

**ROCHE BAY
PUBLIC LIMITED COMPANY**

**Financial Statements
for the year ended 31 March 2002**

ROCHE BAY PUBLIC LIMITED COMPANY

Contents	Page
Directors and Officers	1
Directors' Report	2 - 4
Report of the Auditors	5
Profit and Loss Account	6
Balance Sheet	7
Notes to the Financial Statements	8 - 11

ROCHE BAY PUBLIC LIMITED COMPANY

Registered No (Gibraltar) 60527

DIRECTORS AND OFFICERS

Directors

Isaiah W Cox
Rodney T Cox
Wayne S Marshall
Benjamin J Cox (appointed 6th September 2000)
Peter Vanderwicken (appointed 6th September 2000)
Nechama C Cox (appointed 1st August 2001)
Iris O Cox (appointed 24th July 2001)
Joseph J Cox (appointed 1st August 2001)
Rebecca D Cox (appointed 27th December 2001)

Secretary

Grays Services Limited (resigned 21st May 2001)
BDO Fidecs Management Limited (appointed 21st May 2001)

Registered Office

Suite 3G, Eurolife Building (date of effect 21st May 2001)
1 Corral Road
Gibraltar

Previous Registered Office

Suite 3C, Centre Plaza
Horse Barrack Lane
Gibraltar

Auditors

Moore Stephens
Suite 5 Watergardens 4
Waterport
Gibraltar

ROCHE BAY PUBLIC LIMITED COMPANY

DIRECTORS' REPORT

The directors submit their report and the audited financial statements for the year ended 31 March 2002.

Corporate Profile

The Company was incorporated on 11th February 1997 in Gibraltar as Borealis HVAC/ RAC Limited. The Company changed its name to Roche Bay Mining Company Limited on 27th May 1997 and to Roche Bay Limited on 11th September 2001. In May 2002 the company became a plc.

Activities

The Company is holding mineral rights and arranging for their possible future development.

Results and Review of Business

The results for the year are shown in the profit and loss account on page 7.

Borealis Exploration Limited ("Borealis"), the ultimate parent company, transferred certain mineral rights to the Company pursuant to the terms of a Mining Rights Transfer Agreement. In exchange for acquiring these rights, the Company issued 5,200,000 shares valued at \$52,000 to a subsidiary of Borealis, assumed various existing encumbrances on the mineral properties, and assumed a contingent obligation valued at \$1,874,675.

The Company intends to retain its interest in the remaining mineral properties for future development. These financial statements have been prepared in accordance with Gibraltar GAAP (generally accepted accounting principles) with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. As at 31st March 2002, the Company had a surplus of \$1,001,940 (2001 - \$411,450) and to date has relied on the support of Borealis, which is also in the development stage. The Company's only assets are the investment in the mining property which is illiquid. These conditions raise substantial doubt about the ability of the Company to continue as a going concern. The continued operation of the Company is dependent on its ability to receive continued financial support from shareholders, complete sufficient equity financing or generate profitable operations in the future. However, there can be no assurance that the Company's efforts to generate profitable operations will be successful. The financial statements do not contain any adjustments, which might be necessary, if the Company is unable to continue as a going concern.

ROCHE BAY PUBLIC LIMITED COMPANY

DIRECTORS' REPORT (Continued)

Business Review

Roche Bay Magnetite Project

The Company owns the interest in various mineral leases located near Roche Bay, Nunavut, Canada. These lease require annual lease payments of \$5,846 per year for those leases expiring in 2019 and \$5,906 per year for those leases expiring in 2021. All leases are renewable and are expected to be renewed. The leases are located in the Baffin Mining District of Nunavut, Canada.

On the minerals side, in 2003 and subsequent years the company anticipates that significant expenditures will be incurred on the development at Roche Bay as work is progressing on putting the Roche Bay mineral resource into production. Finance will be provided by the issuance of further shares in the subsidiary. Various proposals for development and or sale are under discussion.

By agreement dated 1 March 1979, the Company granted a royalty interest to a third party based on 5% of the crown royalty interest on 10,973 acres of mining leases currently held within the group. On 6th March 1979, the Company granted royalties to third parties based on 18.75% of the crown royalty.

Dividends

There were no dividends declared during the year.

Directors and their Interests

The directors who served during the year were as stated on page 1.

The interest of the directors in the shares of the Company in the year were as follows.

Shares held at 31 March 2002

Isaiah W Cox	15,000
Rodney T Cox	10,000
Wayne S Marshall	10,400
Benjamin J Cox	2,000
Peter Vanderwicken	4,200
Nechama C Cox	2,875
Iris O Cox	600
Joseph J Cox	4,000

Share Options

The company issued 875,000 options on 1st February 1999. The exercise price of those options is US \$ 7.70 per share. The options are for five year terms, and are subject to terms and conditions on the part of the option holder. At the year ended 31st March 2002, 679,275 options were outstanding.

