

# **Argosy Minerals Inc**

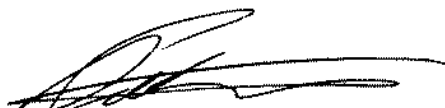
**CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended December 31, 2002, 2001 and 2000**  
(expressed in Canadian dollars)

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements and the information contained in the annual report have been prepared by the management of the Corporation. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and, where appropriate, reflect management's best estimates based on currently available information. A system of internal accounting control is maintained to provide reasonable assurance that financial information is accurate and reliable.

The Corporation's independent auditors, PricewaterhouseCoopers LLP, who have been appointed by the shareholders, conduct an audit in accordance with generally accepted auditing standards in Canada and the US to allow them to express an opinion on the financial statements.

The Audit Committee of the Board of Directors meets periodically with management and the independent auditors to review the scope and result of the annual audit, and to review the financial statements and related reporting matters prior to submission to the Board.



Chief Executive Officer  
Perth Australia

7 March 2003



Chief Financial Officer  
Langley, BC


## REPORT OF INDEPENDENT ACCOUNTANTS

### *To the Shareholders of Argosy Minerals Inc*

We have audited the consolidated balance sheets of Argosy Minerals Inc as at December 31, 2002 and 2001 and the consolidated statements of operations and deficit and cash flows for the years ended December 31, 2002, 2001 and 2000. These financial statements are the responsibility of the Corporation'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 and US 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 Corporation as at December 31, 2002 and 2001 and the results of its operations and its cash flows for the years ended December 31, 2002, 2001 and 2000 in accordance with Canadian generally accepted accounting principles.



Chartered Accountants  
Vancouver, Canada

7 March 2003

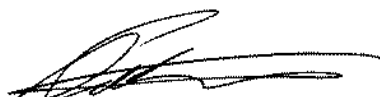
**Argosy Minerals Inc**  
**(an Exploration stage company)**  
**CONSOLIDATED BALANCE SHEETS**  
**As At December 31, 2002 and 2001**  
(Expressed in Canadian Dollars)

	2002	2001
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 9,780,175	\$ 11,097,233
Accounts receivable and prepaids	42,996	26,312
Marketable Securities (fair market value)	263,740	-
	<u>10,086,911</u>	<u>11,123,545</u>
Restricted Cash	<i>Note 3a</i> 157,960	156,000
Mineral Properties and Deferred Costs	<i>Note 3</i> 340,512	10,612,745
Property Plant and Equipment	43,334	9,387
	<u>\$ 10,628,717</u>	<u>\$ 21,901,677</u>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 325,406	\$ 519,027
<b>SHAREHOLDERS' EQUITY</b>		
Capital Stock	<i>Note 4</i>	
Authorised - unlimited		
Issued - 95,969,105 common shares (2001: 95,969,105)	44,075,384	44,075,384
Deficit	<u>(33,772,073)</u>	<u>(22,692,734)</u>
	<u>10,303,311</u>	<u>21,382,650</u>
	<u>\$ 10,628,717</u>	<u>\$ 21,901,677</u>

Request for arbitration

*Note 9*

**APPROVED BY THE DIRECTORS**



Peter H. Lloyd, Director



Cecil R. Bond, Director

The accompanying notes are an integral part of these consolidated financial statements

**Argosy Minerals Inc****(an Exploration stage company)****CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT****For the Years Ended December 31, 2002, 2001 and 2000****(Expressed in Canadian Dollars)**

