted below.

General

The Exchanged Debentures - Series I mature September 4, 2003.

The Exchanged Debentures - Series I bear interest at the rate of 10% per annum. Interest is payable in arrears on a semi-annual basis on February 1st and August 1st of each year.

Conversion

The principal amount due under each Exchanged Debenture - Series I is convertible at the option of the holder into Common Shares at the US dollar equivalent (determined at the time of conversion) of CDN$ 10.25 per share.

Redemption

The Exchanged Debentures - Series I are redeemable by the Company on 30 days notice after February 12, 2000 provided the Common Shares have traded at a price equal to at least CDN$ 10.25 (or the US dollar equivalent if then trading in U.S. dollars), determined at the time of redemption, for not less than 20 consecutive trading days in the three months preceding the notice of redemption.

Security and Priority

The Exchanged Debentures - Series I are secured by a security interest in all present and after-acquired property of the Company. They are subordinate to Senior Indebtedness but senior to all indebtedness arising under or secured by the Original and Exchanged Debentures.

The Exchanged Debentures - Series I prevent the Company from granting any other security over its assets other than security in respect of Senior Indebtedness but do not prevent it from incurring other indebtedness.

UBS Debentures

On February 10, 2000 the Company issued the two UBS Debentures in the aggregate principal amount of US$ 7,500,000. The debentures mature on August 10, 2001. The debentures do not bear any interest for the first 12 months then bear interest at the rate of 1% per month for the next six months. After maturity or default the debentures bear interest at the rate of 1.5% per month. Unless the conversion of the UBS Debentures are earlier qualified by the final version of this prospectus the principal and accrued interest secured by the debentures are convertible into Series II Preferred Shares after February 10, 2001, in either event, at the rate of US$ 8.33 per Series II Preferred Share.

Global guaranteed the repayment of the amount secured by the UBS Debentures and also agreed to repurchase the debentures if Global disposed of any material assets. In consideration of this guarantee Highpoint has agreed to issue to Global 60,000 Common Shares. As further security, Highpoint pledged all of the shares of AduroNet to the holders of the debentures. Highpoint, Global, Eclipse Ltd. (a subsidiary of Global) and the two placees also entered into a shareholders' agreement pursuant to which the holders of the UBS Debentures were granted certain rights of resale. Finally, the Company agreed to register the Common Shares issuable upon conversion of the Series II Preferred Shares under applicable United States securities laws following the expiry of 180 days from the issuance of the UBS Debentures on February 10, 2000.

Other Indebtedness

On December 21, 1999 the Company borrowed CDN$ 4,500,000 from Quest Ventures Ltd. of Vancouver, British Columbia. The loan matures on March 20, 2000 and carries interest at the rate of 12% per annum compounded monthly. The Company also agreed to pay the lender a fee of 10% of the principal amount of the loan. W. Gordon Blankstein, Vice-Chairman, President and Chief Executive Officer of the Company, guaranteed the loan and in consideration the Company agreed to issue 27,248 Common Shares to him.

The Company has not incurred any other indebtedness.

PRIOR SALES

The Company has issued the following Common Shares during the 12 months preceding the date of this preliminary prospectus:

Reason	Date	Number	Price (CDN$)
Acquisitions	August 27, 1999	1,912,411	8.50[1]
Exercise of stock options	March 1, 2000	8,668	5.20
	February 24, 2000	18,000	1.50
	February 18, 2000	5,000	1.50
	January 24, 2000	5,000	1.50
	January 20, 2000	500	5.20
	January 18, 2000	2,000	1.50
	January 17, 2000	28,000	1.50
	January 5, 2000	250	1.50
	November 18, 1999	3,000	1.50
	November 8, 1999	3,334	5.20
	September 27, 1999	3,000	1.50
	August 11, 1999	2,000	1.50
	July 14, 1999	50,000	1.50
	July 6, 1999	1,000	1.50
	July 5, 1999	3,000	1.50
	June 22, 1999	3,333	5.20
	June 10, 1999	15,000	1.50
	May 5, 1999	500	1.50
	April 28, 1999	2,000	1.50
	April 16, 1999	1,000	1.50
	April 15, 1999	2,000	1.50
	April 7, 1999	250	1.50
	March 18, 1999	100,000	1.50
Private placements	July 29, 1999	702,000	10.00
Exercise of share purchase warrants	March 3, 2000	250,000	8.50
	February 29, 2000	331,500	8.50
	February 28, 2000	3,000	8.50
	January 17, 2000	550,000	2.00
	July 8, 1999	235,000	2.00
	July 7, 1999	100,000	2.00
	July 2, 1999	65,000	2.00
	April 28, 1999	50,000	2.00
	March 19, 1999	100,000	2.00
Exercise of Special Warrants #1	February 12, 2000	2,017,300	8.00 [2]
Loan guarantees	September 13, 1999	64,197	8.10 [1]
	July 2, 1999	21,087	8.60 [1]
	July 2, 1999	23,312	8.15 [1]
Conversion of Original Debentures - Series I	March 2, 2000	550,936	10.25 [2]
	February 24, 2000	234,422	10.25 [2]
	February 10, 2000	483,000	10.25 [2]
	August 6, 1999	51,622	10.25 [2]

(1) Deemed issue price.

(2) Received on issue of original security which was converted into or exercised for the purchase of the Common Shares.

TRADING HISTORY

The Common Shares are listed and posted for trading on the CDNX. The following table sets forth the high and low sales prices and volume of trading for the Common Shares on the CDNX during the periods indicated:

Period	High	Low	Volume
1998			
1st Quarter(1)	CDN$ 0.84	CDN$ 0.63	131,500
2nd Quarter(2)	9.25	2.25	734,875
3rd Quarter	9.85	6.50	257,620
4th Quarter	9.00	6.05	184,815
1999			
1st Quarter	9.00	7.95	2,226,380
2nd Quarter	11.35	8.10	1,274,292
3rd Quarter	13.95	7.60	1,971,601
October	8.35	7.50	187,238
November	9.10	6.90	416,275
December	10.95	8.25	530,784
2000			
January	17.00	10.00	2,480,024
February	25.50	15.00	2,011,413
March	!	!	!

(1) Trading in the Common Shares was halted on February 4, 1998 pending Highpoint's reorganization and acquisition of an 80% interest in Vitacom.

(2) Trading in the Common Shares re-commenced on May 1, 1998.

The closing price of the Common Shares on the CDNX on ! , 2000 was CDN$! per share.

CAPITALIZATION

The Company's capitalization is set out in the following table.

Designation of Security	Amount Authorized	Amount Issued and Outstanding as at November 30, 1999 (unaudited)	Amount Outstanding as at February 29, 2000 (unaudited)	Amount to be Outstanding on completion of Offerings (unaudited)
Common Shares[1]	Unlimited	US$ 36,925,059 (24,058,190 shares)	US$ 54,520,975 (27,736,162 shares[2])	US$ 75,374,797 (32,244,536 shares[2])
Series I Preferred Shares[3]	3,100,000	CDN$ 20,250,000 (3,071,672 shares)	CDN$ 20,250,000 (3,071,672 shares)	0
Series II Preferred Shares[3]	1,000,000	0	0	US$ 7,500,000 (900,360 shares)
Special Warrants #1[4]	N/A	CDN$ 17,538,400 (2,192,300 special warrants)	CDN$ 1,400,000 (175,000 special warrants)	0
Special Warrants #2[5]	N/A	CDN$ 10,093,616 (1,261,702 special warrants)	CDN$ 10,093,616 (1,261,702 special warrants)	0
Exchanged Debentures, Series I[6]	US$ 30,000,000	US$ 22,069,000 (22,069 debentures)	US$ 16,986,000 (16,986 debentures)	US$ 16,986,000 (16,986 debentures)
Original Debentures, Series II[7]	US$ 60,000,000	US$ 50,010,000 (50,010 debentures)	US$ 50,010,000 (50,010 debentures)	0
Exchanged Debentures, Series II[7]	US$ 60,000,000	0	0	US$ 50,010,000 (50,010 debentures)
UBS Debentures[8]	US$ 7,500,000	0	US$ 7,500,000 (2 debentures)	0
Long Term Debt[9]				
• NAG	N/A	US$ 20,474,514	US$ 20,474,514[10]	US$ 20,474,514[10]
• Axxon	N/A	US$ 3,012,000	US$ 3,012,000[10]	US$ 3,012,000[10]
Additional Paid-in Capital	N/A	US$ 15,051,811	US$ 15,051,811[10]	US$ 15,051,811[10]
Deficit	N/A	US$ 98,016,000	US$ 112,172,000	US$ 112,172,000

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(1) See "Description of Share and Debt Capital — Common Shares".

(2) An additional 6,715,835 shares may be issued pursuant to outstanding options and warrants. See "Options to Purchase Securities of the Company".

(3) See "Description of Share and Debt Capital — Preferred Shares".

(4) See "Plan of Distribution — Second Offering".

[5] See “Plan of Distribution — Third Offering”.

[6] See “Description of Share and Debt Capital — Exchanged Debentures - Series I”.

[7] See “Description of Share and Debt Capital — Original and Exchanged Debentures - Series II”.

[8] See “Description of Share and Debt Capital — UBS Debentures”.

[9] See Note 10 of the financial statements forming a part of this prospectus.

[10] As at November 30, 1999.

OPTIONS TO PURCHASE SECURITIES OF THE COMPANY

The following persons hold options or warrants to purchase Common Shares or debentures convertible into Common Shares on the terms set out below:

Name & Number	No. of Shares or Principal Amount as at February 29, 2000	Exercise or Conversion Price (CDN$)	Expiry or Maturity Date	Market Value on Date of Grant (CDN$)	Market Value on Date of this Prospectus (CDN$)
Options:					
Executive Officers (3)	305,000	1.50	March 31, 2003	0.81[(1)]	!
(3)	250,000	5.20	May 27, 2003	5.20	!
(2)	300,000	7.40	November 15, 2003	8.20	!
(3)	850,000	9.10	June 22, 2004	9.10	!
	1,705,000				
Directors [(2)] (2)	140,000	1.50	March 31, 2003	0.81[(1)]	!
(1)	25,000	3.50	May 11,2003	3.60	!
(3)	205,000	5.20	May 27, 2003	5.20	!
(2)	300,000	7.40	November 15, 2003	8.20	!
(1)	350,000	9.10	June 22, 2004	9.10	!
	1,020,000				
Employees					
• Company (1)	2,000	1.50	March 31, 2003	0.81[(1)]	!
(4)	14,500	5.20	May 27, 2003	5.20	!
• Subsidiary (11)	147,333	5.20	May 27, 2003	5.20	!
(12)	132,500	8.25	November 24, 2003	8.50	!
	296,333				
Others					
• Thomas H. Moffet	25,000	9.20	August 12, 2003	9.10	!
• Reynaldo U. Ortiz	100,000	9.10	March 11, 2000	9.10	!
• Daniel I. O'Callaghan	50,000	9.10	March 11, 2000	9.10	!
	296,333				
Warrants:					
Placees (7)	400,000	2.00	May 21, 2000	4.45	!
(15)	1,682,800	8.50	March 19, 2001	8.55	!
(1)	175,000[(3)]	8.50	April 27, 2001	9.00	!
(25)	1,261,702[(3)]	8.50	June 16, 2001	8.80	!
	3,519,502				
Debentures:					
Placees (unknown)	US$ 16,986,000	10.25	September 4, 2003	9.40[(4)]	! [(4)]
Placees (69)	US$ 50,010,000	11.00	August 23, 2004	10.10[(4)]	! [(4)]
Placees (2)	US$ 7,500,000	12.00	August 10, 2001	17.75[(4)]	! [(4)]
	US$ 74,496,000				

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(1) At the time of granting these options and issuing these warrants the Common Shares were not trading pending the acquisition of an 80% interest in Vitacom. The market value shown is based the last closing price of the Common Shares on the CDNX on February 3, 1998.

(2) Directors who are not executive officers.

(3) To be issued upon conversion of Special Warrants.

(4) Market value of Common Shares.

PRINCIPAL HOLDERS OF SECURITIES

As of the date of this prospectus, the following table sets forth the number of shares owned of record or beneficially, directly or indirectly, by each person who owns more than 10% of the Common Shares or Series I Preferred Shares.

Name and Address	Type of Ownership	Number of Shares	Percentage of Class of Shares Now Outstanding [(1)]	Percentage of Common Shares on completion of Offerings[(1)]
Global Light Telecommunications Inc. . . . . 530 - 999 West Hastings Street Vancouver, British Columbia V6C 2W2	of record and beneficially	14,654,197 Common Shares	52.8%	45.4%
Emily M. Aspell-Science . . . . 38 Woodland Heights Toronto, Ontario M6S 2W4	of record and beneficially	3,071,672 Series I Preferred Shares	100%	9.5%

(1) Upon completion of these offerings assuming no debentures have been converted into Common Shares and no options or warrants to purchase Common Shares have been exercised.