ROCHE BAY PUBLIC LIMITED COMPANY

DIRECTORS' REPORT (Continued)

Directors' Responsibilities

The directors are responsible for preparing financial statements for each financial year which give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss for that year and which comply with the Gibraltar Companies Ordinance 1930, the Gibraltar Companies (Accounts) Ordinance 1999. In preparing the financial statements, appropriate accounting policies have been used and applied consistently, reasonable and prudent judgements and estimates have been made, and applicable accounting standards have been followed. The directors are responsible for maintaining adequate accounting records, for safeguarding the assets of the company, and for preventing and detecting fraud and other irregularities.

Auditor

A resolution to reappoint Moore Stephens will be proposed at the Annual General Meeting.

By order of the Board



.....
Isaiah W Cox
Director



.....
Rodney T Cox
Director

22nd July 2002

ROCHE BAY PUBIC LIMITED COMPANY

REPORT OF THE AUDITORS

To the members of Roche Bay Public Limited Company

We have audited the financial statements on pages 6 to 11 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described in the report of the Directors, the company's Directors and management are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

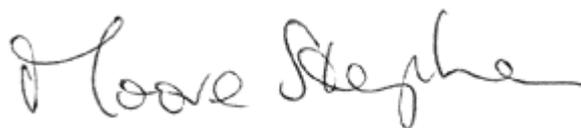
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board in the United Kingdom. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

In forming our opinion, we have considered the disclosures made in note 1 of the financial statements in connection with the application of the going concern basis and the uncertainty with regards to securing continued financial support. In view of the significance of these matters we consider they should be drawn to your attention but our opinion is not qualified in these respects.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31st March 2001 and of the loss for the year then ended in accordance with Gibraltar Accounting Standards and have been properly prepared in accordance with the Gibraltar Companies Ordinance 1930 and the Gibraltar Companies (Accounts) Ordinance 1999.



Moore Stephens
CHARTERED ACCOUNTANTS

Gibraltar

22nd July 2002

ROCHE BAY PUBLIC LIMITED COMPANY

PROFIT AND LOSS ACCOUNT For the year ended 31 March 2002

	Note	2002 \$	2001 \$
Expenditure			
Administration fees	5	27,000	27,000
Retained loss for the year		<u>(27,000)</u>	<u>(27,000)</u>
Retained losses brought forward		<u>(155,500)</u>	<u>(128,500)</u>
Retained losses carried forward		<u><u>\$ (182,500)</u></u>	<u><u>\$ (155,500)</u></u>

The company has had no discontinued activities during the year, accordingly, the above result for the company relates solely to continuing activities.

No statement of recognised gains and losses has been produced as the only recognised gains and losses occurring in the year are those disclosed in the Profit and Loss Account.

The notes on pages 8 to 11 form part of these Financial Statements.

ROCHE BAY PUBLIC LIMITED COMPANY

BALANCE SHEET as at 31 March 2002

	Notes	2002 \$	2001 \$
Investments – Mining Properties	2	4,708,435	4,637,671
Creditors: amounts falling due after more than one year	3	(3,706,495)	(4,226,221)
Total Net Assets		<u>\$ 1,001,940</u>	<u>\$ 411,450</u>
Capital and Reserves			
Called up Share Capital	4,5	53,379	52,592
Share Premium Account	4,5	1,131,061	514,358
Profit and Loss account	5	(182,500)	(155,500)
Total Shareholders' Funds		<u>\$ 1,001,940</u>	<u>\$ 411,450</u>

The financial statements on pages 6 to 11 were approved by the Board of Directors on 22nd July 2002 and signed on their behalf by:



.....
Isaiah W Cox
Director



.....
Rodney T Cox
Director

The notes on pages 8 to 11 form part of these Financial Statements.

ROCHE BAY PUBLIC LIMITED COMPANY

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

1 PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Gibraltar Accounting Standards and the Gibraltar Companies Ordinance 1930, the Gibraltar (Companies Accounts) Ordinance 1999 and the Gibraltar (Consolidated Accounts) Ordinance 1999 (together, 'Gibraltar GAAP')

a. Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

b. Reporting currency

The Company's financial statements are presented in US dollars, which is the functional currency for operations.

c. Foreign currency translation

Transactions in foreign currency are recorded at the rate at the date of the transaction. Any monetary assets or liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

d. Going Concern

These financial statements have been prepared under the going concern concept which assumes that the Company will continue in operational existence for the foreseeable future having adequate funds to meet their obligations as they fall due. Further information is set out in the Directors' Report on pages 2 to 5.

e. Cash Flow Statements

The company meets the size criteria for a small company set by the Companies Act 1985 and therefore, in accordance with FRS1: Cash Flow Statements, it has not prepared a cash flow statement.

f. Taxation

The company is an exempt company as classified under the Companies (Taxation and Concessions) Ordinance 1993 of Gibraltar. As a result the company pays a fixed sum of £225 no matter whether the company makes a profit or loss, this amount was paid by Borealis and is included within the administration fee per note 6.

g. Mineral resources

As more fully disclosed in note 2, the directors are confident that a mining resource has been established in the mineral properties, and intend to exploit the properties in the near future. Consequently under Gibraltar GAAP the costs of developing and maintaining the property have been capitalised.

