

(UNAUDITED BUT REVIEWED)

PRECIOUS SHIPPING PUBLIC COMPANY LIMITED AND SUBSIDIARIES
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIODS ENDED
31 MARCH 2005 AND 2004

1. GENERAL INFORMATION

1.1 Basis for the preparation of the interim financial statements

These interim financial statements are prepared in accordance with Accounting Standards Pronouncement No. 41 “Interim financial statements”, with the Company choosing to present condensed interim financial statements. However, additional line items are presented in the balance sheets, and the related statements of earnings, changes in shareholders’ equity and cash flows, as in the annual financial statements.

These interim financial statements are intended to provide information additional to that included in the latest annual financial statements. Accordingly, they focus on new activities, events and circumstances so as not to duplicate information previously reported. These interim financial statements should therefore be read in conjunction with the latest annual financial statements.

1.2 Basis of consolidation

These consolidated financial statements include the financial statements of Precious Shipping Public Company Limited and subsidiaries (“the Group”) and have been prepared on the same basis as that applied for the consolidated financial statements for the year ended 31 December 2004. There have been no changes in the composition of the Group during the current period.

1.3 Significant accounting policies

The interim financial statements are prepared using the same accounting policies and methods of computation as were used for the financial statements for the year ended 31 December 2004.

(UNAUDITED BUT REVIEWED)

2 TRADE ACCOUNTS RECEIVABLE

The balances of trade accounts receivable are classified by aging as follows: -

			(Unit: Thousand Baht)	
	CONSOLIDATED		THE COMPANY ONLY	
	31 March	31 December	31 March	31 December
	2005	2004	2005	2004
Less than 3 months	65,392	15,224	-	-
3 - 6 months	1,988	12,182	-	-
6 - 12 months	12,300	3,303	-	-
More than 12 months	67,137	69,498	1,827	1,825
Total	146,817	100,207	1,827	1,825
Less: Allowance for doubtful accounts	(66,376)	(68,738)	(1,827)	(1,825)
Trade accounts receivable - net	80,441	31,469	-	-

3 RELATED PARTY TRANSACTIONS

During the periods, the Company had significant business transactions with its subsidiary, associated and related companies (related by way of common shareholders and/or directors). Such transactions, have been concluded on the terms and basis as stipulated in the agreements between the Company and those companies. No interest was charged on advances to/from subsidiaries. The transactions are summarised below: -

	(Unit: Thousand Baht)			
	CONSOLIDATED		THE COMPANY ONLY	
	For the three-month periods ended 31 March			
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
<u>Transactions with subsidiaries</u>				
(Eliminated from consolidated financial statements)				
Dividend received	-	-	1,478,764	-
Administrative expenses	-	-	2,663	2,480
<u>Transactions with related companies</u>				
Administrative expenses	6,368	5,388	1,250	1,287

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The outstanding balances of the above transactions have been separately shown in the balance sheets. Details of balances are as follows: -

(Unit: Thousand Baht)

	THE COMPANY ONLY			
	31			31 March
	December			
	2004	Increase	Decrease	2005
<u>Receivable from and advances to subsidiaries</u>				
Precious Seas Limited	69,214	112,450	47,410	134,254
Precious Stars Limited	124,080	46,242	26,444	143,878
Precious Sapphires Limited	-	71,802	53,314	18,488
Precious Capitals Limited	11,505	146,145	135,710	21,940
Precious Jasmines Limited	8,333	-	8,333	-
Precious Orchids Limited	376,815	157,007	135,300	398,522
Precious Lagoons Limited	29,294	417,666	429,965	16,995
Precious Cliffs Limited	124,128	83,415	37,333	170,210
Precious Hills Limited	33,865	58,188	42,894	49,159
Precious Mountains Limited	23,559	77,722	40,528	60,753
Precious Resorts Limited	75,846	77,083	39,677	113,252
Precious Cities Limited	-	89,880	71,692	18,188
Precious Storage Terminals Limited	-	20	-	20
Precious Shipping (Mauritius) Limited	94,951	93,902	69,279	119,574
Precious Shipping (UK) Limited	7,785	-	7,785	-
Great Circle Shipping Agency Limited	111,339	1,674	5,812	107,201
Total	1,090,714	1,433,196	1,151,476	1,372,434