Some of the shares owned by Global are held in escrow. See “Escrowed Shares”.

The directors and senior officers of the Company, as a group, own ! Common Shares representing ! % of the outstanding Common Shares, ! common shares of Global representing ! % of Global’s outstanding common shares and 5% of the outstanding shares of AduroNet.

PLAN OF DISTRIBUTION

This prospectus qualifies five separate distributions of the Company’s securities.

First Offering

The first distribution qualified by this prospectus is of 50,010 Exchanged Debentures to be issued in exchange for 50,010 outstanding Original Debentures. The Original Debentures were and the Exchanged Debentures will be issued under indentures made as of August 18, 1999, as amended, between the Company and the Trustee. See “Description of Share and Debt Capital — Original and Exchanged Debentures - Series II”.

The Original Debentures were sold to investors in August, 1999 in the principal amount of US$ 1,000 each by way of private placement under prospectus and registration exemptions of applicable securities legislation. CB Capital Corp. of Hamilton, Bermuda solicited subscriptions to purchase certain of the Original Debentures as the Company’s agent pursuant to an agreement dated as of July 26, 1999 (the “Debenture Agency Agreement”) with the Company. The Company also had an arrangement with Global Securities Corporation to act as the Company’s agent to solicit subscriptions to purchase certain of the Original Debentures. The Company paid its agents a commission of 7% (US$ 3,500,700 in the aggregate) of the selling price of the Original Debentures. The gross proceeds from the private placement were released to the Company on the closing of the private placement. No additional fees will be payable to the agents upon the issuance of the Exchanged Debentures.

The Exchanged Debentures shall be automatically exchanged for the Original Debentures on the earlier of August 18, 2000 and the third business day after the date of issuance of a receipt by each of the Alberta and British Columbia Securities Commissions for the final version of this prospectus. The Original Debentures are transferable subject to compliance with the policies of the CDNX and applicable securities legislation.

Under the Debenture Agency Agreement, CB Capital Corp. agreed to use its best efforts to cause Canaccord Capital Corporation (the "Agent") to execute the certificate to this prospectus in accordance with the *Securities Acts* of British Columbia, Alberta and Ontario. In addition, CB Capital Corp. is entitled to be reimbursed for its expenses in connection with the private placement and has been indemnified by the Company.

Second Offering

The second distribution qualified by this prospectus is of 175,000 Common Shares and 175,000 Ordinary Warrants #1 to be issued on the exercise or deemed exercise of 175,000 Special Warrants #1. The Common Shares and Ordinary Warrants #1 will be issued without additional payment by the holders of the Special Warrants #1. Each Ordinary Warrant #1 shall entitle the holder to purchase one Common Share at a price of CDN$ 8.50 on or before April 27, 2001.

The Special Warrants #1 were sold by way of private placement completed in two tranches - the first in March, 1999 and the second in April, 1999 - at a price of CDN$ 8.00 each for aggregate proceeds of CDN$ 17,538,400. CB Capital Corp. (then called "Canaccord International (L) Corporation") of Hamilton, Bermuda solicited subscriptions to purchase some of the Special Warrants #1 as the Company's agent pursuant to an agreement dated January 18, 1999 (the "First Special Warrant Agency Agreement") with the Company and received a commission of 7% (CDN$ 861,000). The Company also had an arrangement with Global Securities Corporation of Vancouver, British Columbia to act as the Company's agent to solicit subscriptions to purchase some of the Special Warrants #1 and it received a commission of 7% (CDN$ 366,888). The gross proceeds were released to the Company on the two closings of the private placement. No additional fees will be paid to the agents upon the exercise of Special Warrants #1. The first tranche of 2,017,300 Special Warrants #1 sold in March, 1999 for aggregate proceeds of CDN$ 16,138,400 have been converted into 2,017,300 Common Shares and 2,017,300 Ordinary Warrants #1, each warrant entitling the holder to purchase one Common Share at a price of CDN$ 8.50 on or before March 19, 2001. This prospectus qualifies the exercise or deemed exercise of the second tranche of 175,000 Special Warrants #1 sold in April, 1999 for proceeds of CDN$ 1,400,000.

The period for the exercise of the Special Warrants #1 expires on 4:00 p.m. (Vancouver time) on the earlier of March 22, 2000 and the fifth business day after the date of issuance of a receipt by each of the Alberta and British Columbia Securities Commissions for the final version of this prospectus. Any Special Warrants not exercised by such time shall be deemed to be exercised immediately prior thereto. The Special Warrants #1 are transferable subject to compliance with the policies of the CDNX and applicable securities legislation.

The Ordinary Warrants #1 shall not be transferable. The Ordinary Warrants #1 will contain, among other things, anti-dilution provisions and provisions for the appropriate adjustment of the class, number and price of Common Shares issuable pursuant to any exercise thereof upon the occurrence of certain events including any subdivision, consolidation or reclassification of the Common Shares, any amalgamation, merger or other reorganization of the Company or the payment of stock dividends. The Common Shares issuable upon the exercises of the Ordinary Warrants #1 will be issued pursuant to exemptions from the prospectus and registration requirements of applicable securities legislation.

If the Special Warrants #1 or Ordinary Warrants #1 are exercised before the issuance of a receipt for the final version of this prospectus by the Alberta and British Columbia Securities Commissions the Common Shares issuable on the exercise of the Special Warrants #1 and Ordinary Warrants #1 may be subject to a hold period and other restrictions upon transfer under applicable securities legislation until at least April 27, 2000.

Under the First Special Warrant Agency Agreement, CB Capital Corp. is entitled to be reimbursed for its expenses in connection with the private placement and has been indemnified by the Company.

Third Offering

The third distribution qualified by this prospectus is of 1,261,702 Common Shares and 1,261,702 Ordinary Warrants #2 to be issued on the exercise or deemed exercise of 1,261,702 Special Warrants #2. The Common Shares and Ordinary Warrants #2 will be issued without additional payment by the holders of the Special Warrants #2. Each Ordinary Warrant #2 shall entitle the holder to purchase one Common Share at a price of CDN$ 8.50 on or before June 16, 2001.

The Special Warrants were sold by way of private placement in June, 1999 at a price of CDN$ 8.00 each for aggregate proceeds of CDN$ 10,093,616. Global Securities Corporation acted as the agent and was paid a commission of 5% (CDN$ 504,681 in the aggregate). The gross proceeds were released to the Company on closing of the private placement. No additional fees will be paid to Global Securities Corporation upon exercise of the Special Warrants #2.

The period for the exercise of the Special Warrants #2 expires on 4:00 p.m. (Vancouver time) on the earlier of May 11, 2000 and the fifth business day after the date of issuance of a receipt by each of the Alberta and British Columbia Securities Commissions for the final version of this prospectus. Any Special Warrants not exercised by such time shall be deemed to be exercised immediately prior thereto. The Special Warrants #2 are transferable subject to compliance with the policies of the CDNX and applicable securities legislation.

The Ordinary Warrants #2 shall not be transferable. The Ordinary Warrants #2 will contain, among other things, anti-dilution provisions and provisions for the appropriate adjustment of the class, number and price of Common Shares issuable pursuant to any exercise thereof upon the occurrence of certain events including any subdivision, consolidation or reclassification of the Common Shares, any amalgamation, merger or other reorganization of the Company or the payment of stock dividends. The Common Shares issuable upon the exercises of the Ordinary Warrants #2 will be issued pursuant to exemptions from the prospectus and registration requirements of applicable securities legislation.

If the Special Warrants #2 or Ordinary Warrants #2 are exercised before the issuance of a receipt for the final version of this prospectus by the Alberta and British Columbia Securities Commissions the Common Shares issuable on the exercise of the Special Warrants #1 and Ordinary Warrants #2 may be subject to a hold period and other restrictions upon transfer under applicable securities legislation until at least June 16, 2000.

Fourth Offering

The fourth distribution qualified by this prospectus is of 3,071,672 Common Shares to be issued upon the conversion of 3,071,672 Series I Preferred Shares previously issued by the Company to Emily M. Aspell-Science in connection with its acquisition of a 50% interest in NAG. See “Acquisition of The North American Gateway Inc.” and “Description of Share and Debt Capital — Preferred Shares”.

Fifth Offering

The fifth distribution qualified by this prospectus is of 900,360 Series II Preferred Shares to be issued on the conversion of the UBS Debentures. The Series II Preferred Shares will be issued without any additional payment of the holders of the UBS Debentures. See “Description of Share and Debt Capital — UBS Debentures”.

The UBS Debentures were sold by way of private placement in February, 2000 in the aggregate principal amount of US$ 7,500,000. CB Capital Corp. acted as the agent and was paid a commission of 7% (US$ 525,000 in the aggregate). The gross proceeds were released to the Company on the closing of the private placement. No additional fees will be paid to CB Capital Corp. upon conversion of the UBS Debentures.

There is no market for the Series II Preferred Shares. If the UBS Debentures are converted before the issuance of a receipt for the final version of this prospectus by the Alberta and British Columbia Securities Commissions the Series II Preferred Shares issuable on the conversion of the UBS Debentures will be subject to a hold period and other restrictions upon transfer under applicable securities legislation until at least February 10, 2001.

No US Registration

The Original Debentures, Exchanged Debentures, Special Warrants #1 and #2, Series I and II Preferred Shares, Ordinary Warrants #1 and #2 and Common Shares have not been and will not be registered under the United States *Securities Act of 1933*, as amended (the “*U.S. Securities Act*”) and may not be offered or sold within the United States. No certificate evidencing any Original Debentures, Exchanged Debentures, Special Warrants #1 and #2, Series I Preferred Shares, Ordinary Warrants #1 and #2 or Common Shares will be delivered to any address in the United States except pursuant to exceptions for qualified U.S. institutional investors. In addition, until 40 days after the issuance of the Exchanged Debentures, Ordinary Warrants #1 and #2 or Common Shares qualified by this prospectus, an offer or sale of the Exchanged Debentures, Ordinary Warrants #1 and #2 or Common Shares issuable upon the exercise of the right of conversion of the Exchanged Debentures or Special Warrants #1 and #2 within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the *U.S. Securities Act.*

RISK FACTORS

The risks described in this section apply to Highpoint and the companies in which it has an interest unless specifically stated.

Development and Expansion Risk

The Company is in the early stages of its development. The expansion of the Company's business has involved and is expected to continue to involve acquisitions, which could divert the resources and management time of the Company and require integration with the Company's existing operations.

The Company's future performance will depend, in part, upon its ability to manage its growth effectively, which will require it to continue to implement and improve its operating, financial and accounting systems, to expand, train and manage its employee base and to effectively manage the integration of acquired businesses. These factors and others could adversely affect the expansion of the Company's customer base and service offerings. The Company's inability either to expand in accordance with its plans or to manage its growth could have a material adverse effect on its business, financial condition and results of operations.

Integration of Recent and Future Acquisitions Risk

A key element of the Company's business strategy is to acquire or make strategic investments in complementary assets and businesses and a major portion of the company's growth is as a result of such acquisitions. Acquisitions and strategic investments involve financial and operational risks. The Company may incur indebtedness in order to effect an acquisition and will need to service that indebtedness. An acquisition may not provide the benefits originally anticipated while the Company continues to incur operating expenses and debt service costs. There may be difficulty in integrating the service offerings, distribution channels and networks gained through acquisitions and strategic investments with those of the Company.

In a strategic investment where the Company acquires a minority interest in a corporation the Company may lack control over the operations and strategy of the business. Further the Company cannot guarantee that such lack of control will not interfere with the integration of services and distribution channels of the business with those of the Company. Although the Company attempts to minimize the risk of unexpected liabilities and contingencies associated with acquired businesses through planning, investigation and negotiation, such unexpected liabilities nevertheless may accompany such strategic investments and acquisitions.

The Company cannot guarantee it will successfully identify attractive acquisitions and strategic investments, complete and finance additional acquisitions on favourable terms, or integrate the acquired businesses or assets into the Company's business. The Company cannot guarantee that the integration of its business with any acquired corporation's business will be accomplished smoothly or successfully, if at all. If the Company encounters significant difficulties in the integration of the existing services or technologies or the development of new technologies, resources could be diverted from new service development and delays in new service introductions could occur. The Company cannot guarantee it will be able to take full advantage of the efforts of the combined sales forces. Successful integration of operations and technologies requires the dedication of management and other personnel which may distract their attention from the Company's day-to-day business, the development or acquisition of new technologies and the pursuit of other business acquisition opportunities.

