

UNITED REEF LIMITED

AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED NOVEMBER 30, 2002

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Management's Responsibility for Financial Information

The report to shareholders and financial statements have been prepared by management. The financial statements have been prepared in conformity with generally accepted accounting principles in Canada and, where necessary, reflect management's best estimates and judgements. Management acknowledges responsibility for the fairness, integrity and objectivity of all information contained in the annual report including the financial statements..

Management is also responsible for the maintenance of financial and operating systems, which include effective controls to provide reasonable assurance that relevant and reliable financial information is produced. Our independent auditors have the responsibility of auditing the consolidated financial statements and expressing an opinion on them.

The Board of Directors, through its Audit Committee, is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control. The Audit Committee is composed of three directors. This committee meets periodically with management and the external auditors to review accounting, auditing, internal control and financial reporting matters.

(signed)
Michael D. Coulter
President

AUDITOR'S REPORT To the Shareholders of UNITED REEF LIMITED

We have audited the balance sheet of UNITED REEF LIMITED as at November 30, 2002 and 2001 and the statements of operations and deficit and cash flows 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 audit.

We conducted our audit 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 its cash flows for the years ended in accordance with Canadian generally accepted accounting principles.

(signed)
KRAFT, BERGER, GRILL, SCHWARTZ, COHEN & MARCH LLP
Chartered Accountants

Toronto, Ontario
December 5, 2002

UNITED REEF LIMITED**Balance Sheet**

(Expressed in Canadian dollars)

November 30,	2002	2001
ASSETS		
Current		
Cash	\$ 22,048	\$ 44,749
Prepaid expenses and sundry receivables	6,177	14,250
	<u>28,225</u>	<u>58,999</u>
Investment in AXMIN Inc. (Note 3)	98,123	72,483
Investment in exploration properties (Note 4)	27,175	1,957
Investment in marketable securities	-	8,379
	<u>\$ 153,523</u>	<u>\$ 141,818</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 36,350	\$ 156,399
Loan payable to a related party (Note 5)	25,040	-
Due to a related party (Note 6)	16,359	212,541
	<u>77,749</u>	<u>368,940</u>
SHAREHOLDERS' EQUITY		
Capital Stock (Note 7(b))	17,127,558	17,127,558
Shares to be issued (Note 7(c))	326,025	-
Deficit	(17,377,809)	(17,354,680)
	<u>75,774</u>	<u>(227,122)</u>
	<u>\$ 153,523</u>	<u>\$ 141,818</u>

See accompanying notes to the financial statements.

Approved on behalf of the Board

(signed)
Michael D. Coulter
Director

(signed)
Mousseau Tremblay
Director

UNITED REEF LIMITED
Statement of Operations and Deficit
(Expressed in Canadian dollars)

For the years ended November 30,	2002	2001
Revenue	<u>\$ -</u>	<u>\$ -</u>
Expenses		
Administration	<u>\$ 87,545</u>	<u>\$ 66,812</u>
Loss before the following	(87,545)	(66,812)
Write down of exploration and research expenditures	(17,143)	(16,307)
Gain (loss) on sale of marketable securities	46,954	(15,981)
Central African Republic recoveries, net	23,055	66,948
Gain on settlement of debt	11,550	-
Sale of Central African Republic subsidiary	-	40,000
Gain on sale of mining claims	<u>-</u>	<u>20,000</u>
Net income (loss) for the year	(23,129)	27,848
DEFICIT, beginning of year	<u>(17,354,680)</u>	<u>(17,382,528)</u>
DEFICIT, end of year	<u>\$ (17,377,809)</u>	<u>\$ (17,354,680)</u>
Income (loss) per share for the year (Note 7(e))	<u><u>\$ (0.00)</u></u>	<u><u>\$ 0.00</u></u>

See accompanying notes to the financial statements.

UNITED REEF LIMITED**Statement of Cash Flow**

(Expressed in Canadian dollars)