(UNAUDITED BUT REVIEWED)

(Unit: Thousand Baht)

	THE COMPANY ONLY			
	31			31 March
	December			
	2004	Increase	Decrease	2005
<u>Payable to and advances from subsidiaries</u>				
Precious Metals Limited	142,399	139,298	194,927	86,770
Precious Wishes Limited	152,726	180,294	248,577	84,443
Precious Stones Shipping Limited	106,521	190,328	187,401	109,448
Precious Minerals Limited	170,078	129,186	205,818	93,446
Precious Lands Limited	91,247	125,557	142,780	74,024
Precious Rivers Limited	140,725	158,027	205,190	93,562
Precious Lakes Limited	44,289	45,491	57,166	32,614
Precious Oceans Limited	89,329	34,598	30,036	93,891
Precious Planets Limited	136,915	98,189	117,058	118,046
Precious Diamonds Limited	101,277	190,855	203,738	88,394
Precious Sapphires Limited	20,135	-	20,135	-
Precious Emeralds Limited	121,910	60,255	91,153	91,012
Precious Rubies Limited	110,595	64,500	75,984	99,111
Precious Opals Limited	68,122	53,253	71,436	49,939
Precious Garnets Limited	112,705	67,770	91,374	89,101
Precious Pearls Limited	105,228	92,238	87,722	109,744
Precious Flowers Limited	103,527	89,336	100,344	92,519
Precious Forests Limited	96,313	157,808	123,079	131,042
Precious Trees Limited	106,713	96,200	101,483	101,430
Precious Ponds Limited	45,539	73,492	116,431	2,600
Precious Ventures Limited	18,185	123,272	53,535	87,922
Precious Jasmines Limited	-	85,336	73,688	11,648
Precious Cities Limited	19,193	-	19,193	-
Precious Comets Limited	80,152	68,690	49,171	99,671

(UNAUDITED BUT REVIEWED)

(Unit: Thousand Baht)

	THE COMPANY ONLY			
	31			
	December			
	2004	Increase	Decrease	2005
Precious Ornaments Limited	95,764	32,131	84,233	43,662
Nedtex Limited	4,762	-	6	4,756
Thebes Pte. Limited	9	-	-	9
Precious Shipping (Panama) S.A.	11,503	20,272	521	31,254
Precious Shipping (Singapore) Pte. Limited.	34,053	50,281	19,566	64,768
Precious Shipping (UK) Limited	-	12,503	8,528	3,975
Total	<u>2,329,914</u>	<u>2,439,160</u>	<u>2,780,273</u>	<u>1,988,801</u>

The outstanding balances of the amounts due from/to subsidiaries represent current accounts between the Company and those companies. The Company's management believes that no allowance for doubtful accounts is necessary.

Details of subordinated interest-free loans from subsidiaries, which are repayable within 2006, are as follows: -

(Unit: Thousand Baht)

	THE COMPANY ONLY	
	31 March	31 December
	2005	2004
Precious Cliffs Limited	143,000	143,000
Precious Capitals Limited	143,000	143,000
Precious Jasmines Limited	100,750	100,750
Precious Stars Limited	96,525	96,525
Precious Seas Limited	95,693	95,693
Precious Orchids Limited	57,850	57,850
Precious Ponds Limited	21,450	21,450
Precious Lakes Limited	4,550	4,550
Total	<u>662,818</u>	<u>662,818</u>

(UNAUDITED BUT REVIEWED)

4 INVESTMENTS

These represent investments in the following subsidiary, associated and other companies: -

(Unit: Thousand Baht)