Historical and Anticipated Future Operating Losses and Negative EBITDA Risk

The Company has incurred and expects to continue to incur operating losses and negative EBITDA while it expands its business and builds its customer base. The Company has incurred significant increases in expenses associated with these activities and there can be no assurance that an adequate customer base for any or all of its services will be achieved or sustained. There can be no assurance that the Company will achieve or sustain profitability or generate positive EBITDA. While expected operating loss carry-forwards will be available to offset the Company's future taxable incomes, the Company might not generate sufficient taxable income so as to utilize all or a substantial portion of such loss carry-forwards prior to their expiration.

Financing and Significant Capital Requirement Risk

The Company will require substantial additional financing to develop its business as planned and fund its ongoing operating expenses. Sources of financing may include public or private debt and equity financings, sales of assets or other financing arrangements. There can be no assurance that these offerings will be completed or, if completed, what will be the nature of or proceeds from the offerings. Failure to obtain such financings could result in the delay or abandonment of some or all of the Company's development and expansion plans and expenditures and could have a material adverse effect on the Company. Such failure could also limit the ability of the Company to make principal and interest payments on its indebtedness. The Company currently does not have any working capital or other credit facility under which it may borrow for working capital and other general

corporate purposes. There can be no assurance that such a facility will be available to the Company in the future or that if such a facility were available, that it would be available on terms and conditions acceptable to the Company.

Substantial Indebtedness Risk

The Company has incurred substantial indebtedness. Such level of indebtedness could have important consequences to its future prospects, including: (i) the ability of the Company to obtain any necessary financing for working capital, capital expenditures, debt service requirements or other purposes may be limited; (ii) a substantial portion of the Company's cash flow from operations, if any, must be dedicated to the payment of principal of and interest on its indebtedness and other obligations and will not be available for other purposes; (iii) the Company's level of indebtedness could limit its flexibility in planning for, or reacting to changes in, its business; (iv) the Company could become more highly leveraged than some of its competitors, which may place it at a competitive disadvantage; and (v) a high level of indebtedness will make the Company more vulnerable in the event of a downturn in its business.

Possible Inability to Service Debt Risk

There can be no assurance that the Company will be able to improve its EBITDA or that it will be able to meet its debt service obligations. As the Company does not currently have a revolving credit facility, if a shortfall occurs, alternative financing would be necessary in order for the Company to meet its liquidity requirements and there can be no assurance that such financing would be available. In such event, the Company could face substantial liquidity problems. Cash flow from operations may be insufficient to repay the Company's outstanding indebtedness in full at maturity, in which event such indebtedness would need to be refinanced. There can be no assurance that the Company will be able to effect such refinancing. The ability of the Company to meet its obligations and to effect such refinancing will be dependent upon, among other things, the future performance of the Company, which will be subject to prevailing economic, financial, business and other factors, some of which are beyond the control of the Company. Failure by the Company to meet its obligations could result in a default on its indebtedness which would permit the holders of substantially all of the Company's indebtedness to accelerate the maturity thereof.

Competition Risk

The long distance telecommunications industry is intensely competitive and significantly influenced by the marketing and pricing decisions of the larger industry participants. The industry has relatively limited barriers to entry in the less regulated countries with numerous entities competing for the same customers. Customers frequently change long distance providers in response to the offering of lower rates or promotional incentives by competitors. Generally, customers can switch carriers at any time. The Company will compete primarily on the basis of pricing, transmission quality, customer service and variety of services. The ability of the Company to compete effectively will depend on its ability to offer high quality services at prices generally equal to or below those charged by its competitors. The failure to do so may have an adverse effect on the Company's results of operations. Many of the Company's competitors are significantly larger than it and have substantially greater financial, personnel, technical, marketing and other resources than those of the Company. In addition, many of the Company's competitors have larger networks, a broader portfolio of services, ownership of their facilities and circuits, stronger name recognition and customer loyalty and long-standing relationships with the Company's target customers. Competitors include other private, public or state-owned telecommunications companies, microwave and satellite carriers, wireless telecommunications providers and private networks built by large end-users. Consolidation of telecommunications companies and the formation of strategic alliances within the telecommunications industry, as well as the development of new technologies, could give rise to significant new competitors to the Company. Also, recent and pending deregulation in various countries may encourage new entrants to compete with the Company, including Internet service providers, cable television companies and utilities.

As a recent entrant into the telecommunications services industry, the Company has not achieved and does not expect to achieve a significant market share for any of its services. There can be no assurance that the Company will be able to achieve or maintain significant revenue or compete effectively in any of its markets.

The international telecommunications industry is changing rapidly due to deregulation, privatization of incumbent (state monopoly) carriers, technological improvements, expansion of telecommunications infrastructure and the globalization of the word's economies. In addition, deregulation in any particular market may cause such market to change in an unexpected manner. The Company cannot guarantee that it will be able to compete effectively or adjust its contemplated plan of development to meet changing market conditions.

Deterioration in Relationships with Facilities-Based Carriers Risk

The Company utilizes transmission lines under a variety of lease arrangements with other facilities-based long distance carriers. Many of these carriers are, or may become, the Company's competitors. The Company's ability to maintain and expand its business is dependent upon whether the Company continues to maintain favourable relationships with the facilities-based carriers from which it leases transmission lines. If the Company's relationship with one or more of these carriers were to deteriorate or terminate, it could have a material adverse effect upon the Company's cost structure, service quality, network diversity, results of operations and financial condition. Moreover, the Company leases transmission lines from some vendors that currently are subject to tariff controls and other price constraints which in the future may be changed.

International Market Uncertainty Risk

A key element in the Company's business strategy is to expand in international markets. In many international markets, the existing incumbent carrier has certain advantages, including: controlling access to the local networks; enjoying better brand recognition and brand and customer loyalty; and having significant operational economies, including a larger backbone network and more foreign carrier agreements with other incumbent carriers and other service providers. Moreover, the incumbent carrier may take many months to allow competitors to interconnect to its switches. To achieve the Company's objective of pursuing growth opportunities in international markets, the Company may have to make significant investments for an extended period before returns, if any, on such investments are realized. The Company cannot guarantee that it will be able to obtain the permits and operating licenses required by it to operate its own transmission facilities or switches, obtain access to local transmission facilities, or market, sell and deliver competitive services in these markets. In addition, such permits and operating licenses, if the Company obtains them, may not be obtained in the time frame that the Company currently contemplates.

There are additional risks inherent in doing business on an international level which could materially and adversely impact the Company's operations. These risks may include unexpected changes in regulatory requirements, tariffs, customs, duties and other trade barriers, difficulties in staffing and managing foreign operations, problems in collecting accounts receivable, political risks, fluctuations in currency exchange rates, foreign exchange controls which restrict or prohibit repatriation of funds, technology export and import restrictions or prohibitions, delays from customs brokers or government agencies, seasonal reductions in business activity during the summer months and holiday periods and potentially adverse tax consequences resulting from operating in multiple jurisdictions with different tax laws.

Potential Adverse Effects of Regulation Risk

Regulation of the telecommunications industry is changing rapidly, both domestically and internationally. Although the Company believes that deregulation efforts will create opportunities for the Company, they also present risks, which could have a material adverse effect on the Company's business.

As a multinational telecommunications company, the Company is subject to varying degrees of regulation in each of the jurisdictions in which it provides its services. Local laws and regulations and the interpretation of such laws and regulations, differ significantly among the jurisdictions in which the Company operates. Future regulatory, judicial, legislative and government policy changes may have a material adverse effect on the Company and domestic or international regulators or third parties may raise material issues with regard to the Company's compliance or non-compliance with applicable regulations, which may have a material adverse impact on the Company's competitive position, growth and financial performance.

In countries that enact legislation to deregulate the telecommunications sector or that have made commitments to open their markets to competition under the World Trade Organization Agreement there may be significant delays in the adoption of implementing regulations and uncertainties as to the implementation of the deregulatory programs which could delay or make the Company's entry into such additional markets more expensive. In some countries, regulators may make subjective judgments in awarding licenses and permits and the Company may be excluded from such markets without any legal recourse. If the Company is able to gain entry into such a market, it cannot assure that it will be able to provide a full range of services in such market. In addition, the Company may have to significantly modify its operations to comply with changes in the regulatory environment in such markets.

Possible Redemption of Series I Preferred Shares

If receipts for the final version of this prospectus are not issued on or before April 1, 2000 and the Common Shares are not listed and posted for trading on a Senior Exchange when such receipts are issued the holder of the Series I Preferred Shares may give the Company notice requiring it to redeem (in not less than 30 days from such notice) all of such shares for an aggregate redemption price of CDN$ 20,250,000 plus all dividends accrued and unpaid thereon. If the Company does not pay the amount required to redeem the Series I Preferred Shares it shall be obligated to transfer to holder of such shares (provided it is Emily M. Aspell-Science or Adrian L. Science) all the shares of NAG owned by Highpoint in satisfaction of such redemption amount. The loss of the Company's interest in NAG could have a material adverse effect on the Company's financial results.

Non-Completion and Viability of the Vine Network Risk

The Company's ability to achieve its strategic objectives will depend, in large part, upon the successful, timely and cost-effective completion of Vine's proposed pan-European, high capacity, fibre optic network and Vine's ability to operate, manage and maintain the network. Although the Company believes that the cost estimates and build-out schedule relating to the network are reasonable, there can be no assurance that the actual construction and acquisition costs or time required to complete the network will not substantially exceed current estimates. Any significant cost over-run or delay in completing or the Company's inability to complete (as a result of the lack of adequate financing or otherwise) the network will have a material adverse effect on the Company. In addition, the Company cannot guarantee that it will generate sufficient traffic to economically utilize the capacity of the network. The Company also cannot guarantee that it will be able to successfully complete the financing and procurement process required to commence development of the network.

Need to Adapt to Technological Change Risk

The telecommunications industry is experiencing rapid technological evolution. New products and service offerings are being introduced. Satellite and undersea cable transmission capacity is increasingly available for services similar to those that the Company provides. There is no assurance that the Company will anticipate or appropriately respond to such developments. Potential developments that could adversely affect the Company include improvements in transmission equipment, development of switching technology allowing simultaneous voice, data and video multimedia transmission and commercial availability of competitively priced Internet-based domestic and international switched voice, data and video services. The Company's profitability will depend on its ability to anticipate, assess and adapt to rapid technological changes and to offer, on a timely and cost-effective basis, services that meet evolving industry standards. The Company cannot guarantee that it will be able to assess or adapt to such technological changes at a competitive price, maintain competitive services or obtain new technologies on a timely basis or on satisfactory terms.

Malfunctions in Existing Information Systems or Delays in Implementing New Ones Risk

To bill the Company's customers, the Company must record and process massive amounts of data quickly and accurately. The Company believes that its management information systems will have to grow as its business expands and change as new technological developments occur. The Company believes that the successful implementation and integration of new information systems and backroom support will be important to its ability to develop and grow its business, monitor and control costs, bill its customers accurately and in a timely fashion and achieve operating efficiencies. The Company cannot guarantee that it will avoid delays or cost overruns and it may suffer adverse consequences in implementing these systems. Any such delay or other malfunction of the Company's management information systems could have a material adverse effect on the Company's business, financial condition and results of operations.

Dependence on Key Personnel Risk

The Company depends upon the efforts of its management team and its key technical, marketing and sales personnel. If the Company loses the services of one or more of these key individuals, the Company's business and its future prospects could be materially and adversely affected. The Company's future success will also depend on its ability to attract and retain additional key management and technical and sales personnel required in connection with the growth and development of its business. The competition to hire qualified employees and personnel in the telecommunications industry is intense, particularly in markets outside of the United States of America and there are a limited number of persons with knowledge of and experience in particular sectors of the telecommunications industry. The Company cannot guarantee that it will be successful in attracting and retaining such executives and personnel.

Commencement of Comprehensive Marketing Effort Risk

The Company has not begun a comprehensive marketing effort in respect of its telecommunications services and has generated limited revenue. Even when the Company begins to actively market its products and services, there can be no assurance that it will be able to attract new customers or retain existing customers.

Dependence on Key Customers Risk

As the Company builds its business the loss of, or decrease of business from, one or more significant customers of the Company could have a material adverse effect on its business, financial condition and results of operations.

Variability of Quarterly Operating Results Risk

As a result of the limited revenues and significant expenses associated with the expansion and development of its network and services, the Company anticipates that its operating results could vary significantly from period to period.

Shareholder Conflicts Risk

The Company has invested and may invest further monies in NAG, Vine, Axxon and AduroNet. There is a risk that other shareholders in or directors of these companies may have economic, legal or other interests or objectives that are inconsistent with those of the Company. There can be no assurance that conflicts between shareholders of these companies will not arise and, if they do, that they will be resolved in the Company's best interests.