	2002	2001	2000
Income			
Interest	\$ 411,203	\$ 76,367	\$ 143,773
Expenses			
Accounting and audit	138,907	159,368	113,786
Bank charges	7,002	3,291	3,843
Capital taxes	832	6,577	225
Depreciation	9,725	30,439	31,904
Directors' fees	24,982	19,576	17,500
Foreign exchange (gain)/loss	(899,844)	(3,054)	13,556
Insurance	53,950	62,851	57,922
Legal	204,195	85,331	24,657
Loss on marketable securities	-	-	10,000
Management and consulting fees	324,703	383,805	312,849
Office	25,589	30,632	45,844
Project assessment	181,358	199,163	21,077
Rent	66,219	105,355	122,864
Salaries and benefits	418,374	278,889	210,268
Shareholder communications	85,278	64,532	36,301
Telecommunications	19,454	24,087	17,465
Transfer agent and stock exchange	51,518	56,001	52,674
Travel	265,626	224,204	106,087
Write-off of mineral properties and deferred costs	<i>Note 3</i> 10,512,674	7,533,332	-
	11,490,542	9,264,379	1,198,822
Loss for the Year	(11,079,339)	(9,188,012)	(1,055,049)
Deficit - Beginning of Year	(22,692,734)	(13,504,722)	(12,449,673)
Deficit - End of Year	\$ (33,772,073)	\$ (22,692,734)	\$ (13,504,722)
Basic & Diluted Loss per Common Share	\$ (0.12)	\$ (0.10)	\$ (0.01)
Weighted Average Number of Common Shares Outstanding	95,969,105	95,894,105	95,781,605

The accompanying notes are an integral part of these consolidated financial statements

**Argosy Minerals Inc**  
**an Exploration stage company**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**For the Years Ended December 31, 2002, 2001 and 2000**  
(Expressed in Canadian Dollars)

	2002	2001	2000
<b>Cash Provided from (Used for)</b>			
<b>Operating Activities</b>			
Loss for the year	\$ (11,079,339)	\$ (9,188,012)	\$ (1,055,049)
Adjustments for:			
Depreciation	9,725	30,439	31,904
Foreign exchange (gain)/loss	(804,273)	(10,769)	4,653
Loss on marketable securities	-	-	10,000
Write-off of mineral properties and deferred costs	10,512,674	7,533,332	-
	<u>(1,361,213)</u>	<u>(1,635,010)</u>	<u>(1,008,492)</u>
<b>Changes in Non-cash Working Capital</b>			
(Increase)/Decrease in accounts receivable and prepaids	(16,684)	28,768	10,638
Increase/(Decrease) in accounts payable and accrued liabilities	(193,621)	260,950	(63,112)
<b>Cash Flows from Operating Activities</b>	<u>(1,571,518)</u>	<u>(1,345,292)</u>	<u>(1,060,966)</u>
<b>Financing Activities</b>			
Issue of capital stock	-	46,511	39,376
<b>Cash Flows from Financing Activities</b>	<u>-</u>	<u>46,511</u>	<u>39,376</u>
<b>Investing Activities</b>			
Mineral properties and deferred costs	(240,441)	(1,084,686)	(1,362,866)
Re-imbursment of deferred costs - Nakety	-	11,307,948	-
Acquisition of Marketable Securities	(263,740)	-	-
Acquisition of Indian Ocean - cash acquired	-	172,234	-
Purchase of property, plant & equipment	(43,672)	(2,938)	(5,290)
Restricted cash	(1,960)	(9,150)	-
<b>Cash Flows from Investing Activities</b>	<u>(549,813)</u>	<u>10,383,408</u>	<u>(1,368,156)</u>
<b>Foreign Exchange Gain/(Loss) on cash held in Foreign Currency</b>	<u>804,273</u>	<u>10,769</u>	<u>(4,653)</u>
<b>(Decrease)/Increase in Cash and Cash Equivalents</b>	<u>(1,317,058)</u>	<u>9,095,396</u>	<u>(2,394,399)</u>
<b>Cash and Cash Equivalents - Beginning of Year</b>	<u>11,097,233</u>	<u>2,001,837</u>	<u>4,396,236</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u>\$ 9,780,175</u>	<u>\$ 11,097,233</u>	<u>\$ 2,001,837</u>

The accompanying notes are an integral part of these consolidated financial statements

*For the Years Ended December 31, 2002, 2001 and 2000  
(Expressed in Canadian Dollars)*

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### **1. Nature Of Operations**

The Corporation is in the process of exploring its mineral properties and investigating other possible property acquisitions.

The Corporation is involved in studies for the development of a nickel/cobalt processing facility at Musongati in the Republic of Burundi and in gold exploration in the Slovak Republic. In August 2002 the Corporation's subsidiary, Andover Resources N.L., declared force majeure and curtailed its activities in Burundi as a result of the deterioration of the security situation in Burundi. See Note 3(a).

