

**BOREALIS EXPLORATION  
LIMITED**

**Unaudited Statement**

**for the nine months ended 31 December 2001**

# BOREALIS EXPLORATION LIMITED

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## CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the nine months ended 31 December 2001

	<b>2001</b>	<b>2000</b>
	<b>\$</b>	<b>\$</b>
Expenditure	(2,120,296)	(1,653,395)
<b>Operating loss</b>	<u>(2,120,296)</u>	<u>(1,653,395)</u>
Financing Costs	(810,000)	(55,135)
Interest	(8,043)	(12,795)
<b>Loss on ordinary activities before taxation</b>	<u>(2,938,339)</u>	<u>(1,721,325)</u>
Taxation	—	—
<b>Loss on ordinary activities after taxation</b>	<u>(2,938,339)</u>	<u>(1,721,325)</u>
Gain on decrease in stake in subsidiaries	1,709,242	2,557,234
Equity Minority interest	(342,783)	(414,539)
<b>(Loss) / profit for the nine mo the period</b>	<u><u>\$ (1,571,880)</u></u>	<u><u>\$ 421,370</u></u>
<b>(Loss) / earnings per ordinary share</b>	\$( 0.32)	\$ 0.08

# BOREALIS EXPLORATION LIMITED

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## CONSOLIDATED BALANCE SHEET as at 31 December 2001

	2001 US\$	2000 US\$
<b>Fixed Assets</b>		
Intangible assets	316,178	297,152
Tangible assets	23,118	28,547
Investments	--	138,000
Investments – mining properties	4,722,642	4,637,671
	<u>5,061,938</u>	<u>5,101,370</u>
<b>Current assets</b>		
Cash at bank and in hand	31,273	--
	<u>31,273</u>	<u>--</u>
<b>Creditors: amounts falling due within one year</b>	1,420,146	347,168
	<u>(1,420,146)</u>	<u>(347,168)</u>
<b>Net current liabilities</b>		
	<u>3,673,065</u>	<u>4,754,202</u>
<b>Total assets less current liabilities</b>		
<b>Creditors: amounts falling due after more than one year</b>	2,770,000	1,205,135
	<u>\$ 903,065</u>	<u>\$ 3,549,067</u>
<b>Net Assets</b>		
	<u><u>\$ 903,065</u></u>	<u><u>\$ 3,549,067</u></u>
<b>Capital and Reserves</b>		
Called up Share Capital	49,826	49,826
Share Premium account	24,241,153	24,241,153
Profit and loss account	(25,016,754)	(21,979,425)
	<u>(725,775)</u>	<u>2,311,554</u>
<b>Total shareholders' funds</b>		
Minority interests – equity	1,628,840	1,237,513
	<u>\$ 903,065</u>	<u>\$ 3,549,067</u>
	<u><u>\$ 903,065</u></u>	<u><u>\$ 3,549,067</u></u>

## BOREALIS EXPLORATION LIMITED

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### CONSOLIDATED CASH FLOW STATEMENT for the nine months ended 31 December 2001

	2001 \$	2000 \$
<b>Net cash outflow from operating activities</b>	(1,702,715)	(3,076,296)
<b>Returns on investments and servicing of finance</b>		
Interest paid	(8,043)	(12,795)
	<hr/>	<hr/>
<b>Net cash outflow from returns on investments and servicing of finance</b>	(8,043)	(12,795)
<b>Capital expenditure and financial investment</b>		
Patent additions	(13,849)	(84,549)
Purchase of tangible fixed assets	--	(1,300)
Purchase of fixed asset investment	138,000	--
Lease costs of mining properties	(84,791)	(15,671)
	<hr/>	<hr/>
<b>Net cash outflow from capital expenditure and financial investment</b>	47,034	(101,520)
<b>Acquisitions and disposals</b>		
Cash received for issuance of shares by subsidiaries	870,264	548,710
Compensation for services provided by deposits	838,978	2,008,524
	<hr/>	<hr/>
<b>Net cash inflow from disposals</b>	1,709,242	2,557,234
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<b>Net cash outflow before financing</b>	45,518	(633,377)
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<b>Financing</b>		
Advances (to) / from shareholders	--	(33,580)
Proceeds raised from sale of shares advanced by directors	--	647,300
	<hr/>	<hr/>
<b>Net cash inflow from financing</b>	--	613,720
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<b>Increase/Decrease in cash</b>	\$ 45,518	\$ (19,657)
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# BOREALIS EXPLORATION LIMITED

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## CONSOLIDATED CASH FLOW STATEMENT (Continued) for the nine months ended 31 December 2001

### RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	<b>2001</b> \$	<b>2000</b> \$
Operating loss	(2,120,296)	(1,653,395)
Depreciation of tangible fixed assets	3,947	6,822
Amortisation of patents	7,674	7,077
(Decrease)/Increase in trade creditors	405,960	(1,436,800)
<b>Net cash outflow from operating activities</b>	<u>\$ (1,702,715)</u>	<u>\$ (3,076,296)</u>

### MOVEMENT IN CASH AND ANALYSIS OF CASH BALANCES

<b>Movement in net cash</b>	<b>2001</b> \$	<b>2000</b> \$
At 1 April	(14,245)	9,956
Increase/Decrease in cash	45,518	(19,657)
<b>At 31 December</b>	<u>\$ 31,273</u>	<u>\$ (9,701)</u>

  

<b>Analysis of cash balances</b>	<b>2001</b> \$	<b>2000</b> \$
Cash at bank	31,273	--
Bank overdrafts		(9,701)
<b>Net cash at 31 December</b>	<u>\$ 31,273</u>	<u>\$ (9,701)</u>

# BOREALIS EXPLORATION LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS

For the nine months ended 31 December 2001 – continued

### OPERATING PROFIT

	2001	2000
	\$	\$
Operating profit is stated after charging		
Depreciation	3,948	6,822
Amortisation	7,674	7,077

### INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

The Company has the following principal ownership interests and invested amounts in its subsidiaries, all of which (other than Borealis Exploration Incorporated, which is registered in USA are registered in Gibraltar:

Directly held by the Company	Ownership Interest		Investments	
	2001	2000	2001	2000
			\$	\$
Borealis Technical Limited	99%	99%	160	160
Credit Holdings Limited	99%	99%	160	160
Roche Bay Holdings Limited	99%	99%	160	160
Borealis Exploration Incorporated	100%	100%	100	100
Total investments			580	580

  

Indirectly held by the company	Ownership Interest	
	2001	2000
Chorus Motors Public Limited Company <sup>(1)</sup>	88.0%	91.9%
Cool Chips Public Limited Company <sup>(2)</sup>	71.0%	72.5%
Photon Power Limited	99.8%	99.9%
Power Chips Public Limited Company <sup>(3)</sup>	71.3%	72.7%
Roche Bay Mining Company Limited	98.4%	99.6%
Borealis Roche Bay Limited	99%	99%

<sup>(1)</sup> This company changed its name from Borealis Motor Manufacturing Limited to Chorus Motors Limited on 1<sup>st</sup> June 2000, and further changed its name as noted, upon re-registration in Gibraltar as a public limited company on 27<sup>th</sup> July 2000.

<sup>(2)</sup> This company changed its name from Borealis Cool Manufacturing Limited to Cool Chips Limited on 1<sup>st</sup> June 2000, and further changed its name as noted, upon re-registration in Gibraltar as a public limited company on 27<sup>th</sup> July, 2000

# BOREALIS EXPLORATION LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS

### For the nine months ended 31 December 2001 – continued

- (3) This company changed its name from Borealis Power Manufacturing Limited to Power Chips Limited on 1<sup>st</sup> June 2000, and further changed its name as noted, upon re-registration in Gibraltar as a public limited company on 27<sup>th</sup> July 2000.

The Group has funded itself in the past with the proceeds of the issue of shares in its subsidiaries, which has resulted in the dilution of the Company's holdings in these subsidiaries. The issue of these shares is either for a cash consideration or payment for goods and services received by agreement with the creditor.

## EARNINGS PER SHARE

Earnings / (losses) per share is calculated by dividing the earnings / (losses) attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year. Diluted earnings / (losses) per share is calculated by adjusting basic earnings / (losses) and the weighted average number of shares for the effects of all dilutive potential shares.

	<b>Earnings</b>	<b>2001 Weighted average number of shares</b>	<b>Per share Amount</b>	<b>Earnings (as restated)</b>	<b>2000 Weighted average number of shares</b>	<b>Per share amount (as restated)</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Basic EPS</b>						
(Losses) / Earnings attributable to ordinary shareholders	(1,571,880)	4,982,605	(0.32)	421,370	4,982,605	0.08

## INTANGIBLE FIXED ASSETS – PATENTS

	<b>Cost</b>	<b>Amortisation</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
At 1 April 2001	335,669	25,666	310,003
Additions / Charge in year	13,849	7,674	6,175
<b>At 31 December 2001</b>	<b>\$ 349,518</b>	<b>\$ 33,340</b>	<b>\$ 316,178</b>

