CHORUS MOTORS PUBLIC LIMITED COMPANY

Financial Statements

for the year ended 31 March 2002

CHORUS MOTORS PUBLIC LIMITED COMPANY

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CHORUS MOTORS PUBLIC LIMITED COMPANY

Registered No (Gibraltar) 68312

DIRECTORS AND OFFICERS

Directors

Isaiah W Cox	(appointed 29th December 1999)
Rodney T Cox	(appointed 29th December 1999)
Wayne S Marshall	(appointed 29th December 1999)
John Klys	(appointed 29th December 1999)
Benjamin J Cox	(appointed 6th September 2000)
Jean Francois Edelstein	(appointed 6th September 2000, resigned 1st August 2001)
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 28th July 2000)
Abraham Cohen	(appointed 28th July 2000, resigned 21st May 2001)
BDO Fidecs Management Limited	(appointed 21st May 2001)

Registered Office

Suite 3G, Eurolife Building (date of effect 24th July 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

CHORUS MOTORS 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 18th March 1999 in Gibraltar as Borealis Motor Manufacturing Limited. The Company changed its name to Chorus Motors Limited on 1st June 2000 and further changed its name as noted upon re-registration in Gibraltar as a public limited company on 27th July 2000. Since the 19th July 2002 the shares in Chorus Motors are on www.bloomberg.com under the symbol CHOMF.

Activities

The principal activity of the Company is that of researching and developing the "Chorus® Motor" technology.

Results and Review of Business

The results for the year are shown in the profit and loss account on page 6.

Borealis Technical Limited ("Technical"), the parent company, has conducted basic industrial research on its "Chorus Motor" technology since 1993 for which it has patents issued and pending. All of the research expenditures to date have been undertaken by Technical and funded by Borealis Exploration Limited, the ultimate parent of the Company. Technical had received deposits in the current and prior year on behalf of the Company towards the issue of shares in the Company.

An Intellectual Property Agreement was signed effective 1st January 1999, whereby Technical has granted the Company the exclusive worldwide rights for sublicensing the "Chorus Motor" technology. In consideration for the rights granted to the Company, the Company shall pay Technical an 8% royalty based on net sales of licensed products and services sold by the Company and 50% of all sublicence income. To date the "Chorus® Motor" technology is still under development such that the Company has not made any related sublicence sales that have resulted in immediate revenue.

DIRECTORS' REPORT (Continued)

Results and Review of Business (Continued)

The Company has been in the development stage since its inception. The Company intends to retain its sublicence rights granted by Technical. These financial statements have been prepared in accordance with 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. From inception to 31st March 2002, the Company has lent money raised on its behalf to Technical and Borealis Exploration Limited, who are also in a development stage and have conditions raising substantial doubt about their ability to continue as a going concern. These conditions also raise substantial doubt about the ability of the Company to continue as a going concern. Technical has a portfolio of shares, in subsidiary companies, two of which are currently quoted on the public market with 2 others expected to follow in 2003. Management of the Company has indicated they have no intention to demand repayment of the amounts owing from Technical until the "Chorus Motor" technology is being sold in the marketplace. The Company and Technical are actively working together to negotiate sales or further sublicensing of its technology to various parties, which is expected to generate profitable operations in the future. To the extent additional funds are required, the Company will attempt to raise these funds through future sales of its own shares. However, there can be no assurance that the Company will be successful in its actions. The financial statements do not contain any adjustments which might be necessary if the Company is unable to continue as a going concern.

During the 2000 fiscal year the Company further entered into an agreement with a certain contractor of Technical. Pursuant to this agreement the Company is granting the contractor certain sublicensing rights for the "Chorus motor" technologies in the Canadian market. In consideration for the rights granted to this contractor, the Company will be entitled to a 4% royalty based on net sales of licensed products and services sold by the contractor and 50% of all sublicence income in the Canadian market. The Company will have the right to terminate such sublicence rights to the contractor, on or before 1st April 2004, should the value of certain stock and stock options of the Company already issued to the contractor and any further cash or securities paid to the contractor exceed $10,000,000 CDN.

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.

DIRECTORS' REPORT (Continued)

The interest of the directors in the shares of the Company and movements in their share options in the year were as follows.

	Shares held at 31 March 2002
Isaiah W Cox	32,960
Rodney T Cox	48,165
Wayne S Marshall	28,082
John Klys	16,000
Benjamin J Cox	2,100
Peter Vanderwicken	8,586
Nechama C Cox	5,775
Iris O Cox	2,305
Joseph J Cox	2,697

Share Options

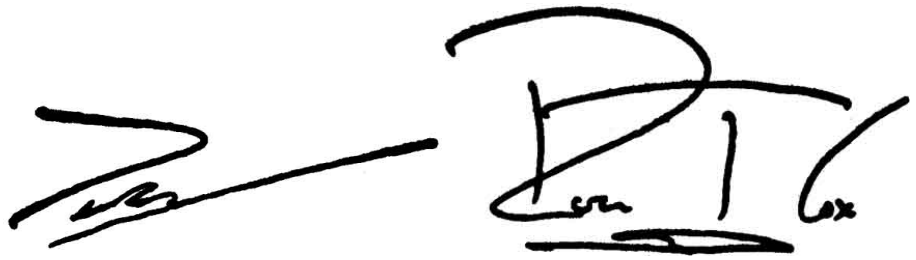
The company authorised the issue of 875,000 options on 1st February 1999. The exercise price of those options is US $ 7.70 per share. The options are for a five year term, and are subject to terms and conditions on the part of the option holder. At the year ended 31st March 2002, 498,815 options were outstanding.