For the years ended November 30,	2002	2001
Operating activities		
Net income (loss) for the period	\$ (23,129)	\$ 27,848
Recoveries of Central African Republic expenditures, net	(23,055)	-
Write down of exploration expenditures	105	16,307
Write down of marketable securities	-	11,621
Write down of research costs, exploration	17,037	
Gain on settlement of debt	(11,550)	
Gain on sale of mining equipment	-	(66,948)
Gain on sale of Central African Republic subsidiary	-	(40,000)
Gain on sale of mining claims	-	(20,000)
(Gain) loss on sale of marketable securities	(46,954)	4,360
	<u>(87,546)</u>	<u>(66,812)</u>
Non-cash items:		
Prepaid and sundry receivables	8,073	16,550
Accounts payable and accrued liabilities	(108,499)	6,683
	<u>(187,972)</u>	<u>(43,579)</u>
Investing activities		
Proceeds on sale of marketable securities	55,333	35,640
Net proceeds on sale of mining equipment	50,000	66,948
Expenditures on resource properties	(69,305)	(8,260)
Decrease in investment in AXMIN Inc.	(25,640)	-
	<u>10,388</u>	<u>94,328</u>
Financing activities		
Shares to be issued	326,025	-
Increase (decrease) in loan payable to a related party	25,040	(21,267)
Increase (decrease) in amounts due to a related party	(196,182)	10,272
	<u>154,883</u>	<u>(10,995)</u>
Change in cash	(22,701)	39,754
CASH, beginning of year	44,749	4,995
CASH, end of year	\$ 22,048	\$ 44,749

See accompanying notes to the financial statements.

UNITED REEF LIMITED

Notes to the Financial Statements

November 30, 2002

1. Nature of Operations

United Reef Limited (the "Corporation") is a mineral exploration company which has been inactive in recent years. Management is currently taking steps to reactivate the Corporation in the mineral exploration sector. See note 4.

2. Summary of Significant Accounting Policies

These financial statements have been prepared in accordance with accounting principles generally accepted in Canada.

Exploration properties

Costs relating to the acquisition, exploration and development of non-producing resource properties are capitalized until such time as either economically recoverable reserves are established, or the properties are sold or abandoned. The ultimate recovery of these costs depends on the discovery and development of economic reserves or the sale of the mineral rights. The amount shown for non-producing resource properties do not necessarily reflect present or future values.

Reclamation costs

Expenditures relating to on-going environmental and reclamation programs on properties under development are treated as part of the corresponding exploration and development costs.

Use of Estimates

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

Basis of Presentation

These financial statements have been prepared on a going concern basis, which assumes the realization of assets and liquidation of liabilities in the normal course of business. The application of the going concern concept is dependent on the Corporation's ability to settle its debt and obtain financing in order to continue its operations. Management is of the opinion that suitable exploration targets will be identified and that external financing will be obtained to meet the Corporation's liabilities and commitments as they become due.

Investments

Long-term investments are recorded at cost less any provision for an other than temporary decline in market value.

3. Investment in AXMIN Inc. (formerly Asquith Resources Inc.) (“AXMIN”)

At November 30, 2002, the Corporation held 1,104,054 (2001 – 1,208,054) common shares of AXMIN. AXMIN’s common shares trade on the TSX Venture Exchange under the symbol AXM. AXMIN’s shares closed at \$0.21 on November 28, 2002, the date the shares last traded prior to the Corporation’s year end. Due to the number of shares of AXMIN held by the Corporation, the market value of AXMIN’s shares may or may not represent the future value.

AXMIN is in the process of exploring its mineral properties in the Central African Republic (“CAR”) and several other African countries. The Corporation holds a 2% net smelter royalty on the CAR project.

4. Investment in exploration properties

The Corporation holds a 100% interest in 12 patented mining claims (the “Claims”) located in Foy Township, Sudbury Mining Division, Ontario. In November, 2000 the Corporation granted an option to Crowflight Minerals Inc. (“Crowflight”) to acquire a 50% interest in the Claims. In order to acquire the 50% interest Crowflight was required to make certain cash payments, issue up to 250,000 of its common shares over a number of years and expend a total of \$550,000 on the Claims over five years. Crowflight had been in default under the terms of the option since November, 2001. In September, 2002 the Corporation gave notice to Crowflight and terminated their option.

In September, 2002, the Corporation retained the services of an independent mining and geological consulting firm to prepare a Geological Evaluation Report to confirm that the Nickel Offsets Property in Foy Township is meritorious of additional exploration expenditures to assess the potential for Platinum Group Elements and associated nickel and copper mineralization and to provide recommendations for an exploration program. The consultant’s report was received in early November and recommends an initial program budgeted at approximately \$240,000. The Corporation plans to fund the recommended exploration program through an offering of the Corporation’s shares. See note 7(c).

5. Loan payable to a related party

During 2002, a director of the Corporation made a loan to the Corporation in the amount of US\$16,000 (Cdn\$25,040). The loan is non-interest bearing and has no specific terms of repayment.

6. Due to a related party

During the year, the Corporation incurred expenses in the amount of \$36,923 (2001 - \$30,228) for rent, accounting, secretarial and administrative services provided by a company whose shareholders are the President and Secretary of the Corporation. The

Corporation was indebted to this company for \$16,359 (2001 - \$212,541) at year-end. See note 7(c).