	THE COMPANY ONLY							
	Percentage of ownership		Cost method		Equity method		Dividend received	
	31 March	31 December	31 March	31 December	31 March	31 December	31 March	31 March
	2005	2004	2005	2004	2005	2004	2005	2004
<i><u>Investments accounted for under equity method</u></i>								
<i><u>Subsidiaries</u></i>								
Precious Metals Limited	99.99	99.99	250,000	250,000	310,501	296,296	27,000	-
Precious Wishes Limited	99.99	99.99	229,999	229,999	344,910	301,279	48,070	-
Precious Stones Shipping Limited	99.99	99.99	260,000	260,000	312,717	320,294	52,520	-
Precious Minerals Limited	99.99	99.99	230,000	230,000	331,865	323,854	80,730	-
Precious Lands Limited	99.99	99.99	84,000	84,000	122,943	115,806	26,208	-
Precious Rivers Limited	99.99	99.99	234,000	234,000	323,058	315,537	64,350	-
Precious Lakes Limited	99.99	99.99	99,000	99,000	139,329	128,052	23,364	-
Precious Seas Limited	99.99	99.99	100,000	100,000	161,627	209,690	89,999	-
Precious Stars Limited	99.99	99.99	105,000	105,000	135,277	147,901	26,250	-
Precious Oceans Limited	99.99	99.99	175,000	175,000	221,809	203,039	10,500	-
Precious Planets Limited	99.99	99.99	100,000	100,000	189,040	155,343	45,300	-
Precious Diamonds Limited	99.99	99.99	205,000	205,000	310,511	280,970	60,680	-
Precious Sapphires Limited	99.99	99.99	143,999	143,999	171,265	177,493	27,360	-
Precious Emeralds Limited	99.99	99.99	86,000	86,000	158,488	138,149	43,516	-
Precious Rubies Limited	99.99	99.99	84,000	84,000	126,281	115,029	24,612	-
Precious Opals Limited	99.99	99.99	74,000	74,000	92,995	63,527	-	-
Precious Garnets Limited	99.99	99.99	78,999	78,999	149,664	128,335	41,395	-
Precious Pearls Limited	99.99	99.99	72,999	72,999	154,880	122,529	42,193	-
Precious Flowers Limited	99.99	99.99	75,999	75,999	175,863	122,258	38,608	-
Precious Forests Limited	99.99	99.99	95,999	95,999	196,790	154,002	48,384	-
Precious Trees Limited	99.99	99.99	79,999	79,999	157,150	130,717	42,639	-
Precious Ponds Limited	99.99	99.99	83,999	83,999	125,565	118,998	24,696	-
Precious Ventures Limited	99.99	99.99	79,999	79,999	163,457	120,130	32,080	-
Precious Capitals Limited	99.99	99.99	199,999	199,999	329,063	345,234	109,999	-
Precious Jasmines Limited	99.99	99.99	97,999	97,999	191,902	152,699	34,300	-
Precious Orchids Limited	99.99	99.99	216,999	216,999	325,901	372,261	130,199	-
Precious Lagoons Limited	99.99	99.99	139,999	139,999	183,811	164,348	11,200	-
Precious Cliffs Limited	99.99	99.99	139,999	139,999	185,274	222,747	63,000	-

(UNAUDITED BUT REVIEWED)

(Unit: Thousand Baht)

	THE COMPANY ONLY							
	Percentage of ownership		Cost method		Equity method		Dividend received	
	31 March	31 December	31 March	31	31 March	31	31 March	31 March
	2005	2004	2005	December 2004	2005	December 2004	2005	2004
Precious Hills Limited	99.99	99.99	139,999	139,999	185,486	191,787	35,000	-
Precious Mountains Limited	99.99	99.99	139,999	139,999	186,722	214,226	56,000	-
Precious Resorts Limited	99.99	99.99	139,999	139,999	185,955	219,614	63,000	-
Precious Cities Limited	99.99	99.99	169,999	169,999	206,998	210,161	34,000	-
Precious Comets Limited	99.99	99.99	71,099	71,099	112,200	73,545	2,204	-
Precious Ornaments Limited	99.99	99.99	68,099	68,099	93,849	90,492	19,408	-
Nedtex Limited	69.99	69.99	648	648	(4,809)	(4,794)	-	-
Precious Storage Terminals Limited	69.99	69.99	4,199	4,199	-	15	-	-
Thebes Pte. Limited	100.00	100.00	0.0365	0.0365	(667)	(651)	-	-
Precious Shipping (Panama) S.A.	99.99	99.99	250	250	43,130	42,579	-	-
Precious Shipping (Mauritius) Limited	100.00	100.00	250	250	(78,389)	(171,765)	-	-
Precious Shipping (Singapore) Pte. Limited	100.00	100.00	363,338	363,338	654,967	650,232	-	-
Precious Shipping (UK) Limited	99.99	99.99	250	250	4,675	4,992	-	-
Great Circle Shipping Agency Limited	99.99	99.99	121,995	121,995	(86,686)	(82,982)	-	-
Total net investments in subsidiaries			<u>5,043,110</u>	<u>5,043,110</u>	<u>7,295,367</u>	<u>6,883,968</u>	<u>1,478,764</u>	<u>-</u>
Investments accounted for under equity method					7,465,918	7,144,160		
Share of losses over investments					(170,551)	(260,192)		
Total net investments in subsidiaries					<u>7,295,367</u>	<u>6,883,968</u>		