Potential Anti-Takeover Provisions Risk

The Company's Board of Directors has the authority, without any further vote or action by the Company's shareholders, to issue Preferred Shares, in one or more series and to determine the designations, powers, preferences and relative, participating, optional or other rights thereof, including without limitation, the dividend rate (and whether dividends are cumulative), conversion rights, voting rights, rights and terms of redemption, redemption price and liquidation preference. Although the Company has no current plans to issue any other Preferred Shares, the rights of the holders of Common Shares would be subject to and may be adversely affected by, the rights of the holders of any Preferred Shares that may be issued in the future. Issuance of Preferred Shares could have the effect of delaying, deterring or preventing a change in control of the Company, including the imposition of various procedural and other requirements that could make it more difficult for holders of Common Shares to effect certain corporate actions, including the ability to replace incumbent directors and to accomplish transactions opposed by the incumbent Board of Directors.

No Resale Market Risk

There is no market available for the resale of the Exchanged Debentures, Ordinary Warrants and Series II Preferred Shares.

Minority Shareholder Risk

Upon completion of these offerings and assuming no Common Shares are issued from the exercise of outstanding options or warrants or conversion of debentures ! % of the Common Shares then outstanding will be owned by the public as compared to ! % that will then be owned by the promoter, insiders and control persons of the Company and by the Agent.

Currency Risk

A significant portion of the Company's net revenue and expenses is denominated and is expected to continue to be denominated in currencies other than Canadian or United States dollars. Changes in exchange rates may have a significant effect on the Company's results of operations. Historically, the Company has not engaged in hedging transactions. It currently does not contemplate engaging in hedging transactions to mitigate foreign exchange risk.

On January 1, 1999, the 11 member countries of the European Economic Union established fixed conversion rates between their national currencies and the "euro". At that time, the euro began trading on currency exchanges and became usable for non-cash transactions. However, traditional currencies will continue to be used until at least January 1, 2002. Given the extent of the Company's current and expected services in continental Europe and the nature of those services, the Company currently does not expect euro conversion to have a material impact on operations or cash flows. However, uncertainties exist as to the effects of euro

conversion on certain European customers and on the economies of the participating countries. Conversion to the euro will also cause a better ability to compare prices in different countries which may negatively impact pricing strategies in different participating countries. The Company plans to continue to evaluate the impact of conversion to the euro on the Company's computer and financial systems, business processes, market risk and price competition.

Year 2000 Compliance Risk

Due to certain computer hardware and software using two rather than four digits to define the applicable year it is possible, on the arrival of the year 2000, that such hardware or software could interpret the date as January 1, 1900 instead of January 1, 2000. It is also possible that such hardware or software could fail to recognize 2000 as a leap year. As a result, such computers could create erroneous data or completely fail to operate. Whether a computer or computer software has the ability to operate properly on and after the year 2000 is commonly referred to as "Year 2000 Compliance" or "Y2K Compliance".

The Company does not believe that it will have any material problems with Year 2000 Compliance in its internal administrative and operational activities since:

- all of the computer hardware and software utilized by the Company is new, widely utilized and claimed to be year 2000 compliant; and

- the low number of transactions carried out by the Company will likely permit any failures to be quickly eliminated through the replacement of hardware or software or through other forms of manual intervention, none of which is expected to be material to the Company.

The Company has not investigated the Year 2000 Compliance of the computer systems of its partners, suppliers, contractors and operators principally due to its belief that any impact from the failure of their systems would not have a material adverse impact on the Company. The Company has also not investigated the Year 2000 Compliance of the telecommunications networks into which the Company may be connected.

Sales of the Common Shares in the Public Market Risk

Future sales of the Common Shares in the public market or the perception that these sales may occur could lower the price of the Common Shares and impair the Company's ability to raise funds in new securities offerings. Upon completion of these offerings, the Company will have a significant number of Common Shares outstanding and issuable upon exercise of outstanding options and warrants (with additional Common Shares issuable upon conversion of outstanding debentures). Although a portion of these shares are subject to statutory or other hold periods or are escrowed and, accordingly, may not be sold publicly, a significant percentage of these shares are freely tradeable immediately after completion of these offerings. In addition, the Company may issue additional Common Shares in the future as consideration for the Company's investments.

Limited Trading Market for the Common Shares Risk

Since current management took over the affairs of the Company there has been limited trading in the Common Shares. There can be no assurance, that following these offerings, an active trading market for the Common Shares will be maintained. Historically, the market prices for securities of emerging companies in the telecommunications industry have been highly volatile. After completion of these offerings, various factors and events may cause the market price of the Common Shares to fluctuate significantly. Such factors and events include the liquidity of the market for the Common Shares, variations in the Company's quarterly operating results, regulatory or other changes (both domestic and international) affecting the telecommunications industry generally, the Company's announcements or the Company's competitors' announcements of business developments, the Company's adding of customers in connection with acquisitions, changes in the cost of long distance service or other operating costs and changes in general market conditions.

DILUTION

Holders of the Special Warrants and Series I Preferred Shares will suffer immediate dilution with respect to the effective offering price per Common Share acquired compared to the net tangible book value per Common Share after giving effect to the five offerings. The following table sets forth the dilution per Common Share at November 30, 1999 based on the balance sheet of the Company as at that date and calculated using the total of all issued and outstanding Common Shares after giving effect to the issuance of the Common Shares from the five offerings.

	After Issuance of the Common Shares	
	Second and Third Offerings	**Fourth Offering**
Price per Common Share	US$ 5.36[1] (CDN$ 7.99[1])	US$ 4.40 (CDN$ 6.5925)
Net tangible book value per Common Share as at November 30, 1999 before giving effect to the offerings	($ 4.05)	($ 4.05)
Increase in net tangible book value per Common Share attributable to the offerings	$ 0.22	$ 0.45
Net tangible book value per Common Share as at November 30, 1999 after giving effect to the offerings	($ 3.84)	($ 3.60)
Dilution to subscribers	$ 9.20	$ 8.00
Percentage of dilution in relation to the offering price	100%[2]	100%[2]

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(1) Represents CDN$ 8.00 per Special Warrant, less CDN$ 0.01 attributable to each Ordinary Warrant.

(2) Rounded down to 100% since dilution cannot exceed 100%.

ESCROWED SHARES

In accordance with the policies of the ASE and the Alberta Securities Commission (the "ASC") a total of 12,000,000 Common Shares beneficially owned by Global were originally placed in escrow with the Company's registrar and transfer agent, Montreal Trust Company of Canada of Vancouver, British Columbia, subject to the direction or determination of the CDNX (as to 10,000,000 shares of which 3,333,333 shares were released on June 3, 1999) and the ASC (as to 2,000,000 shares of which none have been released). The escrow restrictions provide that the shares may not be sold, assigned, pledged, traded within escrow, dealt with in any manner whatsoever or release, nor may the Company or its registrar and transfer agent make any transfer or record any trading of shares without the consent of the CDNX or ASC, as the case may be. Of these shares, 10,000,000 were or will be automatically released from escrow on the basis of one-third thereof on each of May 20, 1999, 2000 and 2001 and 2,000,000 shares will be released from escrow (upon application by the Company and written consent of the ASC) on the basis of one-third thereof on or after each of December 5, 1998, 1999 and 2000. The remaining shares currently held in escrow are set out in the following table.

Designation of Class	Number of Shares held in Escrow	Percentage of Class
Common Shares	8,666,667	31.2[1]

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(1) Following the issuance of the Common Shares upon the exercise or deemed exercise of the Special Warrants #1 and 2, but before the issuance of any Common Shares pursuant to the exercise of any share purchase warrants or stock options, the percentage of escrowed shares will be 26.9%.

DIVIDEND POLICY

The Company has not, since its incorporation, paid any dividends on any of its shares. The Company does not presently have any intention of pay dividends, but the future dividend policy will be determined by its Board of Directors on the basis of earnings, financial requirements and other relevant factors.

PROMOTER

Global may be considered to be the promoter of the Company in that it took the initiative in substantially reorganizing the Company. The promoter has acquired from the Company the following securities of the Company.

Date	Number	Type	Issue or Exercise Price (CDN$)	Reason
September 13, 1999	64,197	Common Shares	8.10 (deemed)	Loan Guarantee
August 27, 1999	1,590,000	Common Shares	8.50 (deemed)	Axxon Acquisition
May 20, 1999	10,000,000	Common Shares	1.00 (deemed)	Vitacom Acquisition

The Company acquired its interest in Vitacom and Axxon from Global in partial consideration of such Common Shares. See "Business — History — Acquisition of Vitacom Corporation from and control by Global Light Telecommunications Inc." and "Business — Axxon Holding Company B.V. — Acquisition by Highpoint Telecommunications Inc.". Global purchased a further 2,000,000 Common Shares (which are held in escrow) from previous management of the Company. See "Escrowed Shares".

MATERIAL CONTRACTS

The only material contacts which the Company has entered into during the past two years are as follows:

1. Asset Purchase Agreement dated September 1, 1999 in respect of the Company's disposition of certain assets respecting Vitacom's VSAT IP technology to NeTrue Communications, Inc. See "Business — History — Divestiture of International Carrier and Satellite Operations".

2. Stock Purchase Agreement dated October 4, 1999 in respect of the Company's disposition of substantially all of its assets related to its wholesale carrier operations and satellite communications facilities and operations located in and operated from Mountain View, California and Denver, Colorado to eGlobe, Inc. See "Business — History — Divestiture of International Carrier and Satellite Operations".

3. Share Purchase Agreement dated January 1, 1999 in respect of the Company's acquisition of a 50% interest in NAG. See "Business — The North American Gateway Inc. — Share Purchase Agreement".

4. Shareholders' Agreement dated January 1, 1999 in respect of NAG. See "Business — The North American Gateway Inc. — Share Purchase Agreement".

5. Private Placement Subscription Agreement dated July 31, 1999 in respect of the Company's acquisition of US$ 8,000,000 of NAG shares. See "Business — The North American Gateway Inc. — Subsequent Funding".

6. Share Purchase Agreements dated October 19, 1999, February 22, 1999 and September 23, 1999 with Axxess, Global and Sonera, respectively, in respect of the Company's acquisition of Axxon. See "Business — Axxon Holding Company B.V. — Acquisition by Highpoint Telecommunications Inc.".

7. Guarantee dated December 22, 1999 in respect of the Nortel Networks plc credit facility. See "Business — Axxon Holding Company B.V. — Nortel Networks plc Credit Facility".

8. Contributions Deed dated December 22, 1999 in respect of the Nortel Networks plc credit facility. See "Business — Axxon Holding Company B.V. — Nortel Networks plc Credit Facility".

9. Deed of Subordination dated December 22, 1999 in respect of Nortel Networks plc credit facility. See "Business — Axxon Holding Company B.V. — Nortel Networks plc Credit Facility".

10. Security Deed dated December 22, 1999 in respect of Nortel Networks plc credit facility. See "Business — Axxon Holding Company B.V. — Nortel Networks plc Credit Facility".

11. Framework Agreement dated February 25, 2000 in respect of the KAST Telecom S.A. joint venture. See “Business — Axxon Holding Company B.V. — Proposed Joint Venture with KAST”.

12. Share Purchase Agreement Relating to Pilot Limited dated November 4, 1999 and Founders Letter Agreement dated October 8, 1999 in respect of the Company’s acquisition of an interest in Vine. See “Business — Vine Telecom Limited — Acquisition by Highpoint Telecommunications Inc.”.

13. Share Purchase Agreement dated February 10, 2000 in respect of the Company’s acquisition of a 38% interest in AduroNet. See “Business — AduroNet Limited — Acquisition by Highpoint Telecommunications Inc. and Financing”.

14. Services Agreement dated April 1, 1999 with Highpoint Telecom Limited and assignment agreement dated February 8, 2000 with Highpoint Carrier Services Europe Ltd. in respect of the remuneration of Ian Watson. See “Description of Executive Compensation — Employment and Consulting Agreements”.

15. Trust Indentures dated August 18, 1999 in respect of the Original Debentures and Exchanged Debentures. See “Description of Share and Debt Capital — Original and Exchanged Debentures - Series II”.

16. Agency Agreement dated July 30, 1998 with Canaccord International (L) Corporation and subscription agreements dated August 12, 1998, pursuant to which the Original Debentures - Series I were issued. See “Description of Share and Debt Capital — Exchanged Debentures - Series I”.

17. Trust Indenture dated August 18, 1998 in respect of the Exchanged Debentures, Series I. See “Description of Share and Debt Capital — Exchanged Debentures - Series I”.

18. Shareholder’s Agreement dated February 10, 2000 in respect of the UBS Debentures. See “Description of Share and Debt Capital — UBS Debentures”.