7. Capital Stock

(a) *Authorized Capital:* Unlimited number of common shares without par value.

(b) *Issued and Outstanding Shares:*

<u>Common shares</u>	<u>Shares</u>	<u>Amount</u>
Balance at November 30, 2001 and 2002	<u>39,262,203</u>	<u>\$ 17,127,558</u>

(c) *Shares to be Issued:*

During November, 2002, the Corporation began negotiations to undertake an offering (the "Offering") of up to 8,000,000 units of the Corporation at a price of \$0.10 per unit, each unit being comprised of one common share and one-half of one common share purchase warrant exercisable at a price of \$0.20 for 18 months (the "Units"). Messrs. Becker-Fluegel and Tremblay, directors of the Corporation, subscribed for 345,000 Units and 330,000 Units, respectively, under the Offering. Their aggregate cash subscriptions of \$67,500 were received prior to the year end.

At November 30, 2002, the Corporation had entered into agreements to settle an aggregate of \$258,525 in debt (the "Debt Settlements") through the issuance by the Corporation of 2,585,250 Units (these Units are included in the 8,000,000 Units referred to above) to certain of its creditors on the same terms as the Offering. Included in this amount was \$75,000 owed to M.D. Coulter & Associates Inc. ("MDC") (see note 6) in respect of rent, administrative, accounting and secretarial services provided to the Corporation and disbursements in respect of such services by MDC.

On November 28, 2002, the Corporation entered into an agreement with MDC to settle \$100,000 of debt owed to MDC. The agreement provided that MDC would accept 750,000 Units of the Corporation, which sum is included in the Debt Settlements referred to above, and the Corporation agreed to transfer to MDC 100,000 shares of AXMIN Inc. owned by the Corporation at a price of \$0.25 per share to settle \$25,000 of debt. MDC also advised the Corporation that it had sold \$100,000 of the debt owed to MDC by the Corporation to an arm's length party at its face value. The arm's length party entered into an agreement with the Corporation to settle this debt by the issuance of 1,000,000 Units. This sum is also included in the Debt Settlements referred to above.

The Corporation anticipates that the Units subscribed for under the Offering and Debt Settlements will be closed in tranches.

(d) *Common Share Purchase Options:*

The Corporation has an incentive stock option plan which governs the granting and exercise of options issued to directors, officers and employees of the Corporation. There were no stock options outstanding pursuant to the plan during 2001 or 2002.

(e) *Net Income (Loss) Per Share*

Net income (loss) per share is calculated using the weighted average number of shares outstanding during the period which was 39,262,203 shares (2001 - 39,262,203).

8. **Income Taxes**

The major components of the future tax assets and liabilities classified by the source of temporary differences that gave rise to the benefit are as follows.

	<u>2002</u>	<u>2001</u>
Assets		
Net operating losses (expiring 2003-2008)	\$ 805,000	\$1,099,000
Net capital losses (unlimited)	2,290,000	1,552,000
Canadian exploration and development expenses	364,000	341,000
Foreign exploration and development expenses	409,000	420,000
Total	3,868,000	3,412,000
Valuation allowances	<u>(3,868,000)</u>	<u>(3,412,000)</u>
	<u>\$ -</u>	<u>\$ -</u>

In assessing the reliability of the future tax assets, management considers whether it is more likely than not that some portion or all of the future tax assets will not be realized. The ultimate realization of future tax assets and liabilities is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers projected future taxable income tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods which the future tax assets are deductible, management believes it is more likely than not the corporation will not realize the benefits of these deductible differences at November 30, 2002.

As at the year-end, the Corporation had the following approximate tax loss carryforwards available, to the extent permitted by tax regulations, to reduce future income taxes:

(a) *Non-Capital Losses*

The Corporation has non-capital losses carried forward of approximately \$1,611,000 available, for income tax purposes, to reduce future years' taxable income. These losses expire in the years 2003 to 2008.

(b) Net Capital Losses

The Corporation has net capital losses carried forward of approximately \$4,579,000 available indefinitely, for income tax purposes, to reduce future years' taxable capital gains.

(c) Canadian Exploration and Development Expenses

The Corporation has Canadian Exploration and Development expenses of approximately \$727,000 available, for income tax purposes, to reduce future income from resource properties.

(d) Foreign Exploration and Development Expenses

The Corporation has Foreign Exploration and Development expenses of approximately \$818,000 available, for income tax purposes, to reduce future foreign income from resource properties.

9. Financial Instruments

The carrying amounts reflected in the balance sheets for sundry receivable, accounts payable and accrued liabilities approximates the fair values due to the short maturities of these instruments.