The Company has presented share of losses from subsidiaries over investments by net off the amounts receivable from/payable to subsidiaries in the balance sheets.

The Company offset the above dividend income against amount receivable from/payable to subsidiaries in the balance sheets.

As at 31 March 2005, the Company has pledged the shares of 35 subsidiaries amounting to Baht 6,676.5 million (31 December 2004: 35 subsidiaries amounting to Baht 6,363.4 million), stated under the equity method, with a bank to secure the long-term loans referred to in Note 6.

(UNAUDITED BUT REVIEWED)

(Unit: Thousand Baht)

	CONSOLIDATED					
	Percentage of ownership		Cost method		Equity method	
	31 March	31 December	31 March	31 December	31 March	31 December
	2005	2004	2005	2004	2005	2004
<u>Associate held by a subsidiary</u>						
International Seaports (Haldia) Private Limited	22.40	22.40	<u>87,701</u>	<u>87,701</u>	<u>91,104</u>	<u>95,045</u>

Shares of profit (loss) from investment in associate held by a subsidiary were recorded based on financial statements prepared by the management of that company and not reviewed by its auditor.

					CONSOLIDATED		THE COMPANY ONLY	
	Percentage of ownership		Cost method		Equity method		Equity method	
	31 March	31 December	31 March	31 December	31 March	31 December	31 March	31 December
	2005	2004	2005	2004	2005	2004	2005	2004
<u>Current investments</u>								
International Seaports Pte. Limited	34.30	34.30	19,501	19,501	25,231	25,231	25,231	25,231
Dhamra Port Company Private Limited	-	33.33	-	96,889	-	96,889	-	-
Southern LPG Limited	50.00	50.00	31,716	31,716	19,365	19,365	-	-
Kakinada Seaports Limited	8.95	8.95	<u>24,004</u>	<u>24,004</u>	<u>24,004</u>	<u>24,004</u>	-	-
Total			<u>75,221</u>	<u>172,110</u>	<u>68,600</u>	<u>165,489</u>	<u>25,231</u>	<u>25,231</u>
Less: Allowance for loss on investments					<u>(68,600)</u>	<u>(165,489)</u>	<u>(25,231)</u>	<u>(25,231)</u>
Net current investments					<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The Company and subsidiaries recorded investments in 2 overseas associated companies (31 December 2004: 3 companies) under the equity method only until 31 December 2000, since the management of the Company and the subsidiaries are making efforts to sell these investments and an investment in another company. The investments have therefore been reclassified as current investments, under current assets. As at 31 March 2005, the Company and subsidiaries have set up provision for loss on investments of Baht 68.6 million (31 December 2004: Baht 165.5 million) (The Company Only: Baht 25.2 million (31 December 2004: Baht 25.2 million)).

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During the current period, PSL Investments Limited, a subsidiary of the Company (shareholding is held through Precious Shipping (Mauritius) Limited), disposed of its current investment in Dhamra Port Company Private Limited to another party at a price of INR 111 million (equivalent to Baht 98.3 million). The subsidiary had previously set up provision for loss on this current investment amounting to Baht 96.8 million and therefore reversed this account in the earnings statement of the current period. Out of the aforesaid sale price, during the current period the subsidiary received payment amounting to Baht 70.6 million and as at 31 March 2005 thus had outstanding receivable from sale of this current investment amounting to Baht 27.7 million, which was subsequently received in April 2005.

5. VESSELS, CONDOMINIUM AND EQUIPMENT

As at 31 March 2005, the subsidiaries have mortgaged 51 vessels with net book value of Baht 9,983.9 million (31 December 2004: 51 vessels amounting to Baht 10,332.7 million) and condominium units with net book value of Baht 91.9 million (31 December 2004: Baht 94.5 million) with banks to secure long-term loans as referred to in Note 6.