19. Registration Rights Agreement dated February 10, 2000 in respect of the registration of the Common Shares issuable on conversion of the Series II Preferred Shares. See “Description of Share and Debt Capital — UBS Debentures”.

20. Option Agreements, warrants and debentures referred to under “Options to Purchase Securities of the Company”.

21. Debenture Agency Agreement dated July 26, 1999 with CB Capital Corp. and subscription agreements dated August 18, 1999, pursuant to which the Original Debentures were issued. See “Plan of Distribution — First Offering”.

22. First Special Warrant Agency Agreement dated January 18, 1999 with Canaccord International (L) Corporation and subscription agreements dated March 19 and April 27, 1999 pursuant to which the Special Warrants #1 were issued. See “Plan of Distribution — Second Offering”.

23. Subscription agreements dated June 23, 1999 pursuant to which the Special Warrants #2 were issued. See “Plan of Distribution — Third Offering”.

24. Securities Purchase Agreement dated February 10, 2000 pursuant to which the UBS Debentures were issued. See “Description of Share and Debt Capital — UBS Debentures”.

25. Escrow Agreements dated June 24, 1996 (as to 2,000,000 Common Shares) and April 30, 1998 (as to 10,000,000 Common Shares) with Montreal Trust Company of Canada. See “Escrowed Shares”.

Material contracts may be inspected during the period of distribution of the securities being offered under this prospectus and for 30 days thereafter at the offices of the Company, Suite 530, 999 West Hastings Street, Vancouver, British Columbia, Canada, during normal business hours.

AUDITORS AND REGISTRAR AND TRANSFER AGENT

The auditors for the Company are KPMG LLP, Chartered Accountants, of North Tower, Suite 400, 5811 Cooney Road, Richmond, British Columbia, Canada.

The registrar and transfer agent for the Company is Montreal Trust Company of Canada, 510 Burrard Street, Vancouver, British Columbia, Canada and of Suite 600, 530 - 8th Avenue S.W., Calgary, Alberta, Canada.

LEGAL MATTERS

The Company is not a party with respect to any legal proceedings and no legal proceeding against the Company are contemplated.

Certain legal matters relating to the distribution of the securities pursuant to this prospectus will be passed upon by O'Neill & Company of Vancouver, British Columbia, Canada on behalf of Highpoint.

OTHER MATERIAL FACTS

Highpoint owns 500,000 shares of Pickle Crow Resources Inc. ("Pickle Crow") (to be renamed NeTrue Communications Inc.) acquired at a price of US$ 5.00 per share pursuant to a private placement offering made by Pickle Crow in December, 1999. Pickle Crow is in the process of acquiring NeTrue Communications, Inc. pursuant to a reverse take-over transaction. Pickle Crow is a public company the shares of which are traded on the CDNX and which has certain common directors with Highpoint, Global and NeTrue.

There are no material facts relating to the offering of securities under this Prospectus other than as disclosed herein.

PURCHASERS' STATUTORY RIGHTS

Securities legislation in several of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, securities legislation further provides a purchaser with remedies for rescission or, in some provinces, damages where the prospectus or any amendment contains a misrepresentation or is not delivered to the purchaser if such remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal advisor.

CONTRACTUAL RIGHT OF ACTION FOR RECISSION

If a holder of a Special Warrant acquires Common Shares and Ordinary Warrants, a holder of an Original Debenture acquires an Exchanged Debenture or a holder of UBS Debenture acquires Series II Preferred Shares or Common Shares and, upon the exercise of the Special Warrant or exchange of the Original Debenture or UBS Debenture, is or becomes entitled under applicable securities legislation to the remedy of recission by reason of this prospectus or any amendment hereto containing a misrepresentation, such holder shall be entitled to rescission not only of the holder's exercise of its Special Warrant, Original Debenture or UBS Debenture but also of the private placement transaction pursuant to which the Special Warrant, Original Debenture or UBS Debenture was initially acquired and shall be entitled in connection with such rescission to a full refund of all consideration paid to the Company on the acquisition of the Special Warrant, Original Debenture or UBS Debenture. If such holder is a permitted assignee of the interest of the original Special Warrant, Original Debenture or UBS Debenture subscriber, such permitted assignee shall be entitled to exercise the rights of rescission and refund granted hereunder as if such permitted assignee was such original subscriber. The foregoing is in addition to any other right or remedy available to a holder of a Special Warrant, Original Debenture or UBS Debenture under section 131 of the *Securities Act* (British Columbia), section 168 of the *Securities Act* (Alberta), section 130 of the *Securities Act* (Ontario) and comparable provisions of other applicable securities legislation or otherwise at law.

AUDITORS' REPORT TO THE DIRECTORS

We have audited the consolidated balance sheets of Highpoint Telecommunications Inc. as at December 31, 1998 and 1997 and the consolidated statements of operations and deficit and cash flows for the years ended December 31, 1998 and 1997 and the nine months ended December 31, 1996. These 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, 1998 and 1997 and the results of its operations and its cash flows for the years ended December 31, 1998 and 1997 and the nine months ended December 31, 1996 in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Vancouver, Canada
April 30, 1999, except as to note 24 which is as of March •, 2000

REVIEW ENGAGEMENT REPORT

We have reviewed the consolidated balance sheet of Highpoint Telecommunications Inc. as at November 30, 1999 and the consolidated statements of operations and deficit and cash flows for the eleven months ended November 30, 1999 and 1998. Our reviews were made in accordance with Canadian generally accepted standards for review engagements and accordingly consisted primarily of inquiry, analytical procedures and discussion related to information supplied to us by the Company.

A review does not constitute an audit and consequently we do not express an audit opinion on these consolidated financial statements.

Based on our review, nothing has come to our attention that causes us to believe that these consolidated financial statements are not, in all material respects, in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Vancouver, Canada
February 28, 2000

HIGHPOINT TELECOMMUNICATIONS INC.
Consolidated Balance Sheets
(Expressed in thousands of United States Dollars)

	November 30,	December 31,	
	1999	1998	1997
	(Unaudited)		
Assets			
Current assets			
Cash and cash equivalents	$ 6,335	$ 1,385	$ 486
Accounts receivable	12,403	2,662	2,780
Inventory (note 6)	–	870	701
Prepaid expenses and other current assets	2,060	621	326
Due from related parties (note 7)	1,270	193	584
	22,068	5,731	4,877
Capital assets (note 8)	43,343	9,145	1,233
Other assets (note 9)	59,417	12,831	297
	$ 124,828	$ 27,707	$ 6,407
Liabilities and Shareholders' Equity (Deficiency in Assets)			
Current liabilities			
Accounts payable and accrued liabilities	$ 42,893	$ 12,817	$ 3,642
Current portion of long-term debt (note 10)	13,382	1,920	–
	56,275	14,737	3,642
Long-term debt (note 10)	11,162	1,367	–
Convertible debentures (note 11)	56,592	17,387	–
Shareholders' equity (deficiency in assets)			
Share capital (note 12)	36,925	20,005	8,721
Preferred shares, series 1 (note 12)	13,510	–	–
Special warrants (note 12)	17,087	–	–
Convertible debentures (note 11)	16,918	5,262	–
Additional paid-in capital (note 13)	15,052	15,052	15,052
Cumulative translation adjustment	(677)	9	–
Deficit	(98,016)	(46,112)	(21,008)
	799	(5,784)	2,765
Future operations (note 2)			
Commitments and contingencies (notes 5, 15 and 23)			
Subsequent events and proposed transactions (note 24)			
	$ 124,828	$ 27,707	$ 6,407

See accompanying notes to consolidated financial statements.

On behalf of the Board:

[signed] W. Gordon Blankstein Director [signed] Donald D. MacFayden Director

HIGHPOINT TELECOMMUNICATIONS INC.
Consolidated Statements of Operations and Deficit
(Expressed in thousands of United States Dollars, except per share amounts)

	Eleven months ended November 30,		Years ended December 31,		Nine months ended December 31,
	1999	1998	1998	1997	1996
	(Unaudited)	(Unaudited)			
Revenues	$ 45,629	$ 7,314	$ 7,825	$ 4,408	$ 3,150
Expenses					
Amortization	14,105	8,031	8,835	1,113	766
Direct cost of revenues	45,250	7,475	7,675	3,963	3,136
Engineering and development	3,825	724	670	538	280
General, administrative and other	28,310	8,519	10,418	458	704
Selling and marketing	3,371	881	530	645	769
	94,861	25,630	28,128	6,717	5,655
Loss from operations	(49,232)	(18,316)	(20,303)	(2,309)	(2,505)
Other income (expense)					
Interest expense on long-term debt and convertible debentures	(8,196)	(703)	(767)	(416)	(720)
Other	741	(547)	–	–	(1,623)
Gain on reduction of ownership in subsidiary (note 14)	606	–	–	–	–
	(6,849)	(1,250)	(767)	(416)	(2,343)
Loss before undernoted	(56,081)	(19,566)	(21,070)	(2,725)	(4,848)
Income taxes (note 18)	27	(94)	(102)	(48)	1,736
Loss before non-controlling interest	(56,054)	(19,660)	(21,172)	(2,773)	(3,112)
Non-controlling interest	2,409	–	–	–	–
Loss from continuing operations	(53,645)	(19,660)	(21,172)	(2,773)	(3,112)
Earnings (loss) from discontinued operations (note 22)	1,741	(3,777)	(3,932)	(2,827)	(2,485)
Net loss	(51,904)	(23,437)	(25,104)	(5,600)	(5,597)
Deficit, beginning of period	(46,112)	(21,008)	(21,008)	(15,408)	(9,811)
Deficit, end of period	$ (98,016)	$ (44,445)	$ (46,112)	$ (21,008)	$ (15,408)
Loss per share (note 17)					
From continuing operations	$ (2.46)	$ (1.27)	$ (1.33)	$ (0.42)	$ (0.97)
After discontinued operations	$ (2.38)	$ (1.51)	$ (1.57)	$ (0.85)	$ (1.75)

See accompanying notes to consolidated financial statements.

HIGHPOINT TELECOMMUNICATIONS INC.
Consolidated Statements of Cash Flows
(Expressed in thousands of United States Dollars)

	Eleven months ended November 30,		Years ended December 31,		Nine months ended December 31,
	1999	1998	1998	1997	1996
	(Unaudited)	(Unaudited)			
CASH PROVIDED BY (USED IN)					
Operations					
Net loss from continuing operations	$ (53,645)	$ (19,660)	$(21,172)	$ (2,773)	$ (3,112)
Amortization, an item not involving cash	14,105	8,031	8,835	1,113	766
Accretion, an item not involving cash	1,212	171	230	–	–
Loan guarantees	604	–	–	–	–
Gain on reduction of ownership of subsidiary (note 14)	(606)	–	–	–	–
Non-controlling interest	(2,409)	–	–	–	–
Changes in non-cash operating working capital					
Accounts receivable	(4,177)	718	63	(1,232)	289
Inventory	870	(170)	(170)	371	767
Prepaid expenses	(827)	(296)	(296)	(69)	(91)
Deferred income taxes	–	–	–	–	374
Accounts payable and accrued liabilities	14,564	6,956	8,352	1,418	(1,396)
Net cash used for continuing operations	(30,309)	(4,250)	(4,158)	(1,172)	(2,403)
Earnings (loss) from discontinued operations	1,741	(3,777)	(3,932)	(2,827)	(2,485)
	(28,568)	(8,027)	(8,090)	(3,999)	(4,888)
Financing					
Long-term debt	7,599	358	358	–	–
Repayment of capital lease obligations	(2,287)	(67)	(67)	–	–
Financing costs	(3,934)	(1,737)	(1,737)	–	–
Note payable to Cable and Wireless Holdings Inc.	–	–	–	–	(14,756)
Convertible debentures	50,010	22,419	22,419	–	–
Loan advance	(8,781)	–	–	–	–
Proceeds on loan	–	1,589	1,589	–	–
Issuance of share capital	5,178	6,340	6,340	5,929	–
Issuance of special warrants	17,087	–	–	–	–
Issuance of common shares of subsidiary to non-controlling interest	6,723	–	–	–	–
Additional paid-in capital	–	–	–	–	15,052
Due to related parties	(1,175)	391	391	(1,734)	5,269
Net cash provided by financing activities	70,420	29,293	29,293	4,195	5,565
Investments					
Purchase of capital and other assets	(12,997)	(11,073)	(11,610)	(204)	(286)
Acquisitions, net of cash acquired (note 5)	(23,219)	(8,893)	(8,893)	–	–
Net cash used for investing activities	(36,216)	(19,966)	(20,503)	(204)	(286)
Effect of foreign currency exchange rates on cash and cash equivalents	(686)	199	199	–	–
Increase (decrease) in cash and cash equivalents	4,950	1,499	899	(8)	391
Cash and cash equivalents, beginning of period	1,385	486	486	494	103
Cash and cash equivalents, end of period	$ 6,335	$ 1,985	$ 1,385	$ 486	$ 494

Supplementary information (note 21)

See accompanying notes to consolidated financial statements.

