

# **FARAWAY**

**PUBLIC LIMITED COMPANY**

**Gibraltar Registered No. 57887**

## **Financial Statements**

**for the year ended 31 March 2005**

# **FARAWAY PUBLIC LIMITED COMPANY**

Gibraltar Registered No. 57887

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# FARAWAY PUBLIC LIMITED COMPANY

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## DIRECTORS AND OFFICERS

### Directors

### Appointed

Rodney T. Cox	21 Dec 1999	Director, Chairman of the Board, and Chief Executive Officer
Iris Oren Cox	21 Dec 1999	Director
Isaiah W. Cox	28 Apr 2003	Director, President, and Chief Operating Officer
Wayne S. Marshall	28 Apr 2003	Director
Peter Vanderwicken	28 Apr 2003	Director
Nechama J. Cox	05 Oct 2004	Director

### Secretary

Fidecs Management Limited

### Registered Office

Montagu Pavilion  
8-10 Queensway  
Gibraltar

### Auditors

Moore Stephens  
Suite 5 Watergardens 4  
Waterport  
Gibraltar

# FARAWAY PUBLIC LIMITED COMPANY

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## DIRECTORS' REPORT

The directors submit their report and the audited financial statements for the year ended 31 March 2005.

### Corporate Profile

The Company was incorporated on 23 April 1996 in Gibraltar. Since 3 May 2005, the Company's shares have been listed for public trading in the United States over-the-counter (OTC) market and quoted as FWYPF on the Pink Sheets at [www.pinksheets.com](http://www.pinksheets.com).

### Activities

The Company owns 100% of 10,350 acres of Government of Canada long-term renewable leases near Freuchen Bay, Melville Peninsula, Nunavut, Canada, and is working on arranging for their future development.

### Results and Review of Business

The results for the year are shown in the Profit and Loss Account on page 6.

Borealis Exploration Limited ("Borealis"), the ultimate parent company, transferred certain mineral rights in the form of mining claims 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.

The Company owns 100% of 10,350 acres of Government of Canada long-term renewable leases near Freuchen Bay, Melville Peninsula, Nunavut, Canada. These leases cover a series of geophysical/geochemical anomalies that our consultants tell us sit astride an intracratonic rift. These leases run for 21 years from 27 December 2001, and are expected to be renewed on the renewal dates, and will require annual payments of \$ 8,556 at current exchange rates. 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 31 March 2005, the Company had net assets of \$ 185,776 (2004 - \$110,900) 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, though because it is now a long-term lease probably quite saleable. 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 that might be necessary if the Company is unable to continue as a going concern.

### Business Review

#### *Freuchen Bay Project*

The Company owns 100% interest in six Government of Canada 21-year renewable mineral leases located near Freuchen Bay, Nunavut, Canada. These leases require annual lease payments of \$ 8,556 (at current exchange rate) per year. All leases are renewable, and are expected to be renewed upon expiry.

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## DIRECTORS' REPORT (Continued)

### Business Review (Continued)

In subsequent years, the Company anticipates that significant expenditures will be incurred on development as work progresses on putting its mineral resources into production. Finance will be provided by the issuance of further shares, or by joint venturing with other companies. Various proposals for development and/or sale of the mineral properties are under discussion. In the meantime, all of the Company's expenses are paid by Borealis Exploration Limited and the proceeds from all share deposits are advanced to Borealis in exchange for an accounts receivable and all bills being paid by the ultimate parent company.

### 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 2005	Shares held at 31 March 2004	Options held at 31 March 2005
Rodney T. Cox	100,001	1	30,000
Iris Oren Cox	1	1	0
Isaiah W. Cox	24,951	1	20,000
Wayne S. Marshall	24,951	1	0
Peter Vanderwicken	12,284	0	7,500
Nechama J. Cox	5,001	N/A	0

### Share Options

The Company created 750,000 share options on 31 December 2004, and granted 528,500 to option holders, reserving 221,500 options which can be granted by the directors prior to the options expiration on 31 December 2009. The exercise price of those options is \$ 5.00 per share. The options are for a five-year term, and are subject to terms and conditions on the part of the option holder. For the year ended 31 March 2005, all 750,000 options were still outstanding.

