

Financial Statements of

Dev Investments Inc.

November 30, 2002 and 2001

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DEV INVESTMENTS INC.

November 30, 2002 and 2001

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Auditors' Report

June 5, 2003
Edmonton, Alberta

To the shareholders of Dev Investments Inc.:

We have audited the balance sheets of Dev Investments Inc. as at November 30, 2002 and 2001 and the statements of loss and deficit and cash flow for the years then ended. These financial statements are the responsibility of the company'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 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 financial statements present fairly, in all material respects, the financial position of the company as at November 30, 2002 and 2001 and the results of its operations and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Kingston Ross Pasnak LLP

Kingston Ross Pasnak LLP
Chartered Accountants

Statement of Loss and Deficit

DEV INVESTMENTS INC.

Years ended November 30, 2002 and 2001

	<u>2002</u>	<u>2001</u>
EXPENSES		
Feasibility and due diligence costs (Note 6)	\$ 83,500	\$ -
Professional fees	11,149	7,500
Corporate fees	9,027	1,650
Rent	5,125	1,906
Office and sundry	672	429
LOSS FROM OPERATIONS	(109,473)	(11,485)
OTHER INCOME		
Interest	4,659	1,024
NET LOSS	(104,814)	(10,461)
DEFICIT, BEGINNING OF YEAR	(10,461)	-
DEFICIT, END OF YEAR	\$ (115,275)	\$ (10,461)
LOSS PER SHARE (Note 8)	\$ (0.0299)	\$ (0.0059)

Balance Sheet

DEV INVESTMENTS INC.

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ASSETS

	<u>2002</u>	<u>2001</u>
CURRENT ASSETS		
Cash and short-term deposit	\$ 128,390	\$ 300,547
Accrued interest	2,750	630
Funds held in lawyer's trust account	1,002	6,959
Prepaid expenses	119	4,167
Advances to related party (Note 3)	6,000	9,000
Loan receivable (Note 4)	79,850	-
	<u>\$ 218,111</u>	<u>\$ 321,303</u>

**LIABILITIES AND
SHAREHOLDERS'
EQUITY**

CURRENT LIABILITY		
Accounts payable and accrued liabilities	\$ 4,172	\$ 2,550
SHARE CAPITAL (Note 5)	329,214	329,214
DEFICIT	(115,275)	(10,461)
	<u>213,939</u>	<u>318,753</u>
	<u>\$ 218,111</u>	<u>\$ 321,303</u>

APPROVED BY THE BOARD

(signed) "Doug Walker" Director

(signed) "Chris Gulka" Director

Statement of Cash Flow

DEV INVESTMENTS INC.

Years ended November 30, 2002 and 2001

	2002	2001
OPERATING ACTIVITIES		
Cash paid to suppliers	\$ (103,803)	\$ (13,102)
Interest received	2,539	394
	<u>(101,264)</u>	<u>(12,708)</u>
INVESTING ACTIVITY		
Advances from related party	13,000	-
Advances to related party	(10,000)	(9,000)
Advances to Hypower Fuel Inc.	(79,850)	-
	<u>(76,850)</u>	<u>(9,000)</u>
FINANCING ACTIVITIES		
Issuance of shares	-	300,000
Share issuance costs paid	-	(83,286)
	<u>-</u>	<u>216,714</u>
CASH (REQUIRED) PROVIDED	(178,114)	195,006
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	307,506	112,500
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 129,392	\$ 307,506
CASH AND CASH EQUIVALENTS IS COMPRISED OF:		
Cash in bank	\$ 98,390	\$ 100,547
Guaranteed investment certificate		
Cashable at prime less 2.4%	30,000	-
Due October 11, 2002 at prime less 2.1%	-	200,000
Funds held in lawyer's trust account	1,002	6,959
	<u>\$ 129,392</u>	<u>\$ 307,506</u>

DEV INVESTMENTS INC.

November 30, 2002 and 2001

Note 1
General

The Corporation was incorporated by Certificate of Incorporation issued pursuant to the provisions of the Business Corporations Act (Alberta) on November 7, 2000 and commenced operations with the initial issuance of shares the same day. The Articles of the Corporation were amended by a Certificate of Amendment issued on April 9, 2001 to remove the private company provisions and the restrictions on share transfers. The principal business of the Corporation is to identify and evaluate corporations, assets or businesses with a view to their potential acquisition. The Corporation has completed a Capital Pool Company public offering by way of prospectus and its shares are listed for trading on the TSX Venture Exchange although the shares are currently suspended from trading under a cease trade order.