On August 5, 2002, the Corporation received a notice of termination from NN Invest Holdings SA ("NNIH"), a subsidiary of Norilsk Mining Company ("Norilsk") terminating the Tripartite Agreement (the "Agreement") between NNIH, Societe des Mines de la Tontouta ("SMT") and the Corporation for the development of the New Caledonia Nickel Project. See Note 3(c). On September 13, 2002, the Corporation and its subsidiary Balzan received a request for arbitration by NNIH from the International Court of Arbitration of the International Chamber of Commerce ("ICC"). The request for arbitration seeks to recover US\$7,166,000 paid to Balzan plus an additional US\$1,368,222 expended on the project. See Note 9.

As yet, it has not been determined if the Corporation's mineral properties contain ore reserves that are economically recoverable and whether the processing facilities are economically viable. The recoverability of the amounts shown for mineral properties and deferred costs is dependent on the existence of economically recoverable reserves, the ability of the Corporation to obtain necessary financing to complete the development and future profitable production or proceeds from disposition of the mineral properties. The amounts shown as mineral properties and deferred costs represent costs to date, less amounts recovered or written off, and do not necessarily represent present or future values.

### **2. Significant Accounting Policies**

#### **Principles of Consolidation**

The consolidated financial statements include the accounts of the Corporation and its wholly owned subsidiaries:

<u>Company Name</u>	<u>Country</u>
Argosy Mining Corp. ("Argosy")	Canada
Calliope Metals (Holdings) Ltd.	Canada
Calliope Metals Pty Ltd. ("Calliope Metals")	Australia
Andover Resources N.L. ("Andover")	Australia
Kremnica Gold a.s.	Slovak Republic
Liberex Limited	Republic of Cyprus
Liberex Mining B.V.	Netherlands
Melling Investments Limited ("Melling")	BVI
Balzan Investments Limited ("Balzan")	BVI
Indian Ocean Exploration Limited ("Indian Ocean")	Australia

#### **Financial Statement Presentation**

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The material measurement differences between Canadian and United States GAAP relating to measurement are explained in Note 10, along with their effect on the Company's consolidated statements of operations and consolidated balance sheets. Certain additional disclosures as required under US GAAP have not been provided as permitted by the SEC.

#### **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 amount of assets and liabilities and disclosure of

*For the Years Ended December 31, 2002, 2001 and 2000  
(Expressed in Canadian Dollars)*

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contingent assets and liabilities at the date of the financial statements and the reported amount of income and expenses during the period. Significant areas where management's judgement is applied are mineral property valuations and contingent liabilities. Actual results may differ from those estimates.

**Cash and Cash Equivalents**

Cash and cash equivalents include cash and short-term deposits maturing within 90 days of the original date of acquisition.

In order to limit its exposure, the Corporation deposits its funds with major Canadian, Australian and UK banks. A substantial portion of the cash balances are held in Australian and U.S. dollars; accordingly, the Corporation has exposure to fluctuations in currency exchange rates.

**Marketable Securities**

Marketable securities are carried at the lower of cost and quoted market value and consist of shares in a public company quoted on the Australian Stock Exchange.

**Property, Plant & Equipment**

Depreciation is provided on property, plant & equipment using the straight line method over the estimated useful lives of the assets.

**Mineral Properties and Deferred Costs**

The costs of acquiring mineral properties, and related exploration and development costs, are deferred until the property to which they relate is placed into production, sold or abandoned. Deferred costs will be amortized over the estimated useful life of the ore body following commencement of production, or written off if the property is sold or abandoned.

The Corporation will reduce the carrying value of mineral properties and deferred costs by any amount received from the introduction of a joint venture partner.

Management's estimate of carrying values is subject to risks and uncertainties affecting the recoverability of the Corporation's investment in mineral properties. Although management has made its best estimate of these factors based on current conditions, it is possible that changes could occur in the near term which could adversely affect management's estimate of the recoverability of mineral properties and deferred costs and the need for asset impairment write-downs.

Although the Corporation has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Corporation's title. Such properties may be subject to prior undetected agreements or transfers and title may be affected by such defects.