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 and the Gibraltar Companies (Consolidated 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



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Isaiah W Cox	Rodney T Cox
Director	Director

22nd July 2002

CHORUS MOTORS PUBLIC LIMITED COMPANY

REPORT OF THE AUDITORS
To the members of Chorus Motors Public Limited Company

We have audited the financial statements on pages 7 to 11 which have been prepared under the historical cost convention and the accounting policies set out on page 9.

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. We have audited the comparative figures, and have expressed an unqualified opinion on the statements on which these are based.

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 2002 and of the loss of the company 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

22nd July 2002

CHORUS MOTORS PUBLIC LIMITED COMPANY

PROFIT AND LOSS ACCOUNT
For the year ended 31 March 2002

	Note	2002 $	2001 $
Expenditure			
Administration fees	5	64,800	64,800
Retained loss for the year		(64,800)	(64,800)
Retained losses brought forward		(129,600)	(64,800)
Retained losses carried forward		$ (194,400)	$ (129,600)

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.

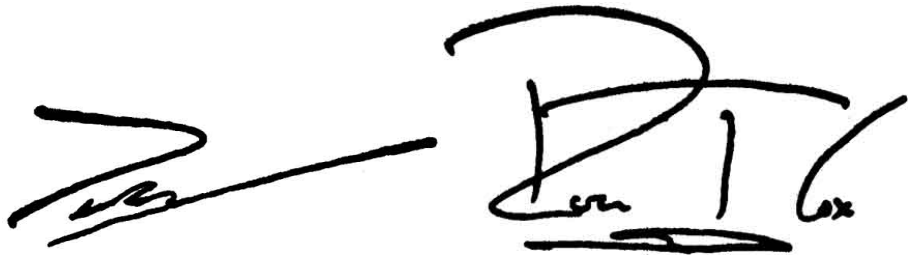
The notes on pages 9 to 11 form part of these Financial Statements.

CHORUS MOTORS PUBLIC LIMITED COMPANY

BALANCE SHEET
as at 31 March 2002

	Notes	2002 $	2001 $
Current Assets			
Debtors	2	6,646,173	5,502,565
Total Net Assets		$ 6,646,173	$ 5,502,565
Capital and Reserves			
Called up Share Capital	3,4	59,667	58,278
Share Premium Account	3,4	6,780,926	5,573,887
Profit and Loss account	4	(194,400)	(129,600)
Total Shareholders' Funds		$ 6,646,173	$ 5,502,565

The financial statements on pages 7 to 11 were approved by the Board of Directors on 22nd July 2002 and signed on their behalf by:



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Isaiah W Cox
Director

Rodney T Cox
Director

The notes on pages 9 to 11 form part of these Financial Statements.

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 Technical and is included within the administration fee per note 5.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2002

2. DEBTORS

	2002 $	2001 $
Loan to related party	$ 6,646,173	$ 5,502,565

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

3. CALLED UP SHARE CAPITAL

	2002 $	2001 $
Authorised share capital 10,000,000 ordinary shares @ $0.01 each	$ 100,000	$ 100,000

	Number of Shares	Share Capital $	Share Premium Account $	Total $
At 31 March 2000	5,659,429	56,594	3,141,689	3,198,283
Shares issued during the year	168,427	1,684	2,432,198	2,433,882
At 31 March 2001	5,827,856	58,278	5,573,887	5,632,165
Shares issued during the year	138,943	1,369	1,207,039	1,208,408
At 31 March 2002	5,966,799	$ 59,647	$ 6,780,926	$ 6,840,573

4. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

	Share Capital $	Share Premium Account $	Profit & Loss Account $	Total $
At 31 March 2000	56,594	3,141,689	(64,800)	3,133,483
Shares issued during the year	1,684	2,432,198	–	2,433,882
Loss for the year	–	–	(64,800)	(64,800)
At 31 March 2001	58,278	5,573,887	(129,600)	5,502,565
Shares issued during the year	1,369	1,207,039	–	1,208,408
Loss for the year	–	–	(64,800)	(64,800)
At 31 March 2002	$ 59,647	$ 6,780,926	$ (194,400)	$ 6,646,173

5. 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 $64,800 (2001-$64,800) in fee administrative services provided by the ultimate Parent Company.

6. 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.