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1. Nature of operations

The Company was incorporated pursuant to the provisions of the Business Corporations Act of Alberta on February 1, 1996 as Highpoint Capital Corporation and changed its name after the reverse takeover (note 4(a)) to Highpoint Telecommunications Inc. The Company was continued under the laws of the Yukon Territory, Canada on July 29, 1998. The Company was involved in mining exploration prior to its acquisition of Thyme Ltd.; a Bermuda incorporated company (note 4(a)). The Company operates as a holding company investing in development stage telecommunications projects requiring substantial capital. The Company's current focus is on becoming a facilities based integrated communications provider in the areas of transcontinental long distance carrier services, pan-European fiber optic networks, pan-European facilities based competitive local exchange carrier services, and pan-European value added internet protocol services. The Company adopted a plan during 1999 to discontinue the operation of designing and marketing satellite network systems and equipment (note 22).

2. Future operations

During the eleven months ended November 30, 1999, the Company incurred a loss of $51,904 (unaudited) and during the years ended December 31, 1998 and 1997 and the nine months ended December 31, 1996, the Company incurred losses of $25,104, $5,600 and $5,597, respectively. As at November 30, 1999, the Company has a deficit of $98,016 (unaudited) and a working capital deficiency of $34,207 (unaudited).

These financial statements have been prepared on a going concern basis, which assumes the realization of assets and liquidation of liabilities in the normal course of business. The application of the going concern concept is dependent on the Company's ability to generate profitable operations, receive continued financial support from the Company's parent company and raise equity and debt financing as required.

3. Adoption of new accounting standards

(a) Statement of cash flows

In 1999, the Company retroactively adopted Canadian Institute of Chartered Accountants ("CICA") Section 1540, Cash Flow Statements, which generally results in the exclusion of non-cash transactions from the statement and requires them to be reported separately. Adoption of the new section has not otherwise impacted the measurement or recognition of transactions.

3. Adoption of new accounting standards, continued

(b) Segmented information

In 1998, the Company adopted CICA Section 1701, Segment Disclosures, which modifies the definition of a reportable segment. Under this new section, segments correspond to the Company's internal organization structure rather than the industry and geographic areas of operations. The Company evaluates each segment's performance based on its contribution to consolidated net earnings.

4. Significant accounting policies

(a) Reverse takeover

On May 20, 1998, Highpoint Telecommunications Inc. ("Highpoint") acquired a 100% interest in Thyme Ltd. ("Thyme") in exchange for 10,000,000 shares of Highpoint. The primary asset of Thyme was an 80% equity interest in Vitacom Corporation. As a result of the acquisition, control of Highpoint passed to the former shareholder of Thyme. Therefore, Thyme is deemed to be the acquirer for accounting purposes.

The acquisition is accounted for as a reverse takeover using the purchase method and accordingly, for financial reporting purposes, the net assets of Thyme have been included in the balance sheet at book values, and the net assets of Highpoint have been recorded at fair market value at the date of acquisition.

The consolidated operations of the Company for the year ended December 31, 1997 and for the nine months ended December 31, 1996 are those of Thyme and its subsidiary and exclude the accounts of Highpoint since the acquisition occurred on May 20, 1998. The results of operations of Highpoint are included in the consolidated financial statements commencing on May 20, 1998 for the year ended December 31, 1998 and for the eleven months ended November 30, 1998.

The recorded book value of the share capital of the Company at December 31, 1997 and 1996 is that of Thyme and its subsidiary. The number of shares disclosed as issued and outstanding are those of Highpoint.

4. Significant accounting policies, continued

(b) Principles of consolidation

The consolidated financial statements include the accounts of the Company and all entities, which are controlled by the Company, referred to as subsidiaries. The accounts of its subsidiaries are included from the date of acquisition. The effective interest of Highpoint Telecommunications Inc. in the voting equity share capital of its subsidiaries is 100%, except for Vitacom Corporation, which is 80%, Vine Telecom Ltd., which is 94% and The North American Gateway Inc., which is 51%. Entities which are jointly controlled, referred to as joint ventures, are accounted for using proportionate consolidation. Entities which are not controlled and over which the Company does not have the ability to exercise significant influence are accounted for using the cost method.

(c) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, including accounts and other receivables, inventories, capital and other assets, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates used in the preparation of the financial statements.

(d) Cash equivalents

Cash equivalents include short-term deposits, which are all highly marketable securities with a maturity of three months or less when acquired. Short-term deposits are valued at cost.

(e) Inventory

Inventories are recorded at the lower of cost and net realizable value.

(f) Capital assets

Capital assets are initially recorded at cost. Amortization is subsequently provided over the following useful lives using the straight-line method:

Building	20 years
Machinery and equipment	3 - 5 years
Office equipment	3 years
Telecommunications equipment and network	3 - 21 years

Leasehold improvements are amortized on a straight-line basis over the shorter of the initial lease term or their expected useful life.

4. Significant accounting policies, continued

(g) Other assets

Telecommunications licenses are recorded at cost and amortized over periods not exceeding 10 years.

(h) Goodwill and investment in contracts

Investment in contracts represents the fair value of contracts acquired upon acquisition of business units or business opportunities. Goodwill represents the excess of acquisition consideration over the fair values of the net assets acquired and is amortized on a straight-line basis over the estimated lives over periods ranging from 3 to 10 years. The Company evaluates the carrying value of goodwill and investment in contracts for potential permanent impairment on an ongoing basis. In order to determine if such a permanent impairment exists, the Company's management considers each business unit's financial condition and projected future earnings before tax. A permanent impairment in the value of goodwill and investment in contracts is included in amortization expense in the year such impairment is recognized.

(i) Debt financing costs

Debt financing costs are deferred and amortized to earnings over the term of the related debt.

(j) Customer deposits

Customer deposits represent deposits for future services to be provided by the Company relating to equipment and service revenue.

(k) Translation of foreign currencies

The consolidated financial statements are expressed in United States dollars as the greater part of earnings of the Company are denominated in United States dollars.

Transactions in foreign currencies are translated into the currency of measurement at the exchange rates in effect on the transaction date. Monetary items expressed in foreign currencies are translated into the currency of measurement at the exchange rates in effect at the balance sheet date. The resulting exchange gains and losses are recognized in income, except for the gains or losses relating to long-term debt which are deferred and amortized over the remaining term of the corresponding debt.

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4. Significant accounting policies, continued

(k) Translation of foreign currencies, continued

Self-sustaining operations, which comprise most of the Company's subsidiaries, are those whose economic activities are largely independent of those of the parent company. Except for the foreign currency financial statements of subsidiaries in countries with highly inflationary economies, the Company uses the current rate method to translate the accounts of its self-sustaining operations into United States dollars. Under this method, assets and liabilities are translated at the exchange rates in effect at the balance sheet date, and revenues and expenses, including gains and losses on foreign exchange transactions other than long-term intercompany advances, are translated at average rates for the period. The unrealized translation gains and losses on the Company's net investment, including long-term intercompany advances, are accumulated in a separate component of shareholders' equity, described in the consolidated financial statements as cumulative translation adjustment.

The foreign currency financial statements of subsidiaries in countries with highly inflationary economies (Mexico for the year ended December 31, 1997 and nine months ended December 31, 1996) are translated into United States dollars using the temporal method. Under this method, monetary assets and liabilities are translated at the exchange rates in effect at the balance sheet date and non-monetary items are translated at the exchange rates in effect on transaction dates. Revenue and expense items, except amortization, are translated at average exchange rates for the period, and amortization is translated at the same exchange rates as the assets to which it relates. Exchange gains and losses resulting from the translation of foreign currency financial statements of subsidiaries in countries with highly inflationary economies are recognized in income.

(l) Revenue recognition

Revenue from long distance carrier services is recorded basis on customer usage as measured by the Company's switches.

Revenue from other telecommunications services is recognized monthly as the services are provided. Product revenue is generally recognized and related warranty costs are estimated and accrued upon shipment. Revenue from service contracts is recognized as the service is provided.

4. Significant accounting policies, continued

(m) Warranty costs

Warranty costs are accrued at the time of sale based on management's best estimate, with reference to past experience.

(n) Share issue costs

The costs of issuing common shares are applied to reduce the stated value of such shares.

5. Acquisitions

The following acquisitions have been accounted for using the purchase method of accounting and the results of operations have been consolidated since the date of acquisition:

(a) The Company had the following acquisitions in 1999 (unaudited):

	Vine Telecom	The North American Gateway Inc.	Axxon Telecom	Total
Date of acquisition	March 1999 and October 1999	April 1999 and July 1999	July 1999 and September 1999	
Net assets acquired				
Cash	$ 10,000	$ 50	$ 1,231	$ 11,281
Current assets	–	3,177	2,999	6,176
Capital assets	9,000	10,850	6,061	25,911
Other assets	–	–	2,225	2,225
Goodwill	–	32,208	14,100	46,308
Current liabilities	–	(9,575)	(6,035)	(15,610)
Capital lease obligation	–	(8,700)	–	(8,700)
Long-term liabilities	–	–	(8,781)	(8,781)
Acquisition cost	$ 19,000	$ 28,010	$ 11,800	$ 58,810
Consideration				
Cash	$ 19,000	$ 14,500	$ 1,000	$ 34,500
1,912,411 Common shares	–	–	10,800	10,800
3,071,672 Preferred shares	–	13,510	–	13,510
	$ 19,000	$ 28,010	$ 11,800	$ 58,810

5. Acquisitions, continued

(b) The Company had the following acquisitions in 1998:

	Highpoint Capital Corporation	Certain Business Opportunities of Cyberlight International Inc.	Shares of Datamax Telemanagement Inc.	Certain Assets of Athena International, LLC	Total
	(note 4(a))				
Date of acquisition	May, 1998	August, 1998	October, 1998	November, 1998	
Net assets acquired					
Cash	$ 225	$ –	$ 11	$ –	$ 236
Current assets	–	–	77	–	77
Telecommunications billing system	–	–	–	2,050	2,050
Capital assets	–	–	512	–	512
Leased equipment	–	–	–	1,997	1,997
Goodwill	–	–	1,625	350	1,975
Vitacom advance	1,589	–	–	–	1,589
Investment in contracts	–	9,589	–	–	9,589
Current liabilities	–	–	(934)	–	(934)
Accounts payable and accrued liabilities	(20)	–	–	–	(20)
Capital lease obligation	–	–	–	(1,997)	(1,997)
Acquisition cost	$ 1,794	$ 9,589	$ 1,291	$ 2,400	$ 15,074

	Highpoint Capital Corporation	Certain Business Opportunities of Cyberlight International Inc.	Shares of Datamax Telemanagement Inc.	Certain Assets of Athena International, LLC	Total
	(note 4(a))				
Consideration					
Cash	$ –	$ 8,379	$ 126	$ 624	$ 9,129
Note payable	–	–	–	1,000	1,000
7,075,000 Common shares	1,794	–	–	–	1,794
300,000 Common shares	–	1,210	–	–	1,210
450,000 Common shares	–	–	1,165	–	1,165
140,144 Common shares	–	–	–	776	776
	$ 1,794	$ 9,589	$ 1,291	$ 2,400	$ 15,074

5. Acquisitions, continued

The Company was contingently liable to issue up to 3,365,032 additional common shares related to the agreement with Cyberlight International Inc. in the event that certain earnings targets were achieved and to make an additional payment of up to $200 related to the Athena acquisition. Any additional consideration will be recorded as an additional cost of the purchase at the date the consideration becomes determinable. As at November 30, 1999, the earnings targets were not achieved.

6. Inventory

	November 30,	December 31,	
	1999	1998	1997
	(Unaudited)		
Finished goods	$ –	$ –	$ 191
Purchased components	–	870	510
	$ –	$ 870	$ 701

7. Related party balances

Due from related parties includes amounts due from the Company's parent company, the parent company's subsidiaries, and the Company's disproportionate share of advances to the joint venture for expenses paid by the Company on behalf of the related parties. These amounts are unsecured, non-interest bearing, and are due upon demand. Included in accounts payable and accrued liabilities is an amount of $2,072 (unaudited) (December 31, 1998 - $358; December 31, 1997 - $8) due to a non-controlling shareholder of a subsidiary company.

