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ENERGY POWER SYSTEMS LTD

Form 6-K

May 30, 2002

FORM 6-K  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

REPORT OF FOREIGN PRIVATE ISSUER  
PURSUANT TO RULE 13A-16 OR 15D-16  
OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the month of May, 2002

ENERGY POWER SYSTEMS LIMITED  
(FORMERLY: ENGINEERING POWER SYSTEMS LIMITED)

-----  
(Address of Principal executive offices)

Suite 301, 2 Adelaide Street West, Toronto, Ontario, M5H 1L6  
-----

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover form 20-F or Form 40-F:

Form 20-F    X                      Form 40-F  
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Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2b under the Securities Exchange Act of 1934:

Yes                                      No        X  
-----

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ENERGY POWER SYSTEMS LIMITED  
(formerly: Engineering Power Systems Limited)

Date: May 30, 2002  
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By: \_\_\_\_\_ "Sandra J. Hall" \_\_\_\_\_  
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Sandra J. Hall, Secretary & Director

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Energy Power  
Systems Limited

Consolidated Financial Statements  
March 31, 2002  
(Unaudited)  
(Expressed in Canadian Dollars)

ENERGY POWER SYSTEMS LIMITED  
CONSOLIDATED BALANCE SHEET  
(EXPRESSED IN CANADIAN DOLLARS)

	MARCH 31, 2002 (UNAUDITED)	JUNE 30, 2001 (AUDITED)
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 6,565,795	\$ 1,242,621
Marketable securities	318,780	221,213
Receivables	3,379,568	4,331,086
Due from co-venturer	183,395	208,652
Inventories and work in progress	1,464,087	1,039,853
Prepaid expenses	104,257	67,329
Investments	3,500,000	3,500,000
Asset held for sale	220,000	-
Future income tax asset	235,000	235,000
	-----	-----
<b>TOTAL CURRENT ASSETS</b>	<b>15,970,882</b>	<b>10,845,754</b>
Oil and gas interests	4,654,646	2,017,493
Capital assets	2,721,386	3,268,096
Future income tax asset	862,749	862,000
Goodwill	1,860,885	2,056,832
	-----	-----
	<b>\$ 26,070,548</b>	<b>\$ 19,050,175</b>
	-----	-----
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT</b>		
Bank indebtedness	\$ 981,333	\$ 829,001
Accounts payable and accrued liabilities	2,614,216	4,200,868
Due to shareholders	628,304	1,162,403
Current portion of long-term debt	182,151	182,151
Future income tax liability	266,000	266,000
<b>TOTAL CURRENT LIABILITIES</b>	<b>4,672,004</b>	<b>6,640,423</b>
	-----	-----
Due to shareholders, July 31, 2002	-	350,000
Long-term debt	548,977	646,311
Future income tax liability	56,000	56,000
	-----	-----
<b>TOTAL LIABILITIES</b>	<b>5,276,981</b>	<b>7,692,734</b>
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SHAREHOLDERS' EQUITY

Capital stock	41,803,760	32,207,289
Deficit	(21,010,193)	(20,849,848)
TOTAL SHAREHOLDERS' EQUITY	\$ 20,793,567	\$ 11,357,441
	-----	-----
	\$ 26,070,548	\$ 19,050,175
	-----	-----

The accompanying notes to the financial statements are an integral part of these financial statements

ENERGY POWER SYSTEMS LIMITED  
CONSOLIDATED STATEMENT OF EARNINGS AND DEFICIT  
(UNAUDITED)  
(EXPRESSED IN CANADIAN DOLLARS)