**Options**

Mineral property option payments are made at the discretion of the Corporation and, accordingly, are accounted for when paid.

**Stock Based Compensation**

From time to time, the Corporation grants stock options to employees as described in Note 4(c). No compensation expense is recognized when stock options are granted to directors and employees, however, pursuant to CICA 3870 Accounting for Stock Based Compensation, compensation expense of options granted is disclosed as pro-forma information in Note 4. Any consideration paid by employees on the exercise of stock options is credited to capital stock.

**Loss per Common Share**

Loss per common share is calculated using the weighted average number of common shares issued and outstanding during each year. Basic and diluted loss per share are the same as the effect of potential issues of shares under share option arrangements would be anti-dilutive.

*For the Years Ended December 31, 2002, 2001 and 2000  
(Expressed in Canadian Dollars)*

### **Foreign Currency Translation**

The Corporation's foreign subsidiaries are integrated foreign operations. Currency translations into Canadian dollars are made as follows:

- (i) monetary assets and liabilities at the rates of exchange prevailing at the balance sheet date;
- (ii) non-monetary items at rates prevailing when they are acquired;
- (iii) deferred costs and administration costs at average rates for the period.

Gains and losses arising on currency translation are included in the statement of operations.

### **Financial Instruments**

Cash and cash equivalents, accounts receivable and accounts payable are valued at their carrying amounts which are reasonable estimates of fair value due to the relatively short period to maturity of the instruments.

### **Income taxes**

Income taxes are calculated using the liability method of accounting. Temporary differences arising from the difference between the tax basis of an asset or liability and its carrying amount on the consolidated balance sheet are used to calculate future income tax assets or liabilities. Future income tax assets or liabilities are calculated using the tax rates anticipated to apply in the periods that the temporary differences are expected to reverse - see Note 6.

### **3. Mineral Properties and Deferred Costs**

	Mineral properties	Deferred costs	Total
December 31, 2002			
Slovak Gold Property - Kremnica	\$ 250,000	\$ 90,512	\$ 340,512
	<u>\$ 250,000</u>	<u>\$ 90,512</u>	<u>\$ 340,512</u>
December 31, 2001			
New Caledonia Nickel Project - Nakety	\$ 2,488,963	\$ -	\$ 2,488,963
Burundi Nickel Project - Musongati	7,190,700	683,082	7,873,782
Slovak Gold Property - Kremnica	250,000	-	250,000
	<u>\$ 9,929,663</u>	<u>\$ 683,082</u>	<u>\$ 10,612,745</u>

#### **a) Burundi Nickel Project**

During 1998, Andover entered into a Protocol agreement with the Republic of Burundi acquiring the exclusive rights to the Musongati nickel project. On February 11, 1999, a Mining Convention setting out Andover's rights and obligations for the completion of a feasibility study on the Musongati nickel project was ratified by the Burundian Parliament. The Mining Convention requires that Andover complete a feasibility study for the development of a nickel/cobalt processing facility by the end of 2001 or such later date as may be determined by extensions granted by the Minister of Mines. On April 19, 2000, Andover declared force majeure and curtailed its activities in Burundi as a result of the deterioration in security in the region. Pursuant to the terms of the Mining Convention the declaration of force majeure may be in place for up to two years during which time Andover's obligations are interrupted and the completion of the feasibility study

*For the Years Ended December 31, 2002, 2001 and 2000  
(Expressed in Canadian Dollars)*

delayed by the period of force majeure. Pursuant to the terms of the Mining Convention, Andover was required to post a performance bond of US\$100,000.

On March 28, 2002 the Corporation announced the withdrawal of the declaration of force majeure and plans to resume its exploration activities, however security deteriorated ahead of the implementation of an agreed cease-fire between various political parties and the Corporation re-imposed the declaration of force majeure in August 2002. The security situation is monitored closely as the Corporation intends to recommence activities as soon as the situation allows.

At December 31, 2002, the Corporation wrote off its investment in the project of \$7,973,049, to recognize the reduction in value due to the ongoing political instability in the country and the failure of nickel laterite projects around the world.