Note 2
Significant Accounting
Policies

Significant accounting policies observed in the preparation of the financial statements are summarized below. These policies are in accordance with Canadian generally accepted accounting principles.

Measurement Uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Statement of Cash Flow

The company is using the direct method in its presentation of the Statement of Cash Flow.

Financial Instruments

The company's financial instruments consist of cash, short-term deposit, funds held in lawyer's trust account, loans receivable, advances to related party, accrued interest and accounts payable. Unless otherwise noted, it is management's opinion that the company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

Future Income Taxes

The company follows the asset and liability method of accounting for income taxes. Under the asset and liability method, the change in the net future tax asset or liability is to be included in income. Future tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be recovered or settled.

DEV INVESTMENTS INC.

November 30, 2002 and 2001

**Continuation of
Note 2
Significant Accounting
Policies**

Earnings per Share

Effective October 1, 2001, the company adopted the new accounting recommendations of the Canadian Institute of Chartered Accountants for calculating earnings per share using the treasury stock method. This method recognizes the use of proceeds that could be obtained upon exercise of options and warrants in computing diluted earnings per share. It assumes that any proceeds would be used to purchase common shares at the average market price during the period. The new method has been applied retroactively, however, there is no restatement necessary as the options were anti-dilutive under both methods.

Stock-Based Compensation

Effective December 1, 2001, the company has adopted the new recommendations for stock-based compensation. These new recommendations require that a fair value be determined for the options at the date of grant and that such fair value be recognized in the company's financial statements. The recommendations also allow a method other than the fair value method to be used to account for stock-based compensation; the intrinsic value based method. Under this method, no compensation expense is recorded in the accounts of the company for stock-based compensation.

The company adopted the intrinsic value based method and, accordingly, no compensation expense is recorded in the financial statements. Proforma disclosure is provided, if applicable for options issued after 2001, to show the effect had the fair value based method been applied.

Consideration which may be received on the exercise of such options will be recorded as share capital.

In addition, in accordance with the new standard, the company uses a fair value based method of accounting for all other stock-based payments.

DEV INVESTMENTS INC.

November 30, 2002 and 2001

Note 3
Advances to Related
Party

The corporation advanced \$6,000; (2001 - \$9,000), net of repayments received, to a director and a company controlled by the director. These advances are due on demand, bear no interest, are unsecured and have been repaid subsequent to the year-end.

Note 4
Loan Receivable

	<u>2002</u>	<u>2001</u>
Hypower Fuel Inc.	\$ 79,850	\$ -

Advances to Hypower Fuel Inc. are unsecured, bear interest at 4% per annum and are due on demand. These advances plus interest have been repaid subsequent to the year-end.

DEV INVESTMENTS INC.

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Note 5
Share Capital

Authorized:

- Unlimited number of common voting shares without nominal par value
- Unlimited number of preferred shares

The Preferred Shares may be issued in one or more series and the directors are authorized to fix the number of shares in each series and to determine the designation, rights, privileges, restrictions, and conditions attached to the shares of each series.

Issued voting common shares:

	<u>Number of Shares</u>	<u>Amounts</u>
November 7, 2000		
- initial share subscription for cash	1,500,000	\$ 112,500
October 10, 2001 - public offering	2,000,000	300,000
	<hr/>	
	3,500,000	412,500
Deduct: Costs related to the public offering		(83,286)
		<hr/>
Balance, end of year	3,500,000	\$ 329,214

Upon incorporation, the Corporation issued 1,500,000 common shares at \$0.075 per share for total cash proceeds of \$112,500. Under the requirements of the Alberta Securities Commission and the TSX Venture Exchange Inc., the 1,500,000 issued common shares are held in escrow. The escrowed shares will be released as to 10% thereof immediately following the issuance of the bulletin of the TSX Venture Exchange Inc. announcing final acceptance of the Qualifying Transaction and as to 15% thereof on each of the six, twelve, eighteen, twenty-four, thirty, and thirty-six month anniversary dates following the initial release. In the event a Qualifying Transaction is not completed there will be no release from escrow. All shares held in escrow have been deposited with an escrow agent pursuant to an escrow agreement containing the above noted terms and conditions.