	FOR THE NINE MONTH PERIOD ENDING MARCH 31		FOR THE THREE MONTH PERIOD ENDING MARCH 31	
	2002 2001	2001 2000	2002 2001	2001 2000
Sales	\$ 16,669,646	\$ 15,205,077	\$ 2,318,214	\$ 2,416,646
Cost of sales (including depreciation and depletion of \$188,503; 2001 - \$184,120)	14,435,648	13,660,117	1,962,292	2,296,646
-----	-----	-----	-----	-----
Gross profit	2,233,998	1,544,960	355,922	119,999
-----	-----	-----	-----	-----
Administrative expenses	1,710,290	1,871,817	499,711	912,290
Amortization of goodwill	195,943	195,943	65,314	65,314
Amortization of capital assets	100,053	116,528	18,414	40,053
Interest and bank charges	55,317	67,071	12,741	23,317
Interest on long-term debt	45,035	70,870	12,564	21,035
-----	-----	-----	-----	-----
	2,106,638	2,322,229	608,744	1,064,638
-----	-----	-----	-----	-----
Earnings (loss) before the following	127,360	(777,269)	(252,822)	(944,639)
Write down of asset held for sale	(231,251)		-	
Other income (expense)	11,335	89,975	(369)	54,335
-----	-----	-----	-----	-----
NET LOSS FROM CONTINUING OPERATIONS	(\$92,556)	(\$687,294)	(\$253,191)	(\$890,304)
DISCONTINUED OPERATIONS	(67,789)	158,367	(67,789)	213,367
-----	-----	-----	-----	-----
NET LOSS	(\$160,345)	(\$528,927)	(\$320,980)	(\$676,937)
Deficit, beginning of period	(20,849,848)	(17,214,932)	(20,689,213)	(17,067,213)

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Deficit, end of period	(\$21,010,193)	(\$17,743,859)	(\$21,010,193)	(\$17,743,859)
NET LOSS FROM CONTINUING OPERATIONS PER COMMON SHARE				
Net loss per share	(\$0.01)	(\$0.17)	(\$0.03)	(\$0.03)
Weighted average common shares outstanding (thousands)	7,982	4,052	7,982	4,052
FULLY DILUTED NET LOSS FROM CONTINUING OPERATIONS PER COMMON SHARE				
Net loss per share	Antidilutive	Antidilutive	Antidilutive	Antidilutive

The accompanying notes to the financial statements are an integral part of these financial statements

ENERGY POWER SYSTEMS LIMITED  
CONSOLIDATED STATEMENT OF CASH FLOWS  
(UNAUDITED)  
(EXPRESSED IN CANADIAN DOLLARS)

	FOR THE NINE MONTH PERIOD ENDING MARCH 31		FOR THE THREE MONTH PERIOD ENDING MARCH 31	
	2002	2001	2002	2001
OPERATING ACTIVITIES				
Net loss from continuing operations	(\$92,556)	(\$687,294)	(\$253,191)	(\$890,252)
Adjustments to reconcile net loss to net cash provided by operating activities				
Amortization of goodwill	195,943	195,943	65,314	65,314
Amortization of capital assets	288,556	300,648	81,248	118,192
(Gain) loss on sale of capital assets	(7,703)	-	551	(1,977)
Write down of marketable securities	83,181	-	-	-
Write down of inactive capital assets	231,251	-	-	-
Future income tax asset	(749)	-	-	-
	697,923	(190,703)	(106,078)	(708,723)
Net change in non-cash working capital				
Receivables	951,518	924,476	3,162,214	828,871
Inventories and work in progress	(424,234)	612,861	437,964	(77,314)
Due from co-venturer	25,257	(80,563)	373,926	378,613
Prepaid expenses	(36,928)	(41,629)	1,265	(35,866)
Accounts payable & accrued liabilities	(1,586,632)	(1,359,849)	(2,862,424)	(627,767)
CASH (USED IN) PROVIDED BY CONTINUING OPERATIONS	(373,096)	(135,407)	1,006,867	(242,186)
CASH (USED IN) PROVIDED BY DISCONTINUED OPERATIONS	(67,789)	158,367	(67,789)	213,721

