

ROCHE BAY
PUBLIC LIMITED COMPANY
Financial Statements
for the year ended 31 March 2003

ROCHE BAY PUBLIC LIMITED COMPANY

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ROCHE BAY PUBLIC LIMITED COMPANY

Registered No (Gibraltar) 60527

DIRECTORS AND OFFICERS

Directors

Isaiah W Cox (resigned 27th March 2003)
Rodney T Cox
Wayne S Marshall
Benjamin J Cox
Peter Vanderwicken
Nechama Cohen Cox (resigned 27th March 2003)
Iris Oren Cox
Joseph J Cox
Pelagie Sharp (appointed 27th March 2003)
John W. Abernethy (appointed 27th March 2003)

Secretary

BDO Fidecs Management Limited

Registered Office

Suite 3G, Eurolife Building
1 Corral Road
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 2003.

Corporate Profile

The Company was incorporated on 11th February 1997 in Gibraltar.

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 2003, the Company had a surplus of \$ 4,723,072 (2002 - \$1,001,940) 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 2003

Rodney T Cox	10,000
Wayne S Marshall	10,400
Benjamin J Cox	2,000
Peter Vanderwicken	
Iris Oren Cox	600
Joseph J Cox	4,000
John Abernethy	2,000
Pelagie Sharp	0

Share Options

During the year 192,828 options were exercised. There are now no options outstanding. There are no further plans to issue options in the immediate future.

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



.....
Benjamin J Cox
CEO/President/Director
10 June 2003



.....
Rodney T Cox
Director

ROCHE BAY PUBLIC 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.

This report is made solely to the company's members as a body, in accordance with the Companies Ordinance 1930. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

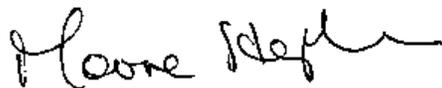
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board in the United Kingdom. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant 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 2 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 2003 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 Ordinance 1930 and the Gibraltar Companies (Accounts) Ordinance 1999.



Moore Stephens
CHARTERED ACCOUNTANTS

Gibraltar
2 June 2003

ROCHE BAY PUBLIC LIMITED COMPANY

PROFIT AND LOSS ACCOUNT For the year ended 31 March 2003

	Note	2003 \$	2002 \$
Expenditure			
Administration fees	5	252,320	27,000
Retained loss for the year		<u>(252,320)</u>	<u>(27,000)</u>
Retained losses brought forward		<u>(182,500)</u>	<u>(155,500)</u>
Retained losses carried forward		<u><u>\$ (434,820)</u></u>	<u><u>\$ (182,500)</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 2003

	Notes	2003 \$	2002 \$
Investments – Mining Properties	2	4,723,072	4,708,435
Debtors	3		
Creditors: amounts falling due after more than one year	3	45,501	(3,706,495)
Total Net Assets		<u>\$ 4,677,571</u>	<u>\$ 1,001,940</u>
Capital and Reserves			
Called up Share Capital	4,5	58,085	53,379
Share Premium Account	4,5	5,054,306	1,131,061
Profit and Loss account	5	(434,820)	(182,500)
Total Shareholders' Funds		<u>\$ 4,677,571</u>	<u>\$ 1,001,940</u>

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 2003

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 and its subsidiaries have been granted exempt status under the Gibraltar Companies (Taxation and Concessions) Ordinance. Providing the company continues to satisfy the criteria for such status, including the payment of an annual government charge of £225 it will not be subject to Gibraltar Corporation Tax for a period of twenty-five years from 24 August 1999, the date on which it was granted such status. There is proposed legislation now pending approval that may change the tax status of the company in the foreseeable future, although it appears likely that a low or zero rate of taxation will apply under the proposed new structure

g. Mineral resources

These are stated at cost, less any provision for diminution in value that may, in the opinion of the directors, have taken place. Under Gibraltar GAAP these costs include developing and maintaining the property. The policy on amortisation is that this will be charged on a straight-line basis over the period over which commercial mining operations are expect to continue. At present no amortisation is being charged until exploitation begins.

ROCHE BAY PUBLIC LIMITED COMPANY

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

2. INVESTMENT – MINING PROPERTIES

	2003 \$	2002 \$
Mining Properties	\$ 4,723,072	\$ 4,708,435

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

	2003 \$	2002 \$
Loan from related party	\$ 45,501	\$ 3,706,495

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

	2003 \$	2002 \$	
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 2000	52,199	190,751	242,950
Shares issued during the year	393	323,607	190,950
At 31 March 2001	52,592	514,358	242,950
Shares issued during the year	787	616,703	617,490
At 31 March 2002	53,379	1,131,061	1,184,440
Shares issued during the year	5,229	3,922,822	3,928,051
At 31 March 2003	\$ 58,508	\$ 5,053,883	\$ 5,112,491

ROCHE BAY PUBLIC LIMITED COMPANY

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

On 27 March 2003 the company allotted a further 216,235 ordinary shares, at an issue price of \$ 15.56 each, to its majority shareholder Borealis Exploration Limited (to hold for Borealis Technical Limited) in order to satisfy the amount owed to the parent in respect of previous expenses and asset development cost incurred on behalf of Roche Bay plc.

A share issue of 158,411 ordinary shares were allotted during during the year in compensation for the cancellation of all remaining share options that had not been exercised.

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
Shares issued during the year	5,229	3,922,822	–	3,928,051
Loss for the year	–	–	(252,320)	(252,320)
At 31 March 2003	\$ 58,508	\$ 5,053,883	\$ (434,820)	\$ 4,677,571

ROCHE BAY PUBLIC LIMITED COMPANY

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

6. RELATED PARTY TRANSACTIONS

In addition to related party transactions disclosed elsewhere in these financial statements, during the year ended 31 March 2003, the Company was charged \$ 252,320 (2002 - \$27,000) in fees for administrative services provided by Borealis.

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.