## BOREALIS EXPLORATION LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS

For the nine months ended 31 December 2001 – continued

#### TANGIBLE FIXED ASSETS

	Mining, Drilling and Camp Equipment \$	Office Equipment \$	Total \$
<b>Cost</b>			
At 1 April 2001	655,808	50,478	706,286
Additions	—	—	—
<b>At 31 December 2001</b>	<u>655,808</u>	<u>50,478</u>	<u>706,286</u>
<b>Depreciation</b>			
At 1 April 2001	642,326	36,895	679,221
Charge for year	3,706	241	3,948
<b>At 31 December 2001</b>	<u>646,032</u>	<u>37,136</u>	<u>683,168</u>
<b>Net book value</b>			
<b>At 31 December 2001</b>	<u>\$ 9,776</u>	<u>\$13,342</u>	<u>\$23,118</u>

#### FIXED ASSETS INVESTMENTS

The sole investment comprises a 30 year advance at 7% per annum to a senior consultant of the company, secured by mortgage on US real estate. The loan was made to enable the consultant to acquire a share interest in subsidiary undertakings.

	2001 \$	2000 \$
Investments – amount receivable	---	\$ 138,000
	<u>---</u>	<u>\$ 138,000</u>

Amounts due to group undertakings are unsecured, interest free and repayable on demand.

#### CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group	
	2001 \$	2000 \$
Bank loans and overdrafts	--	9,701
Trade creditors	1,420,146	337,467
Amounts due to group undertakings	--	--
Other creditors	—	—
	<u>\$ 1,420,146</u>	<u>\$ 347,168</u>

## BOREALIS EXPLORATION LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS

For the nine months ended 31 December 2001 – continued

#### INVESTMENT – MINING PROPERTIES

	2001 \$	2000 \$
Mining Properties	\$ 4,722,642	\$ 4,637,671

The investment in the mining properties located at Roche Bay and Freuchen Bay relates to leases granted by the Government of Canada for the exploitation of these Sites with regards to the mineral reserves. To date costs for the maintenance of these leases, along with expenses on preliminary studies of the properties have been capitalised. The directors are confident that proven reserves have been established in these properties.

#### *Change of accounting Policy*

Under US GAAP, the costs of maintaining the Mineral Properties were required to be expensed, however under Gibraltar GAAP these costs maybe capitalised should proven reserves be established to exist. This has resulted in the reinstatement of \$4,622,000 as at 31 March 2000 as an asset in the balance sheet by way of a prior year adjustment.

#### CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group	
	2001 \$	2000 \$
Other creditors	\$ 2,770,000	\$ 1,205,135

Other Creditors represent loans made to the company by certain directors with regards to helping to finance the operations of the company. In order to be in a position to make this loan the directors have sold 490,406 shares (2000 – 290,406). The Group is obliged to return the loan once it is in a position to do so, by repaying to the directors sufficient funds to allow the directors to repurchase 490,406 shares on the open market. The amount due to directors is determined at each year end according to the market value of 490,406 shares at the trading prices of the shares at the year end.

## BOREALIS EXPLORATION LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS

For the nine months ended 31 December 2001 – continued

#### CALLED UP SHARE CAPITAL

		<b>2001</b>	<b>2000</b>	
		<b>\$</b>	<b>\$</b>	
Authorised share capital 5,000,000 ordinary shares @ \$0.01 each		\$ 50,000	\$ 50,000	
		<u>          </u>	<u>          </u>	
	<b>Number of Shares</b>	<b>Share Capital \$</b>	<b>Share Premium Account \$</b>	<b>Total \$</b>
Issued share capital At 31 December 2000 & 2001	4,982,605	\$ 49,826	\$ 24,241,153	\$ 24,290,979
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

#### RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

<b>Group</b>	<b>Share Capital \$</b>	<b>Share Premium Account \$</b>	<b>Profit &amp; Loss Account \$</b>	<b>Total \$</b>
At 31 March 1999 (as restated)	49,826	24,241,153	(24,370,862)	(79,883)
Profit for the year (as restated)	<u>          </u>	<u>          </u>	1,326,761	1,326,761
At 31 March 2000 (as restated)	49,826	24,241,153	(23,044,101)	1,246,878
Loss for the year	<u>          </u>	<u>          </u>	(400,773)	(400,773)
<b>At 31 March 2001</b>	49,826	24,241,153	\$ (23,444,874)	\$ 846,105
Loss for the period			(1,571,880)	(1,571,880)
At 31 December 2001	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	\$ 49,826	\$ 24,241,153	\$ (25,016,754)	\$ (725,775)