**(b) Slovak Gold Property**

During the year ended December 31, 2001 the Corporation wrote down its 100% owned investment in the Kremnica Gold Property due to continued low gold prices and the Corporation's difficulty in introducing a joint venture partner or being able to sell the project. The project was written down by \$7,533,332 to its estimated net recoverable amount of \$250,000. Costs incurred to maintain the project during 2002 have been deferred as the Corporation estimates these costs will be recoverable due to higher gold prices.

**(c) New Caledonia Nickel Project - Joint Venture Arrangement**

On July 25, 2001, the Corporation announced JSC "MMC Norilsk Nickel" had taken the positive decision to proceed with the Nakety/Bogota Project in New Caledonia by completing a feasibility study leading to the joint development with Argosy and SMT of the project. The Agreement between NNIH, SMT and the Corporation's subsidiary Balzan was signed on October 16, 2001. Under the terms of the Agreement, NNIH reimbursed the Corporation 45% of its costs incurred to date, or US\$7,166,000 (C\$11,307,948) which was applied to reduce the carrying value of the project. Thereafter, NNIH had the ability to earn a 45% stake in the project by completing a feasibility study to international standards over two years.

On August 5, 2002, the Corporation received a termination notice from NNIH terminating its involvement in the project. The termination notice effectively terminated the Agreement and the Corporation wrote off its remaining investment of \$2,539,625 in the project. In addition, NNIH issued a request for arbitration through the IC to recover the funds reimbursed to the Corporation of US\$7,166,000 plus amounts expended on the project amounting to US\$1,368,222.

The Corporation is defending the claim for arbitration, which it believes to be wholly without merit. See Note 9.

**4. Capital Stock**

**(a) Authorised Capital Stock**

The Corporation is authorised to issue an unlimited number of common shares without par value.

**(b) Issued**

	Number of Shares	Amount
Total issued - December 31, 1999	95,669,105	\$ 43,989,497
Shares issued on exercise of stock options	150,000	39,376
Total issued - December 31, 2000	95,819,105	44,028,873
Shares issued on exercise of stock options	150,000	46,511
Total issued - December 31, 2001 and 2002	95,969,105	\$ 44,075,384

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****- 5 -**

For the Years Ended December 31, 2002, 2001 and 2000  
(Expressed in Canadian Dollars)

**(c) Stock Options**

The Corporation grants stock options to employees as determined by the Corporation's Board of Directors. Stock options granted to the directors of the Corporation are granted subject to approval of the Corporation's shareholders.

Pursuant to the adoption of CICA 3870 Accounting for Stock Based Compensation, compensation expense of options granted to employees and directors, using the fair value method, is disclosed as pro-forma information.

The assumptions stated below result in an estimated fair value of the Corporation's stock options granted in 2002 of \$0.20 per stock option. This results in a pro-forma compensation expense of \$835,000, which would increase the Corporation's loss per share as indicated below:

		<u>December 31, 2002</u>
Loss for the Year	<i>As reported</i>	\$ 11,079,339
	<i>Pro forma</i>	\$ 11,914,339
Basic Diluted Loss per Common Share	<i>As reported</i>	\$ 0.12
	<i>Pro forma</i>	\$ 0.12

The fair value of stock options used to calculate compensation expense is estimated using the Black-Scholes Option Pricing Model with the following assumptions:

Risk-free interest rate	4%
Expected Dividend yield	0%
Expected Stock price volatility	75%
Expected Option life in years	4

Option pricing models such as the Black-Scholes require the input of highly subjective assumptions including expected stock price volatility. Differences in input assumptions can materially affect the fair value estimate and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Corporation's stock options.