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CASH PROVIDED BY (USED IN)				
OPERATING ACTIVITIES	(440,885)	22,960	939,078	(28,465)
-----				
FINANCING ACTIVITIES				
Advances (repayment) of bank indebtedness	152,332	(99,787)	73,246	179,528
Repayment of long term debt, net	(165,133)	(209,552)	(51,372)	(72,209)
Payments from related parties, net	-	79,803	-	812,968
Repayment to shareholders	(884,099)	(2,269,699)	(235,584)	(1,051,220)
Issue of preference shares	-	250,000	-	250,000
Issue of common shares	9,596,471	800,000	3,617,860	-
-----				
CASH PROVIDED BY (USED IN)				
FINANCING ACTIVITIES	8,699,571	(1,449,235)	3,404,150	119,067
-----				
INVESTING ACTIVITIES				
Purchase of capital assets	(96,253)	(197,388)	(7,263)	(56,376)
Proceeds from sale of capital assets	21,700	-	9,700	-
Recovery of other assets	-	3,279,861	-	1,650,399
Purchase of oil and gas interests	(2,680,215)	(1,196,470)	(1,671,076)	(1,196,470)
Marketable securities	(180,744)	-	45,144	-
-----				
CASH PROVIDED BY (USED IN)				
INVESTING ACTIVITIES	(2,935,512)	1,886,003	(1,623,495)	397,553
-----				
NET INCREASE IN CASH	5,323,174	459,728	2,719,733	488,155
Cash, beginning of period	1,242,621	1,771,047	3,846,062	1,742,620
-----				
CASH, END OF PERIOD	\$ 6,565,795	\$ 2,230,775	\$ 6,565,795	\$ 2,230,775
-----				

The accompanying notes to the financial statements are an integral part of these financial statements

ENERGY POWER SYSTEMS LIMITED  
CONSOLIDATED STATEMENT OF SEGMENTED INFORMATION  
(UNAUDITED) (EXPRESSED IN CANADIAN DOLLARS)

FOR THE NINE MONTHS ENDING MARCH 31, 2002

	Engineering & Offshore	Oil & Gas	Corporate	Total
	-----	-----	-----	-----
Revenue	16,268,041	401,605	-	16,669,646
EBITDA	701,533	149,732	(127,719)	723,546
Amortization & depletion	441,437	43,062	-	484,499
Segment operating margin	260,096	106,670	(127,719)	239,047
Write down of inactive capital assets	231,251	-	-	231,251

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Interest and income taxes	95,916	-	4,436	100,352
Net earnings from continuing operations	(67,071)	106,670	(132,155)	(92,556)
Capital assets and Oil & Gas Interests	2,721,386	4,654,646	-	7,376,032

FOR THE NINE MONTHS ENDING MARCH 31, 2001

	Engineering & Offshore	Oil & Gas	Corporate	Total
Revenue	15,083,201	121,876	-	15,205,077
EBITDA	(100,367)	82,665	(35,060)	(52,762)
Amortization	473,814	22,777	-	496,591
Segment operating margin	(574,181)	59,888	(35,060)	(549,353)
Interest and income taxes	133,401	-	4,540	137,941
Net earnings from continuing operations	(707,582)	59,888	(39,600)	(687,294)
Capital assets	4,878,794	1,173,693	-	6,052,487

FOR THE THREE MONTHS ENDING MARCH, 2002

	Engineering and Offshore	Oil & Gas	Corporate	Total
Revenue	2,168,316	149,898	-	2,318,214
EBITDA	(136,120)	54,883	(87)	(81,324)
Amortization & depletion	132,208	14,354	-	146,562
Segment operating margin	(268,328)	40,529	(87)	(227,886)
Write down of inactive capital assets	-	-	-	-
Interest and income taxes	25,154	-	151	25,305
Net earnings from continuing operations	(293,482)	40,529	(238)	(253,191)