6. LONG-TERM LOANS

The outstanding balances of long-term loans as at 31 March 2005 and 31 December 2004 were as follows: -

	(Unit: Thousand Baht)	
	CONSOLIDATED	
	31 March 2005	31 December 2004
New loans	6,141,311	7,543,592
Other loan	9,430	17,580
Total	6,150,741	7,561,172
Less: Current portion	(123,590)	(1,127,542)
Long-term portion	6,027,151	6,433,630

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New loans

On 16 June 2003, the Company and local subsidiaries entered into an agreement with Krung Thai Bank Public Company Limited to obtain credit facilities of USD 100 million for the following purposes: -

- a) USD 65 million was to be used to refinance all outstanding loans of the Company and subsidiaries. Such facility was to be drawn down within 12 months from the date of the agreement.
- b) USD 35 million was to be used to pay for purchases of vessels and/or to fund the redemption of the Bonds. Such facility can be drawn down until the end of 2005.

In addition, on 18 March 2004 the Company and subsidiaries entered into an amendment and restatement agreement with Krung Thai Bank Public Company Limited to obtain the following additional credit facilities: -

- c) USD 170 million was to be used to pay for purchases of vessels. Such facility was to be drawn down by 31 December 2004.
- d) Credit facilities for use as working capital consisting of: -
 - an overdraft facility up to an aggregate amount not exceeding Baht 10 million.
 - a letter of guarantee facility up to an aggregate amount not exceeding Baht 105 million.
 - a foreign currency exchange facility up to an aggregate amount not exceeding USD 20 million.

As at 31 March 2005, no draw down has been made from facility d).

Facilities a) and b) carried interest at the rate of LIBOR plus a margin per annum. They were payable in quarterly installments over a period of 7.5 years, in accordance with the proportionate amounts stipulated in the agreement, with a one year grace period.

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Facility c) carried interest at the rate of LIBOR plus a margin per annum and was payable in quarterly installments of the proportionate amounts stipulated in the agreement, over a period of 9 years.

As at 31 March 2005, the 34 subsidiaries (31 December 2004: 34 subsidiaries) have outstanding loan balance by USD 156.5 million (31 December 2004: USD 192.4 million).

As at 31 March 2005, these loans are secured by the following: -

- a) The mortgage of 50 vessels (31 December 2004: 50 vessels) and condominium units belonging to subsidiaries (Note 5).
- b) The pledge of the shares of 35 subsidiaries (31 December 2004: 35 subsidiaries) (Note 4).
- c) The assignment of the beneficiary rights under insurance policies for the subsidiaries' vessels and condominium units.
- d) The assignment of the revenues from vessels and deposit accounts of the Company and subsidiaries if they breach the conditions in the loan agreements.

The Company and subsidiaries have to comply with certain conditions and restrictions provided in the loan agreements such as: -

- a) Maintenance of a debt service coverage ratio of at least 1 : 1.
- b) Maintenance of a debt to equity ratio of not exceeding 2 : 1.
- c) Maintenance of available liquid reserves of no less than USD 100,000 per vessel.

Other loan

Other loan represents loan of an overseas subsidiary which charges interest at a rate of LIBOR plus a margin per annum and is payable in semi-annual installments until 2005.

As at 31 March 2005, the subsidiary has outstanding other loan of USD 0.3 million (31 December 2004: USD 0.5 million). The loan is secured by the mortgage of the subsidiary's vessel and the assignment of the beneficiary rights under insurance policy of its vessel to a creditor (Note 5).

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7. TREASURY STOCK

Details of treasury stock are as follows: -

	CONSOLIDATED/ THE COMPANY ONLY	
	31 March 2005	31 December 2004
Value of treasury stock (Baht)	450,880,716	450,880,716
Number of treasury shares (Shares)	13,386,300	13,386,300
Average price per share (Baht)	33.6823	33.6823
The percentage of number of treasury shares per the shares capital issued by the Company	2.57	2.57

The period for disposal of the repurchased shares is 10 April 2005 to 8 October 2007 (at least 6 months but not more than 3 years after the date the share repurchase scheme is completed). In the event, the Company does not or is unable to dispose of the repurchased shares within such period, the Company will reduce its capital by cancelling the remaining unsold shares.

