

BOREALIS EXPLORATION LIMITED

INTERIM REPORT - JUNE 30, 2000

Borealis Exploration Limited
Consolidated Balance Sheet in US Dollars
(Unaudited – Prepared by Management)

| As at June 30 | 2000 | 1999 |
|---|---------------------|---------------------|
| Assets | | |
| Current | | |
| Cash | \$ 7,306 | \$ 12,445 |
| Mining and other equipment | 31,796 | 35,770 |
| Patents | <u>264,530</u> | <u>70,713</u> |
| | \$ 303,632 | \$ 118,928 |
| <hr/> | | |
| Liabilities and Shareholders' Deficiency | | |
| Current | | |
| Accounts payable | \$ 1,783,674 | \$ 1,736,480 |
| Loans payable | - | - |
| Due to certain shareholders | <u>123,580</u> | <u>87,493</u> |
| | 1,907,254 | 1,823,973 |
| Deposits on share issue | - | 2,608,833 |
| Royalty payable | <u>1,874,675</u> | <u>1,874,675</u> |
| | 3,781,929 | 6,307,481 |
| Share capital | 24,290,979 | 24,290,979 |
| Due to directors | 557,835 | 398,395 |
| Contributed surplus | 9,589,379 | 4,611,583 |
| Minority interest | 848,546 | |
| Cumulative translation Adjustment | 164,816 | 192,475 |
| Deficit | <u>(38,929,852)</u> | <u>(35,681,885)</u> |
| | (3,478,297) | (6,188,553) |
| | \$ 303,632 | \$ 118,928 |

Note: Certain comparative figures have been restated and others have been reclassified to conform to the current period's presentation.

BOREALIS EXPLORATION LIMITED
INTERIM REPORT - JUNE 30, 2000

Borealis Exploration Limited
Consolidated Statement of Operations and Deficit in US Dollars
(Unaudited – Prepared by Management)

| For the period ended June 30 | 2000 | 1999 |
|--|------------------------|------------------------|
| Expenses | | |
| General and administrative expenses | \$ 429,479 | \$ 484,280 |
| Amortization | 2,359 | 3,381 |
| Interest | 2,114 | 1,109 |
| Mineral property expenditures | 5,107 | 6,456 |
| | <u>439,059</u> | <u>495,226</u> |
| Other items | | |
| Gain on settlement of debts | - | |
| | <u>(439,059)</u> | <u>(495,226)</u> |
| Net loss for the period | (439,059) | (495,226) |
| Deficit, beginning of period | <u>(38,490,792)</u> | <u>(35,186,659)</u> |
| Deficit, end of period | \$ (38,929,852) | \$ (35,681,885) |
| <hr/> | | |
| Basic loss per share | \$ (0.08) | \$ (0.10) |
| <hr/> | | |
| Weighted average number of shares | 4,982,605 | 4,986,000 |

BOREALIS EXPLORATION LIMITED
INTERIM REPORT - JUNE 30, 2000

Borealis Exploration Limited
Consolidated Statement of Changes in Financial Position in US Dollars
(Unaudited – Prepared by Management)

| For the period ended June 30 | 2000 | 1999 |
|-------------------------------------|------------------|------------------|
| Cash provided (used) by: | | |
| Operating activities | | |
| Operations | | |
| Net loss for the period | \$ (439,059) | \$ (495,226) |
| Items not involving cash | | |
| Amortization | 4,633 | 3,381 |
| | <u>(434,426)</u> | <u>(491,845)</u> |
| Changes in non-cash | | |
| Working capital balances | | |
| Accounts payable | 151,041 | 315,037 |
| Foreign exchange on | | |
| Working capital items | - | 32,840 |
| | <u>(283,385)</u> | <u>(143,968)</u> |
| Financing activities | | |
| Issue of share capital | | |
| - Minority Interest | 25,572 | - |
| Deposits on issue of shares | | |
| by subsidiary, cash received | 212,014 | 81,820 |
| Financing cost applied against | | |
| Deposits | - | (5,496) |
| Advances (to) from | | |
| shareholders | 90,000 | 69,961 |
| Loan payable | - | - |
| | <u>327,586</u> | <u>146,285</u> |
| Investing activity | | |
| Mining and other equipment | | |
| and patent additions | <u>(46,851)</u> | <u>(10,841)</u> |
| Increase (decrease) in cash | (2,650) | (8,524) |
| Cash, beginning of period | <u>9,956</u> | <u>20,969</u> |
| Cash, end of period | \$ 7,306 | \$ 12,445 |