8. Capital assets

	November 30,	December 31,	
	1999	1998	1997
	(Unaudited)		
Land and building	$ 1,980	$ –	$ –
Machinery and equipment	67	1,212	1,004
Office equipment	985	446	402
Telecommunications equipment and network	46,315	10,860	2,220
Leasehold improvements	1,638	410	393
	50,985	12,928	4,019
Less accumulated amortization	(7,642)	(3,783)	(2,786)
	$ 43,343	$ 9,145	$ 1,233

8. Capital assets, continued

Certain equipment, land and building with a total cost of $27,258 (unaudited) (December 31, 1998 - $1,997; December 31, 1997 - $Nil) and accumulated amortization of $2,892 (unaudited) (December 31, 1998 - $70; December 31, 1997 - $Nil) is under capital leases.

9. Other assets

(a) Other assets consist of:

	November 30, 1999	December 31, 1998	December 31, 1997
	(Unaudited)		
Investments (note 9(c))	$ 7,991	$ 81	$ –
Investment in contracts, net of accumulated amortization of $9,589 (1998 - $7,589; 1997 - $Nil) (note 9(a))	–	2,000	–
Goodwill, net of accumulated amortization of $5,434 (1998 - $96; 1997 - $Nil)	43,121	1,879	–
Financing costs on issuance of convertible debentures, net of accumulated amortization of $611 (1998 - $116; 1997 $Nil) (note 11)	4,638	1,621	–
Deposit on acquisitions	–	5,000	–
Deposits on service contracts	–	2,082	–
Telecommunication licenses, net of accumulated amortization of $189	2,998	–	–
Other assets (note 9(b))	669	168	297
	$ 59,417	$ 12,831	$ 297

The investment in contracts (which includes a loan to the vendor of $6,397 with interest at 10% per annum and due August 11, 2001) arose from the agreement with Cyberlight International Inc. (note 5). Management has evaluated the financial prospects of these contracts and loan and has not pursued the completion of certain pending contracts and opportunities acquired. Accordingly, investment in contracts has been written down to estimated recoverable amount as at December 31, 1998 and fully amortized as at November 30, 1999. The write-down is included in amortization expense.

(b) Other assets

Included in other assets is a note receivable totaling $109 (unaudited) (December 31, 1998 - $109; December 31, 1997 - $109), which is non-interest bearing, and due from an officer of the Company on November 15, 2000.

9. Other assets, continued

(c) Investments

Included in investments are shares of Pickle Crow Resources Inc. (note 16) and eGlobe Inc. which were acquired in 1999 in the amount of $2,500 and $5,410 respectively. On October 14, 1999, the Company transferred certain assets and liabilities to a newly formed company. This company was sold to eGlobe Inc. for $9,000 in convertible preferred shares. The convertible preferred shares can be converted into 3,773,585 common shares of eGlobe or, under certain circumstances, may be repurchased by eGlobe. The preferred shares are also automatically converted into common shares under certain circumstances. The Company has recorded its investment in eGlobe convertible preferred shares at the net book value of the net assets transferred to the newly formed company purchased by eGlobe.

10. Long-term debt

	November 30,	December 31,	
	1999	1998	1997
	(Unaudited)		
Note payable, due January 2000 unsecured and non-interest bearing	$ 1,000	$ 1,000	$ –
Loan payable of $360, incurred on November 1, 1997, repayable in 48 monthly instalments, beginning with $6, with the instalment increasing by 2.7% each month, plus interest at 26.8%, secured by certain capital assets	–	357	–
Capital lease obligations, bearing interest from 11% to 14%	58	1,930	–
Capital lease obligations of The North American Gateway Inc., bearing interest at 7.5% and 27.5%	20,474	–	–
Nortel loan payable by Axxon Telecom B.V., bearing interest from 4.5% to 4.75% plus Euribor	3,012	–	–
	24,544	3,287	–
Less current portion	(13,382)	(1,920)	–
	$ 11,162	$ 1,367	$ –

Included in capital lease obligations is a deferred foreign exchange gain of $905.

10. Long-term debt, continued

As at November 30, 1999, future minimum payments are as follows (unaudited):

	Long-term debt	Minimum payments under capital leases	Total
2000	$ 4,012	$ 11,009	$ 15,021
2001	–	5,923	5,923
2002	–	2,308	2,308
2003	–	1,804	1,804
2004	–	2,708	2,708
	4,012	23,752	27,764
Less amount representing interest	–	(3,220)	(3,220)
	4,012	20,532	24,544
Less current portion	(4,012)	(9,370)	(13,382)
	$ –	$ 11,162	$ 11,162

As at December 31, 1998, future minimum payments are as follows:

	Long-term debt	Minimum payments under capital leases	Total
1999	$ 1,050	$ 1,085	$ 2,135
2000	113	632	745
2001	194	492	686
2002	–	99	99
	1,357	2,308	3,665
Less amount representing interest	–	(378)	(378)
	1,357	1,930	3,287
Less current portion	(1,050)	(870)	(1,920)
	$ 307	$ 1,060	$ 1,367

Interest expense on long-term debt and capital leases was as follows:

Eleven months ended November 30, 1999 (unaudited)	$ 1,293
Eleven months ended November 30, 1998 (unaudited)	Nil
Year ended December 31, 1998	38
Year ended December 31, 1997	Nil
Nine months ended December 31, 1996	Nil

11. Convertible debentures

Highpoint issued convertible debentures with a face value of $22,419 in 1998. These debentures were issued on August 13, 1998 and bear interest at 10% per year (except for the period from February 8, 1999 to August 12, 1999, in which the interest rate is 11% per annum) and mature on September 4, 2003. The debentures are convertible, at the election of the holder, into common shares of Highpoint at the rate of Canadian $10.25 per common share. The debentures are redeemable, at the option of the Company, on 30 days notice, at any time after 18 months from the date of issuance, provided the closing price of the common shares is equal to or greater than Canadian $10.25 per share for at least 20 consecutive trading days during the three month period preceding the notice of redemption. The convertible debentures are secured by a security interest in the property of Highpoint and are subordinated to certain future senior indebtedness of Highpoint.

Gross proceeds of $22,419 were received. In 1999, $350 of these debentures were converted into common shares of Highpoint. The estimated equity value remaining of the conversion feature of the debentures of $5,180 was included as a component of shareholders' equity. The remaining portion of $17,807 was classified as a long-term liability.

In August 1999, Highpoint issued convertible debentures with a face value of $50,010. These debentures bear interest at the rate of 10% per annum for the first 180 days, at 11% per annum until the first anniversary of issuance and then at 10% per annum until maturity. Interest is payable semi-annually. The debentures are convertible into common shares of Highpoint at the rate of Canadian $11 per share. The debentures may be wholly or partially redeemed by Highpoint under certain circumstances at their face value plus accrued interest at any time after 18 months from the date of issuance.

The estimated equity value of $11,738 has been included as a component of shareholders' equity. The remaining portion of $38,785 has been classified as a long-term liability.

The equity component of each of the convertible debentures was calculated as the difference between the gross proceeds received and the discounted cash flow of repayments based at an annual rate of 17%, which is consistent with similar borrowings available to Global and Highpoint, without conversion features.

The debt component of the convertible debentures is being accreted to its face value at maturity over the term of the debt through a charge to interest expense.

11. Convertible debentures, continued

Financing costs of $5,271 related to the above convertible debentures have been deferred, of which $495 (1998 - $116; 1997 - $Nil; 1996 - $Nil) has been charged to income. $22 (1998 - $Nil; 1997 - $Nil; 1996 - $Nil) were allocated to share issue costs on conversion of debentures.

The convertible debentures are secured by a security interest in the property of the Company and are subordinated to certain future senior indebtedness of the Company.

12. Share capital

(a) Authorized

Unlimited common shares, with no par value.

Unlimited preferred shares, with no par value.

(b) Issued and outstanding - common shares

	Number of shares		Stated value
Outstanding March 31, 1996 and December 31, 1996	3,201,617	$	2,792
Incorporation of Thyme Ltd.	13,760		12
Transfer of loan	6,784,623		5,917
Outstanding December 31, 1997	10,000,000		8,721
Reverse takeover (note 4(a))	7,075,000		1,794
Outstanding, immediately after reverse takeover	17,075,000		10,515
Issued pursuant to acquisition of certain assets of Cyberlight International Inc. (note 5)	300,000		1,210
Issued pursuant to acquisition of Datamax Telemanagement Inc. (note 5)	450,000		1,165
Issued pursuant to acquisition of certain assets of Athena International, LLC (note 5)	140,144		776
Issued for cash from exercise of share options	5,000		5
Issued pursuant to private placement	2,500,000		6,812
Issued as payment for commission	75,000		78
Less: share issuance costs	–		(556)
Outstanding December 31, 1998, carryforward	20,545,144	$	20,005

12. Share capital, continued

(b) Issued and outstanding - common shares, continued

	Number of shares		Stated value
Outstanding December 31, 1998, carried forward	20,545,144	$	20,005
Issued pursuant to acquisitions (note 5)	1,912,411		10,800
Issued pursuant to loan guarantees	108,596		604
Issued pursuant to private placement	702,000		4,698
Issued pursuant to convertible debenture conversion	51,622		338
Issued for cash from exercise of share options	196,417		212
Issued for cash from exercise of share purchase warrants	550,000		728
Escrow shares returned and cancelled	(8,000)		–
Less: share issue costs	–		(460)
Outstanding, November 30, 1999 (unaudited)	24,058,190	$	36,925

(c) Preferred shares

During 1999, the Company acquired a 50% interest in The North American Gateway Inc. ("NAG") in consideration for cash and the issuance of 3,071,672 Preferred Shares, Series 1, each share having a fair value of Canadian $6.5925. Each Preferred Share is exchangeable into one common share of the Company on the fifth business day following the date upon which the Company obtains a receipt from the Alberta, British Columbia and Ontario Securities Commissions for a final prospectus.

The preferred shares are redeemable in the event that such receipt is not issued by April 1, 2000 and in the event that the Company does not obtain a senior listing by that date. The redemption value is Canadian $20,250. The Company can elect to pay this redemption amount through a return to the holder of the shares of NAG acquired by the Company. The Company is obligated to pay to the holder of the preferred shares a fee equal to 10% per annum payable monthly (except for the first and second months in which the fee is 8% and 9% per annum respectively) beginning October 1, 1999 until the conversion of the preferred shares is qualified or the preferred shares are redeemed.

12. Share capital, continued

(d) Special Warrants

During 1999, 3,454,002 (unaudited) special warrants were issued at a price of Canadian $8.00 Canadian per special warrant. Each warrant is exchangeable into one unit and each unit will be comprised of one common share valued at Canadian $8.00 per share and one non-transferable share purchase warrant ("Warrant"). Each warrant will entitle the holder to purchase one additional common share of the Company at a price of Canadian $8.50 per share for a period of two years ending on March 19, 2001 (as to 2,017,300 shares), April 27, 1999 (as to 175,000 shares), and June 16, 2001 (as to 1,261,702 shares). Commissions of $1,317 were paid, resulting in net proceeds of $17,087.

(e) Share purchase warrants

As at November 30, 1999 950,000 (unaudited) (December 31, 1998 - 1,500,000) share purchase warrants were outstanding. Each warrant entitles the holder to purchase one common share of the Company at a price of Canadian $2.00 per share up to May 21, 2000.

(f) Stock option plan

Stock option activity for 1999 and 1998 is presented below:

	Number of shares	Exercise price per share
		(Canadian dollars)
Outstanding, December 31, 1997	–	$ –
Granted	2,112,500	1.50-9.20
Exercised	(5,000)	1.50
Outstanding, December 31, 1998	2,107,500	1.50-9.20
Granted	2,400,000	9.10
Exercised	(196,417)	1.50-5.20
Outstanding, November 30, 1999 (unaudited)	4,311,083	$ 1.50-9.20

The stock options outstanding at November 30, 1999 will expire between March 31, 2003 and June 22, 2004.

(g) Escrowed shares

As at November 30, 1999 8,666,667 (unaudited) (December 31, 1998 - 12,040,000; December 31, 1997 - 2,000,000) common shares of the Company are subject to escrow agreements and are expected to be substantially released by 2001.

13. Additional paid-in capital

On October 1, 1996, Global Light Telecommunications Inc. (formerly GST Global Telecommunications Inc) purchased an equity interest of 80% of Vitacom Corporation (the "Parent"). Prior to the purchase, the vendor, Cable & Wireless Holdings, Inc., contributed $24,106 in amounts owing to various suppliers and the vendor, and received $9,054 in taxes, trade receivables and cash. The net amount of $15,052 has been presented as a contribution to equity because it does not represent a culmination of the earnings process.

14. Gain on reduction of ownership in subsidiary

During 1999, the Company's subsidiary, The North American Gateway Inc. ("NAG"), issued an additional equity interest for proceeds of $6,723, which resulted in a dilution gain of $606 and a reduction to goodwill of $3,708 to the Company.