The status of stock options granted to employees and directors as at December 31, 2002 and 2001 and the changes during the years ended on those dates is presented below:

	December 31, 2002		December 31, 2001	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Options outstanding - Beginning of Year	3,110,000	\$ 0.66	4,040,000	\$ 0.59
Exercised	-	-	(150,000)	\$ 0.31
Cancelled/Expired	(2,495,000)	\$ 0.56	(780,000)	\$ 0.29
Granted	4,175,000	\$ 0.31	-	-
Options outstanding - End of Year	<u>4,790,000</u>	<u>\$ 0.44</u>	<u>3,110,000</u>	<u>\$ 0.66</u>

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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*For the Years Ended December 31, 2002, 2001 and 2000  
(Expressed in Canadian Dollars)*

The following table summarizes information about exercisable and outstanding stock options at December 31, 2002:

Prices	Number	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
\$ 0.27	65,000	0.4 years	\$ 0.27
\$ 0.31	3,575,000	3.4 years	\$ 0.31
\$ 0.53	350,000	0.2 years	\$ 0.53
\$ 0.80	150,000	0.6 years	\$ 0.80
\$ 1.07	650,000	0.3 years	\$ 1.07
	<u>4,790,000</u>	<u>2.6 years</u>	<u>\$ 0.44</u>

### **(d) Escrow Shares**

At December 31, 2002 a total of 3,665,092 (2001: 4,886,787) common shares of the Corporation were subject to escrow and are eligible for release, based on the passage of time, as follows:

March 2003	1,221,695
March 2004	1,221,695
March 2005	1,221,702

### **5. Related Party Transactions**

During the year ended December 31, 2002, \$482,389 (2001: \$575,156; 2000: \$514,750) was paid to five Directors of the Corporation or its subsidiaries, or to companies controlled by them, for Director's fees, management consulting services and project management and assessment services. Of this amount, the Corporation expensed \$482,389 (2001: \$544,531; 2000: \$387,401) and capitalized \$ NIL (2001: \$30,625; 2000: \$127,349) to deferred costs.

In addition \$445,750 (2001: \$449,236; 2000: \$347,999) was paid to a company controlled by a director for the provision of office facilities and personnel in Australia. These services are provided at cost.

At December 31, 2002, management and consulting expenses payable amounted to \$68,445 (2001: \$175,068; 2000: \$24,000) and are included in accounts payable and accrued liabilities.

### **6. Income Taxes**

A potential future income tax asset of approximately \$2,181,000 arises from the following loss carry forwards:

Non capital loss carry forwards	\$ 5,300,000
Other deductible tax pools	<u>822,000</u>
	<u>\$ 6,122,000</u>

The non-capital loss carry forwards can be offset against income for Canadian purposes in future years and expire as follows:

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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For the Years Ended December 31, 2002, 2001 and 2000  
(Expressed in Canadian Dollars)

2003	\$	1,156,000
2004		-
2005		107,000
2006		888,000
2007		1,576,000
2008		-
2009		1,573,000
<b>Total</b>	<b>\$</b>	<b>5,300,000</b>

The Corporation has reduced the value of the potential future income tax asset to \$Nil through the application of a valuation allowance of \$2,181,000 as the Corporation does not have any current source of income to which the tax losses can be applied.

The Corporation's statutory tax rate of 35.62% (2001 – 44.62%) has been reduced to an effective rate of nil% (2001 – nil%) due to losses for which no tax benefit has been recognized.

**7. Segmented Information**

	2002					
	Canada	Australia	Slovak Rep.	Burundi	UK	Total
Current Assets	\$ 67,092	\$ 378,484	\$ 10,953	\$ -	\$ 9,630,382	\$ 10,086,911
Property, Plant & Equipment	7,196	36,138	-	-	-	43,334
Mineral Properties & Deferred Costs	-	-	340,512	-	-	340,512
Other	157,960	-	-	-	-	157,960
	<b>\$ 232,248</b>	<b>\$ 414,622</b>	<b>\$ 351,465</b>	<b>\$ -</b>	<b>\$ 9,630,382</b>	<b>\$ 10,628,717</b>

	2001					
	Canada	Australia	Slovak Rep.	Burundi	UK	Total
Current Assets	\$ 159,255	\$ 412,556	\$ 7,212	\$ -	\$ 10,544,522	\$ 11,123,545
Property, Plant & Equipment	6,451	2,936	-	-	-	9,387
Mineral Properties & Deferred Costs	-	2,488,963	250,000	7,873,782	-	10,612,745
Other	156,000	-	-	-	-	156,000
	<b>\$ 321,706</b>	<b>\$ 2,904,455</b>	<b>\$ 257,212</b>	<b>\$ 7,873,782</b>	<b>\$ 10,544,522</b>	<b>\$ 21,901,677</b>

The Corporation's sole operating segment is the exploration for mineral resources.