Should the corporation not identify a qualifying transaction within 18 months of its initial public listing, all listed common shares issued at less than the initial public offering price are subject to possible forfeiture and cancellation.

On October 10, 2001, the Corporation issued 2,000,000 common shares at \$0.15 per share to the public, for total cash proceeds net of agent's commission and other related expenses of \$216,714.

DEV INVESTMENTS INC.

November 30, 2002 and 2001

**Continuation of
Note 5
Share Capital**

In connection with the initial public offering, the Agent has been granted an option to purchase up to 200,000 common shares at \$0.15 per share. This option is exercisable at any time between issuance of the options and 18 months from the date of listing of the Corporation's shares on the TSX Venture Exchange Inc., being April 24, 2003. This option expired subsequent the year-end.

Directors and Officers Stock Option Plan

During the previous year the company established an Incentive Stock Option Plan for certain directors and officers of the company. Under this plan the company has granted options for a total of 350,000 common shares. These options may be exercised within five years of issuance at a price of \$0.15 per common share, expiring on July 19, 2006.

The company applies the intrinsic value based method of accounting for stock-based compensation. Accordingly, no compensation expense is recorded in the accounts for the share option plans. For share options granted after 2001, disclosure of the impact on earnings as if the fair value based method of accounting for the share-based compensation had been applied is required. No options have been granted after 2001.

**Note 6
Feasibility and Due
Diligence Costs**

During the year, the corporation incurred costs in the amount of \$83,500 (2001 - nil) with respect to the evaluation of a business with a view to a potential acquisition.

In the event that this transaction would not be completed, the corporation received promissory notes in the amount of \$75,000 as a way of recouping its costs.

The transaction is not proceeding as at the year-end, however, these promissory notes have not been recognized due to uncertainty over the likelihood of collection.

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Note 7**Income Taxes**

Income taxes differ from the amount that would be computed by applying combined federal and provincial statutory income tax rates to the loss before income taxes. A reconciliation of this difference is as follows:

	<u>2002</u>	<u>2001</u>
Loss before income taxes	\$ (104,814)	\$ (10,461)
Combined tax rate	39.1%	41.6%
Expected tax recovery	\$ (40,222)	\$ (4,352)
Increase (decrease) resulting from:		
Share issuance costs deductible over 5 years	(6,513)	(6,929)
Loss available for future use; not recognized	46,735	11,281
Income tax recovery	<u>\$ -</u>	<u>\$ -</u>

The company has non-capital tax losses carried forward for tax purposes in the amount of \$144,519; (2001 - \$24,749) which are available for the reduction of future years' taxable income. The losses will expire as listed below:

2008	24,749
2009	119,770
	<u>\$ 144,519</u>

The income tax loss carryforward exceeds the deficit balance, primarily due to share issuance costs which are an offset to share capital for financial statement purposes, but deductible for income tax purposes over 5 years at 20% per year. In addition to the loss carryforward, the company has share issuance costs in the amount of \$49,972; (2001 - \$66,629) which are available for tax deduction in future years.

No recognition has been given in these financial statements to any potential tax savings arising from application of these items.

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Note 8

Loss Per Share

During the previous fiscal year the company adopted the revised CICA accounting standard for determining earnings per share and, accordingly, the treasury stock method is used for calculating diluted earnings per share.

Basic earning (loss) per common share is determined by dividing net income (loss) available to common shareholders as reported in the Statement of Loss by the weighted average daily number of common shares outstanding for the period, being 3,500,000; (2001 - 1,779,452) .

There is no dilutive effect on earnings (loss) per common share as a result of stock options granted by the company because the exercise price is greater than the average market price of the common shares.

Note 9

Subsequent Events

Effective April 17, 2003 the company entered into an arm's length Letter of Intent with Shear Minerals Ltd. and Mantle Minerals Inc., pursuant to which the companies will enter into an Option Agreement under which this company will have the option to acquire up to a 60% working interest in certain mineral claims located in the Northwest Territories.

This company must expend \$300,000 of exploration costs on the property within 18 months of the date of the Option Agreement to acquire a 51% working interest; the company must expend an additional \$500,000 of exploration costs on the property thereafter to acquire an additional 9% working interest.

The closing of the transaction underlying the Option Agreement will constitute the company's "Qualifying Transaction" as defined in the policies of the TSX Venture Exchange. Concurrent with closing the above noted transaction, the company expects to complete an equity private placement financing of up to 5,000,000 common shares and \$500,000.