15. Commitments

Certain shareholders of The North American Gateway Inc. have been granted the option to require Highpoint to purchase shares at the fair market value determined at that point in time by an independent valuator in the event that: (i) either certain shareholders cease to be employed by The North American Gateway Inc. because of death, mental disability, or termination under certain circumstances; or, (ii) at any time after December 15, 2000. In the event that any such option is exercised, then closing will take place within 180 days (or in certain circumstances, 120 days) of such exercise and Highpoint will have the option to pay up to 50% of the consideration in the form of freely transferable common shares of Highpoint. The shareholders' agreement will terminate if The North American Gateway Inc. becomes a public company.

The Company leases certain telecommunications capacity rights and its manufacturing, sales, and administration facilities under operating leases with minimum lease payments at December 31, 1998 approximately as follows:

1999	$	7,811
2000		5,383
2001		3,926
2002		227
2003		75
	$	17,422

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16. Related party transactions

During 1997, the Company recorded revenue of approximately $1,190 from the sale of equipment to two related parties; $750 and $440 to two joint ventures in which, respectively, the Company was in the process of obtaining a 50% interest and the Company's parent company obtained a 44.5% interest, in early 1998. The sales contributed approximately $117 to the Company's gross margin for 1997. In addition, during 1997, the Company accrued interest on a note payable to its parent company totaling $424.

During 1999, the Company sold a portion of its equipment segment operations to NeTrue Communications, Inc. ("NeTrue") a subsidiary of the controlling shareholder of the Company, for cash consideration totalling $3,057. Included in earnings from discontinued operations for the eleven months ended November 30, 1999 is a gain of approximately $2,390 relating to this sale. This transaction has been measured at the exchange amount. Highpoint then participated in a private placement and acquired common shares of Pickle Crow Resources Inc. (which has an agreement to acquire NeTrue) with a cost of $2,500.

Pursuant to an agreement made in February 1999, the Company acquired from the controlling shareholder of the Company a 44.44% interest in Axxon Holding Company B.V. in consideration of $9,000 paid in the form of common shares of the Company at a fair value price of Canadian $8.50 per share. This acquisition has been measured at the exchange amount, which was the fair value of the consideration paid, as determined by the closing price of the shares quoted on the Alberta Stock Exchange for a reasonable period before and after the date of acquisition.

Global Light is the controlling shareholder of the Company and has certain directors and officers in common with the Company.

Included in general and administrative expenses during 1999 is a management fee of $1,146 (1998 - $650; 1997 - $Nil; 1996 - $Nil) charged by the controlling shareholder of the Company.

17. Loss per share

Loss per share is calculated based upon the weighted average number of common shares outstanding during the period, which was 21,808,801 (unaudited) for the eleven months ended November 30, 1999, 15,520,483 (unaudited) for the eleven months ended November 30, 1998, 15,976,077 for the year ended December 31, 1998, 6,607,689 for the year ended December 31, 1997, and 3,201,617 for the nine months ended December 31, 1996. The full exercise of the share purchase warrants and stock options referred to in note 12(e) and 12(f) and the conversion of the preferred shares and special warrants referred to in note 12(c) and 12(d) is anti-dilutive for all periods presented and consequently loss per share on a fully dilutive share basis has not been presented.

18. Income taxes

Income taxes represent the large corporation tax for Canadian purposes. The Company has not recognized the benefits of the tax loss carryforward balances.

At December 31, 1998, the Company has non-capital losses carried forward for tax purposes totaling approximately $40,000 which are available to reduce taxable income of future years. These non-capital loss carryforwards were primarily incurred by the United States operations and expire commencing in 2004 through 2013.

19. Financial instruments

(a) Fair values

The carrying amounts of cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities approximate fair value due to their short maturities. Based on the borrowing rates currently available to the Company for loans with similar terms, the carrying values of its Nortel loan payable, capital lease obligations and convertible debentures approximate fair value. The fair value of the due from related parties is not reasonably determinable due to the related party nature of the amounts and the absence of a secondary market for such instruments.

(b) Concentrations of credit risk

The Company has a portion of its accounts receivable due from companies in developing Latin American countries. To reduce credit risk, management performs ongoing credit evaluations of its customers' financial condition. The Company maintains reserves for potential credit losses, but historically has not experienced any significant losses related to individual customers or groups of customers in any particular industry or geographic area.

(c) Foreign currency and interest rate risk

The Company operates internationally, which gives rise to a risk that its earnings and cash flows may be negatively impacted by fluctuations in interest and foreign exchange rates.

20. Segmented information

The Company is an international telecommunications company with interests in companies which are in the early stages of developing, marketing and selling telecommunications services. In the opinion of management, the Company operates in this one segment, and management makes decisions about allocating resources based on the one operating segment. The geographic information is as follows:

	Eleven months ended November 30,		Years ended December 31,		Nine months ended December 31,
	1999	1998	1998	1997	1996
	(Unaudited)	(Unaudited)			
Revenues					
United States	$ 5,905	$ 3,122	$ 3,252	$ 1,925	$ 1,376
Mexico	1,904	2,823	3,080	2,386	1,705
Europe	5,448	1,088	1,187	–	–
Canada	31,778	–	–	–	–
Other	594	281	306	97	69
	$ 45,629	$ 7,314	$ 7,825	$ 4,408	$ 3,150

	Eleven months ended November 30,		Years ended December 31,		Nine months ended December 31,
	1999	1998	1998	1997	1996
	(Unaudited)	(Unaudited)			
Capital assets and goodwill					
United States	$ –	$ 9,607	$ 9,506	$ 510	$ 1,366
Mexico	–	1,534	1,518	645	860
Europe	32,224	714	707	–	–
Canada	54,240	–	–	–	–
Other	–	1,306	1,292	78	104
	$ 86,464	$ 13,161	$ 13,023	$ 1,233	$ 2,330

Revenues are attributed to countries based on location of the activity.

21. Supplementary information

	Eleven months ended November 30,		Years ended December 31,		Nine months ended December 31,
	1999	1998	1998	1997	1996
	(Unaudited)	(Unaudited)			
Cash paid for					
Interest	$ 5,494	$ –	$ –	$ –	$ –
Non-cash financing and investing activities					
Common shares issued pursuant to acquisitions	10,800	4,945	4,945	–	–
Preferred shares issued pursuant to acquisitions	13,510	–	–	–	–
Note payable issued on acquisition	–	1,000	1,000	–	–
Purchase of capital asset funded by obligation under capital lease	7,245	–	–	–	–
Common shares issued pursuant to loan guarantees	604	–	–	–	–
Conversion of debentures into common shares	338	–	–	–	–

22. Discontinued operations

The Company adopted a plan during 1999 to discontinue the operation of designing and marketing satellite network systems and equipment. Accordingly, the results of operations have been disclosed separately from those of continuing operations for the years presented. The assets and liabilities of these discontinued operations are included in the consolidated balance sheet at November 30, 1999.

	Eleven months ended November 30,		Years ended December 31,		Nine months ended December 31,
	1999	1998	1998	1997	1996
	(Unaudited)	(Unaudited)			
Revenue	$ 583	$ 5,884	$ 6,573	$ 7,722	$ 6,338
Direct cost of revenue	627	6,570	7,110	6,369	5,296
Gross margin	(44)	(686)	(537)	1,353	1,042
Expenses	605	3,091	3,395	4,180	3,527
Gain on sale of assets net of taxes (note 16)	2,390	–	–	–	–
Earnings (loss) from discontinued operations	$ 1,741	$ (3,777)	$ (3,932)	$ (2,827)	$ (2,485)

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23. Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems, which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure, which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

24. Subsequent events and proposed transactions

(a) In December 1999, the Company entered into a loan agreement to borrow Canadian $4,500. The loan is due on March 20, 2000 and carries interest at the rate of 1% per month. The lender will be paid a fee of Canadian $465 in consideration for the loan. Repayment of the loan has been guaranteed by a director of the Company and in consideration therefore the Company has agreed to pay to the guarantor a fee of 27,248 common shares of the Company subject to regulatory approval.

(b) In January 2000, the Company revised the terms of its ownership interest in Vine Telecom to reduce its payment obligations at the time of financial close from $50,000 to approximately $20,000 to be paid by way of the issuance of common shares of the Company at a deemed price equal to the lower of Canadian $13.50 per share or the 20 day trading average prior to financial close and to eliminate the Company's obligation to provide the necessary equity funding for the project at the time of financial closing. As a result, the Company's equity interest in Vine will be approximately 50%. Closing is subject to completion of final documentation and regulatory approvals as required.

(c) In February 2000, the Company signed a Memorandum of Understanding (MOU) to form a joint venture with Kast Telecom S.A. to build a pan-European facilities-based competitive local exchange carrier. Under the terms of the MOU, the Company will contribute its existing western European service provider, Axxon Holding Company B.V., to the joint venture in exchange for a 40% equity interest in the new company. Kast will contribute its existing southern European operations to the joint venture in exchange for a 60% equity interest in the new company.

24. Subsequent events and proposed transactions, continued

(d) In February 2000, the Company transferred to AduroNet Limited its indirectly held subsidiary Highpoint Telecom Ltd. in exchange for an approximate 38% interest in AduroNet Limited. AduroNet is a pan-European value-added Internet Protocol services company. Former officers of the Company are directors and officers of AduroNet.

(e) In February 2000, the Company completed a private placement of convertible debentures for total proceeds of $7,500. The debentures are convertible into preferred shares, Series II at the rate of $8.33 per share. The preferred shares are in turn convertible into common shares on a one for one basis. The debentures bear interest at the rate of 0% for the first 12 months and at the rate of 1% per month for the next six months. The debentures are due and payable 18 months after the date of issuance. The Company's parent, Global Light, has guaranteed the debentures and in consideration, the Company has agreed to issue 60,000 common shares to Global Light.

(f) In February 2000, The North American Gateway Inc. ("NAG") completed a private placement of approximately Canadian $7,500. As a result, the Company's effective interest in the voting equity share capital of NAG was reduced to approximately 48%.

(g) Subsequent to November 30, 1999, the Company issued 3,667,972 common shares for $17,596. 2,017,300 common shares were issued for $9,743 on the exercise of special warrants, 717,422 common shares were issued for $5,071 upon the conversion of convertible debentures, and 943,250 common shares were issued for cash proceeds of $2,782.

(h) The Company intends to file a preliminary prospectus to qualify for distribution the following securities:

(i) US $50,010 principal amount of 10% convertible debenture, Series II due 2004 ("Exchanged Debentures") of the Company in exchange for US $50,010 principal amount of 10% convertible exchangeable debentures, Series II due 2004 ("Original Debentures") of the Company.

(ii) 1,436,702 common shares and 1,436,702 share purchase warrants to be issued on the exercise of 1,436,702 special warrants. Each warrant will entitle the holder to purchase one common share at a price of Canadian $8.50. Of these share purchase warrants, 175,000 expire April 27, 2001 and the remainder expire June 16, 2001.

(iii) 3,071,672 common shares to be issued upon conversion of 3,071,672 Series I preferred shares.

(iv) 900,360 Series II preferred shares to be issued upon the conversion of $7,500 convertible debentures (note 24(e)).

CERTIFICATE OF THE ISSUER

DATE: March 7, 2000

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities qualified by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), Part 8 of the *Securities Act* (Alberta) and Part XV of the *Securities Act* (Ontario) and the respective regulations thereunder.

HIGHPOINT TELECOMMUNICATIONS INC.

(signed) W. GORDON BLANKSTEIN
Chief Executive Officer

(signed) DONALD D. MacFAYDEN
Chief Financial Officer

ON BEHALF OF THE BOARD OF DIRECTORS:

(signed) ROBERT M. BLANKSTEIN
Director

(signed) IAN WATSON
Director

THE PROMOTER:

GLOBAL LIGHT TELECOMMUNICATIONS INC.

By: (signed) W. GORDON BLANKSTEIN
Chairman

CERTIFICATE OF THE AGENT

DATE: March 7, 2000

To the best of our knowledge, information and belief the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities qualified by this prospectus as required by Part 9 of the *Securities Act* (British Columbia, Part 8 of the *Securities Act* (Alberta) and Part XV of the *Securities Act* (Ontario) and the respective regulations thereunder.

CANACCORD CAPITAL CORPORATION

By: (signed) PETER M. BROWN
Chairman

The following persons have an interest, directly or indirectly, to the extent of not less than 5% in the capital of Canaccord Capital Corporation: Peter M. Brown (through The MacLachlan Investments Corporation), Bradley D. Griffiths and Michael G. Greenwood (directly and through 728541 Alberta Ltd.). Their interests are held indirectly through Canaccord Investment Ltd. and Canaccord Holdings Ltd.