FOR THE THREE MONTHS ENDING MARCH 31, 2001

	Engineering and Offshore	Oil & Gas	Corporate	Total
Revenue	2,294,211	121,876	-	2,416,087
EBITDA	(552,952)	82,665	(130,693)	(600,980)
Amortization	160,729	22,777	-	183,506
Segment operating margin	(713,681)	59,888	(130,693)	(784,486)
Interest and income taxes	42,331	-	3,547	45,878
Net earnings from continuing operations	(756,012)	-	(134,240)	(890,252)

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The accompanying notes to the financial statements are an integral part of these financial statements

ENERGY POWER SYSTEMS LIMITED  
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE MONTH PERIOD ENDING MARCH 31, 2002 (CANADIAN DOLLARS)

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## 1. BASIS OF PRESENTATION

These unaudited interim consolidated financial statements have been prepared following the same accounting policies and methods of computation as the consolidated financial statements for the year ended June 30, 2001. These interim financial statements should be read in conjunction with the Company's consolidated financial statements together with notes for the year ended June 30, 2001.

## 2. SEGMENTED INFORMATION

The Company's operations are separated into two distinct segments; the engineering and offshore division, consisting of the operations of M&M Engineering Limited, a wholly owned subsidiary, and the oil and gas division performing oil and gas exploration and production. M&M is an engineering and construction company, performing installation, erection, welding, maintenance and ancillary fabrication services.

## 3. DISCONTINUED OPERATIONS

Effective June 30, 2001 the Company adopted a formal plan to dispose of its power segment of business (the "Power Division"). The Company intends to exercise its option under the terms of the Revised VBC Agreement to cause VBC to purchase the Company's equity shares in the Konaseema EPS Oakwell Power Limited.

## 4. SUBSEQUENT EVENTS

- (a) Subsequent to the period ending March 31, 2002 70,000 warrants expired.
- (b) Subsequent to the period ending March 31, 2002 48,500 options were exercised at a price of \$6.30 per share.

## 5. SHARE CAPITAL

- (a) Authorized and Issued:

Authorized:

-----  
Unlimited number of Common Shares, without par value  
Unlimited number of Class B Special Shares, without par value  
Unlimited number of Class A Preference Shares, Series I  
Unlimited number of Class A Preference Shares, Series II

Issued

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Common shares

# Consideration

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Balance, as at June 30, 2001. . . . .	6,273,419	\$	31,007,289
Issued pursuant to exercise of options. . . . .	229,000		621,000
Issued pursuant to private placement. . . . .	1,107,726		6,735,471
Issued pursuant to conversion of preferred shares	960,000		1,200,000
Issued pursuant to exercise of warrants . . . . .	1,960,000		2,240,000
-----			
Balance, as at March 31, 2002 . . . . .	10,530,145	\$	41,803,760
Preference shares			
Balance, as at June 30, 2001. . . . .	1,200,000	\$	1,200,000
Converted into common shares. . . . .	(1,200,000)		(1,200,000)
-----			
Balance, as at March 31, 2002 . . . . .	-		-
Total stated capital as at March 31, 2002 . . . .	-	\$	41,803,760
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(b) Common share purchase warrants outstanding consist of the following:

EXERCISE PRICE	EXPIRY DATE	2002 #	2001 #
\$8.00	March 9, 2002	-	222,917
\$9.60	October 4, 2002	96,000	96,000
\$0.52	December 28, 2002	-	1,000,000
\$0.80	January 16, 2003	-	500,000
US\$4.45	May 9, 2002	35,000	-
US\$4.45	May 16, 2002	35,000	-
US\$ 4.45	March 13, 2003	40,000	-
		206,000	1,818,917

(c) Common share purchase options outstanding consist of the following:

EXERCISE PRICE	EXPIRY DATE	HOLDER	2002 #	2001 #
\$1.50	February 6, 2005	Directors and employees	-	145,000
\$4.00	June 14, 2005	Directors and consultants	21,000	-
\$6.30	January 8, 2006	Directors and employees	322,500	-
			343,500	145,000