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## 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 and 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 on 3 June 2005



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Isaiah W. Cox  
Director



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Rodney T. Cox  
Director

# FARAWAY PUBLIC LIMITED COMPANY

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## REPORT OF THE AUDITORS

### To the members of Faraway Public Limited Company

We have audited the financial statements on pages 6 to 10, 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 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 31 March 2005, and of the loss for the year then ended in accordance with Gibraltar Accounting Standards and have been properly prepared in accordance with Gibraltar Companies Ordinance 1930 and the Gibraltar Companies (Accounts) Ordinance 1999.



**Moore Stephens**  
CHARTERED ACCOUNTANTS

Gibraltar  
3 June 2005

# FARAWAY PUBLIC LIMITED COMPANY

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## PROFIT AND LOSS ACCOUNT for the year ended 31 March 2005

	Notes	2005 \$	2004 \$
<b>Expenditure</b>			
Administrative fees		(17,640)	–
		<hr/>	<hr/>
<b>Retained loss for the year</b>		(17,640)	–
<b>Retained losses brought forward</b>		360	360
		<hr/>	<hr/>
<b>Retained losses carried forward</b>		\$ (17,640)	\$ 360
		<hr/> <hr/>	<hr/> <hr/>

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 10 form part of these Financial Statements.



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## BALANCE SHEET as at 31 March 2005

	Notes	2005 \$	2004 \$
<b>Investments – Mining Properties</b>	2	100,495	100,495
<b>Current Assets</b>			
<b>Debtors</b>	3	85,281	10,405
		<hr/>	<hr/>
<b>Total Assets less current liabilities</b>		185,776	110,900
		<hr/>	<hr/>
<b>Total Net Assets</b>		\$ 185,776	\$ 110,900
		<hr/> <hr/>	<hr/> <hr/>
<b>Capital and Reserves</b>			
Called up Share Capital	4,5	104,234	83,600
Share Premium Account	4,5	98,822	26,940
Profit and Loss Account	5	(17,280)	360
		<hr/>	<hr/>
<b>Total Shareholders' Funds</b>		\$ 185,776	\$ 110,900
		<hr/> <hr/>	<hr/> <hr/>

Signed on behalf of the Board of Directors on 3 June 2005



Isaiah W. Cox  
Director



Rodney T. Cox  
Director

The notes on pages 8 to 10 form part of these Financial Statements.

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## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2005

### 1. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Gibraltar Accounting Standards and the Gibraltar Companies Ordinance 1930 and the Gibraltar (Companies 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 4.

**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. Mining properties**

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 expected to continue. At present no amortisation is being charged until exploitation begins.

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## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2005 (Continued)

### 2. INVESTMENT – MINING PROPERTIES

	2005 \$	2004 \$
Mining Properties	\$ 100,495	\$ 100,495

The investment in the Mining Properties, located near Freuchen Bay, Melville Peninsula, Nunavut, Canada, 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.

All expenses for 2005 were paid by the parent company with no charge backs.

### 3. DEBTORS

	2005 \$	2004 \$
Loan to parent company	\$ 85,281	\$ 10,405

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

### 4. CALLED UP SHARE CAPITAL

	2005 \$	2004 \$
Authorised share capital 10,000,000 ordinary shares @ £0.01 each	\$ 160,000	\$ 160,000

	Number of Shares	Share Capital \$	Share Premium Account \$	Total \$
<b>At 31 March 2003</b>	5,210,006	83,360	–	83,360
Shares issued during the year	15,000	240	26,940	27,180
<b>At 31 March 2004</b>	5,225,006	83,600	26,940	110,540
Shares issued during the year	1,031,679	20,634	71,882	92,516
<b>At 31 March 2005</b>	6,256,685	\$ 104,234	\$ 98,882	\$ 203,056

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## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2005 (Continued)

### 5. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

	Share Capital \$	Share Premium Account \$	Profit & Loss Account \$	Total \$
<b>At 31 March 2003</b>	83,360	–	360	83,720
Shares issued during the year	240	26,940	–	27,180
Loss for the year	–	–	–	–
	<hr/>	<hr/>	<hr/>	<hr/>
<b>At 31 March 2004</b>	83,600	26,940	360	110,900
Shares issued during the year	20,634	71,882	–	92,516
Loss for the year	–	–	(17,640)	(17,640)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>At 31 March 2005</b>	<u>\$ 104,234</u>	<u>\$ 98,882</u>	<u>\$ (17,280)</u>	<u>\$ 185,776</u>

### 6. ULTIMATE PARENT COMPANY

The ultimate parent company is Borealis Exploration Limited, a company incorporated in Gibraltar whose registered office is at Montagu Pavilion, 8-10 Queensway, Gibraltar.