**8. Commitments**

The Corporation and its subsidiaries have entered into leases, expiring December 9, 2005, for office premises which require rental payments of approximately \$3,410 per month until December 31, 2003 and \$2,250 per month thereafter.

For the Years Ended December 31, 2002, 2001 and 2000  
(Expressed in Canadian Dollars)

**9. Request for Arbitration**

NNIH, through the IC, issued a request for arbitration for the return of US\$7,166,000 paid to the Corporation as a reimbursement of expenditures paid on signing of the Tripartite Agreement plus expenditures of US\$1,368,222 and the costs of arbitration. The Corporation believes the claim is without merit and is vigorously defending the claim. In addition, the Corporation has filed a counterclaim against NNIH.

**10. Differences between Canadian and US Generally Accepted Accounting Principles ("GAAP")**

The Corporation's consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Canada. The material measurement differences between GAAP in Canada and the United States that would have had an effect on these financial statements are as follows:

**Balance Sheet**

i)	Mineral Properties and Deferred Costs	2002	2001
	Mineral Properties and Deferred Costs - under Canadian GAAP	\$ 340,512	\$ 10,612,745
	Deferred Costs	(90,512)	(683,082)
	Mineral Properties - under US GAAP	<u>\$ 250,000</u>	<u>\$ 9,929,663</u>
ii)	Shareholders' Equity	2002	2001
	Shareholders' Equity - under Canadian GAAP	\$ 10,303,311	\$ 21,382,650
	Deficit - under Canadian GAAP	33,772,073	22,692,734
	Deficit - under US GAAP	<u>(33,862,585)</u>	<u>(23,375,816)</u>
	Shareholders' Equity - under US GAAP	<u>\$ 10,212,799</u>	<u>\$ 20,699,568</u>

**Statement of Operations and Deficit**

	2002	2001	2000
Loss for the Year - under Canadian GAAP	\$ 11,079,339	\$ 9,188,012	\$ 1,055,049
Exploration Expenditures and write-downs - net of recoveries	<u>(592,570)</u>	<u>(8,523,316)</u>	<u>1,362,866</u>
Loss for the Year - under US GAAP	<u>\$ 10,486,769</u>	<u>\$ 664,697</u>	<u>\$ 2,417,915</u>
Basic & diluted loss per common share - under US GAAP	<u>\$ (0.11)</u>	<u>\$ (0.01)</u>	<u>\$ (0.03)</u>
Deficit - under US GAAP - Beginning of Year	\$ 23,375,816	\$ 22,711,119	\$ 20,293,204
Loss - under US GAAP	<u>10,486,769</u>	<u>644,697</u>	<u>2,417,915</u>
Deficit - under US GAAP - End of Year	<u>\$ 33,862,585</u>	<u>\$ 23,375,816</u>	<u>\$ 22,711,119</u>

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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*For the Years Ended December 31, 2002, 2001 and 2000  
(Expressed in Canadian Dollars)*

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- (a) For US GAAP purposes the Corporation expenses exploration expenses when incurred. When proven and probable reserves are determined for a property, subsequent development costs of the property will be capitalized. The capitalized costs of such properties will then be measured, on a periodic basis for recoverability of carrying values. Acquisition costs of mineral properties are capitalized for US GAAP purposes.
- (b) For financial statement disclosure purposes, the Corporation follows the recommendation of APB Opinion 25 in accounting for stock options issued to employees. This requires the recognition of compensation expenses only when the option price is less than the market price on the grant date.
- (c) New Pronouncements

### Impairment of Long-Lived Assets

The Accounting Standards Board of the Canadian Institute of Chartered Accountants (CICA) has issued CICA 3063, "Impairment of Long-Lived Assets." This statement establishes standards for the recognition, measurement and disclosure of the impairment of non-monetary long-lived assets, including property, plant and equipment, intangible assets with finite useful lives, deferred pre-operating costs and long-term prepaid assets. The corporation does not expect that the implementation of this new standard will have a material impact on its consolidated financial position or results of operations.