ROCHE BAY PUBLIC LIMITED COMPANY

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

2. INVESTMENT – MINING PROPERTIES

	2002 \$	2001 \$
Mining Properties	\$ 4,708,435	\$ 4,637,671

The investment in the Mining Properties, located at Roche Bay related to leases granted by the Government of Canada for the exploitation of these sites with regard to their mineral reserves. To date, costs for the maintenance of these leases, along with costs in preliminary studies of the properties have been capitalised. The directors are confident that a mineral resource has been established in the properties and it is their intention to commence production in the near future.

3. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2002 \$	2001 \$
Loan from related party	\$ 3,706,495	\$ 4,226,221

Amounts due from the Company's immediate parent company are non-interest bearing, unsecured, and with no fixed terms of repayment.

4. CALLED UP SHARE CAPITAL

	2002 \$	2001 \$
Authorised share capital 10,000,000 ordinary shares @ \$0.01 each	\$ 100,000	\$ 100,000
	Share	Share
	Capital	Premium Account
	\$	\$
	Number of	Total
	Shares	\$
Issued share capital At 31 March 1999	52,000	52,000
Shares issued during the year	199	190,950
At 31 March 2000	52,199	242,950
Shares issued during the year	393	324,000
At 31 March 2001	52,592	566,950
Shares issued during the year	787	617,490
At 31 March 2002	\$ 53,379	\$ 1,184,440

ROCHE BAY PUBLIC LIMITED COMPANY

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

5. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

	Share Capital	Share Premium Account \$	Profit & Loss Account \$	Total \$
At 31 March 1999	52,000	–	(2,007,349)	(1,955,349)
Prior year adjustment	–	–	1,905,849	1,905,849
At 31 March 1999 (as restated)	52,000	–	(101,500)	(49,500)
Shares issued during the year	199	190,751	–	190,950
Loss for the year as restated prior year adjustment	–	–	(27,000)	(27,000)
At 31 March 2000	52,199	190,751	(128,500)	114,450
Shares issued during the year	393	323,607	–	324,000
Loss for the year	–	–	(27,000)	(27,000)
At 31 March 2001	52,592	514,358	(155,500)	411,450
Shares issued during the year	788	616,703	–	617,480
Loss for the year	–	–	(27,000)	(27,000)
At 31 March 2002	53,379	1,131,061	(182,500)	1,001,940

6. RELATED PARTY TRANSACTIONS

In addition to related party transactions disclosed elsewhere in these financial statements, during the year ended 31 March 2002, the Company was charged \$27,000 (2001 - \$27,000) in fees for administrative services provided by Borealis.

ROCHE BAY PUBLIC LIMITED COMPANY

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

7. CONTINGENT LIABILITIES

Environmental claim

The environmental claims are against Borealis Exploration Limited and Borealis has assumed any and all liability for Roche Bay plc concerning these matters.

In 1996, statements of claim were filed by the Attorney General of Canada, the Kilvalli Inuit Association and the Baffin Region Inuit Association for failure to clean up sites in Fat Lake, Roche Bay and near Naguak Lake. The Group has filed countersuits against these parties. A hearing has been scheduled for a later date. At the present time, the result of these claims and any potential cost to the group is not determinable and no liability for this has been recorded in these financial statements.

Royalty payment

In 1993, Borealis renegotiated its loan with Mr. G. Gillet, which had been assigned to Boston Safe Deposit & Trust Company (Boston Safe). Under the agreement with Boston Safe, the loan was converted into 10,000 common shares of Borealis and a \$ 1,874,675 USD royalty. The royalty, which is a contingent liability is to be paid from 25% of the net proceeds from the lease, sale or other disposition, or production on or from its mineral properties. To date, US \$2,625 has been paid to Boston Safe. In 1995, Boston Safe assigned its interest to its nominee, Mitlock Limited Partnership.

The liability only becomes payable if the company sells, disposes or commences production of the mineral properties. Consequently under Gibraltar GAAP this liability has been reported as a contingent liability.

As security for payment of the royalty, the group gave an assignment of all receivables derived from its mineral properties.

8. ULTIMATE PARENT COMPANY

The ultimate parent company is Borealis Exploration Limited, a company incorporated in Gibraltar whose registered office is at Suite 3G, Eurolife Building, 1 Corral Road, Gibraltar.