8. EXCHANGE GAINS (LOSSES)

Exchange gains (losses) for the three-month periods ended 31 March 2005 and 2004 were summarised below: -

	(Unit: Thousand Baht)			
	CONSOLIDATED		THE COMPANY ONLY	
	For the three-month periods ended 31 March			
	2005	2004	2005	2004
Realised exchange gains (losses)	17,280	(1,279)	(2,844)	8,596
Unrealised exchange gains (losses)	(11,824)	(2,569)	(19)	33
Exchange gains (losses) - net	5,456	(3,848)	(2,863)	8,629

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9. CORPORATE INCOME TAX

The Company does not have corporate income tax liabilities on its net earnings for the three-month periods ended 31 March 2005 and 2004 because tax losses brought forward exceed the net earnings.

In accordance with the Director - General's Notification on Income Tax No. 72 dated 1 January 1998, the subsidiaries have received an exemption from the payment of income tax for their marine transportation income. In addition, the subsidiaries have received an exemption from the payment of income tax under the provisions of the Investment Promotion Act B.E. 2520 for their marine transportation business.

10. CONTINGENT LIABILITIES

As at 31 March 2005, the Company and subsidiaries have contingent liabilities as a result of being sued for damages in maritime claims totalling USD 0.7 million (31 December 2004: USD 0.6 million). The ultimate outcome of these claims cannot be determined at this time, but management anticipates that no material liability will arise. Accordingly, no provision has been provided in the accounts.

11. FINANCIAL INSTRUMENTS

11.1 Foreign Currency Risk

Almost revenues and expenditures of the Company and subsidiaries are denominated in U.S. dollars, which provides a natural hedge against the currency risk associated with transactions in U.S. dollars. Consequently, the Company and subsidiaries are exposed to a currency risk in respect of its financial instruments denominated in other currencies. However, the Company's management has decided to maintain an open position of this exposure.

Exchange rate applied for translation of foreign currency liabilities as at 31 March 2005 was USD 1: Baht 39.2543 (31 December 2004: Baht 39.2025).

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11.2 Interest Rate Risk

As at 31 March 2005 the Company and subsidiaries had the following financial assets and financial liabilities exposed to interest rate risk: -

(Unit: Thousand Baht)

	Amounts of assets/liabilities				Average interest rate (% p.a.)	
	Floating interest rate	Fixed interest maturing in 1 year or less	Non-interest bearing	Total	Floating	Fixed
					g	
					USD currency	USD currency
Financial assets:						
Cash and cash equivalents	951,626	1,258,744	18,278	2,228,648	0.25	2.48
Financial liabilities:						
Long-term loans	6,150,741	-	-	6,150,741	5.475	-

11.3 Credit Risk

The Company has established a credit policy of evaluating the creditworthiness of its charterers and other parties and restricts its dealings to only sound parties along with tight and adequate documentation to minimize the risk of financial loss from default. The Company's management believes that the maximum exposure to credit risk is limited to the carrying amount of receivables less allowance for doubtful debts as stated in the balance sheets.

11.4 Fair Value

Since the majority of financial assets are short-term and loans carry interest at rates close to current market rates, the management believes that the fair value of the Company's and subsidiaries' financial assets and liabilities do not materially differ from their carrying value.

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12. FINANCIAL INFORMATION BY SEGMENT

The Company and its subsidiaries' activities predominantly involve the shipping businesses and carries cargo operations to various locations worldwide. As a result, all of the revenues, operating profits and assets as reflected in these financial statements pertain mainly to the aforementioned industry segment and geographic area.

13. SUBSEQUENT EVENT

On 29 April 2005, the Annual General Meeting of the Company's shareholders approved the payment of a dividend of 506.6 million shares of Baht 1.55 per share from its earnings for the year 2004, to the Company's shareholders, a total of Baht 785.3 million.

14. PRESENTATION

Certain amounts in the financial statements presented for comparative purpose have been reclassified to conform to the current period's classification, with no effect on the net earnings or shareholders' equity previously reported.

15. APPROVAL OF INTERIM FINANCIAL STATEMENTS

These interim financial statements have been approved by the Company's board of directors.