

BOREALIS EXPLORATION LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30 September 2002

	September 2002 \$	September 2001 \$
Expenditure	(1,461,879)	(1,416,203)
Operating loss	(1,461,879)	(1,416,203)
Financing Costs		
Interest	(7,090)	(5,850)
Loss on ordinary activities before taxation	(1,468,969)	(1,422,052)
Taxation	—	—
Loss on ordinary activities after taxation	(1,468,969)	(1,422,052)
Gain on decrease in stake in subsidiaries	1,191,934	1,108,211
Equity Minority interest	(571,367)	(289,287)
(Loss) / profit for the financial year	\$ (848,402)	\$ (603,128)
(Loss) / earnings per ordinary share	\$ (0.17)	\$ (0.12)

BOREALIS EXPLORATION LIMITED

CONSOLIDATED BALANCE SHEET as at 30 September 2002

	September 2002 US\$	September 2001 US\$
Fixed Assets		
Intangible assets	329,723	318,251
Tangible assets	16,492	24,434
Investments	---	---
Investments – mining properties	4,820,530	4,694,925
	<u>5,166,745</u>	<u>5,037,610</u>
Current assets		
Cash at bank and in hand	---	---
	<u>---</u>	<u>---</u>
Creditors: amounts falling due within one year	<u>1,258,748</u>	<u>1,261,683</u>
Net current liabilities	<u>(1,258,748)</u>	<u>(1,261,683)</u>
Total assets less current liabilities	<u>3,907,997</u>	<u>3,775,927</u>
Creditors: amounts falling due after more than one year	<u>2,200,000</u>	<u>1,960,000</u>
Net Assets	<u>\$ 1,707,997</u>	<u>\$ 1,815,927</u>
Capital and Reserves		
Called up Share Capital	49,826	49,826
Share Premium account	24,241,153	24,241,153
Profit and loss account	(25,289,456)	(24,101,294)
Total shareholders' funds	<u>(998,477)</u>	<u>189,685</u>
Minority interests - equity	2,706,474	1,626,242
	<u>\$ 1,707,997</u>	<u>\$ 1,815,927</u>

BOREALIS EXPLORATION LIMITED

COMPANY BALANCE SHEET as at 30 September 2002

	September 2002 \$	September 2001 \$
Fixed Assets		
Intangible assets	329,723	318,251
Tangible assets	16,492	24,434
Investments	---	---
	<u>346,215</u>	<u>342,685</u>
Investments in subsidiary undertakings	580	580
	<u>346,795</u>	<u>343,265</u>
Current assets		
Cash at bank and in hand	---	---
Debtors	52,000	52,000
	<u>52,000</u>	<u>52,000</u>
Creditors: amounts falling due within one year	<u>(9,372,878)</u>	<u>(5,987,655)</u>
Net current liabilities	<u>(9,372,878)</u>	<u>(5,987,655)</u>
Total assets less current liabilities	<u>(8,974,083)</u>	<u>(5,592,391)</u>
Creditors: amounts falling due after more than one year	<u>2,200,000</u>	<u>1,960,000</u>
Total net liabilities	<u><u>\$(11,174,083)</u></u>	<u><u>\$(7,552,391)</u></u>
Deficiency in assets		
Called up Share Capital	49,826	49,826
Share Premium account	24,241,153	24,241,153
Profit and loss account	(35,465,062)	(31,843,370)
Total deficit in shareholders funds	<u><u>\$(11,174,083)</u></u>	<u><u>\$(7,552,391)</u></u>

BOREALIS EXPLORATION LIMITED

CONSOLIDATED CASH FLOW STATEMENT for the six months ended 30 September 2002

	September 2002 \$	September 2001 \$
Net cash outflow from operating activities	(464,788)	(299,036)
Returns on investments and servicing of finance		
Interest paid	(7,090)	(5,850)
Net cash outflow from returns on investments and servicing of finance	(7,090)	(5,850)
Capital expenditure and financial investment		
Patent additions	16,682	13,144
Purchase of tangible fixed assets	--	--
Purchase of fixed asset investment	--	--
Lease costs of mining properties	112,095	57,254
Net cash outflow from capital expenditure and financial investment	128,777	70,398
Acquisitions and disposals		
Cash received for issuance of shares by subsidiaries	246,029	255,610
Compensation for services provided by deposits	332,447	124,233
Net cash inflow from disposals	578,476	379,843
Net cash outflow before financing	(22,179)	4,559
Financing		
Proceeds raised from sale of shares advanced by directors	--	--
Net cash inflow from financing	--	--
Increase/Decrease in cash	\$ (22,179)	\$ 4,559

BOREALIS EXPLORATION LIMITED

CONSOLIDATED CASH FLOW STATEMENT (Continued) for the six months ended 30 September 2002

RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	September 2002	September 2001
	\$	\$
Operating loss	(848,402)	(603,128)
Depreciation of tangible fixed assets	3,810	2,632
Amortisation of patents	5,700	4,897
(Decrease)/Increase in trade creditors	374,104	296,563
Net cash outflow from operating activities	<u><u>\$ (464,788)</u></u>	<u><u>\$ (299,036)</u></u>

MOVEMENT IN CASH AND ANALYSIS OF CASH BALANCES

Movement in net cash	September 2002	September 2001
	\$	\$
At 1 April	20,162	(14,245)
Decrease in cash in the quarter	(22,179)	4,559
At 30 September	<u><u>\$ (2,017)</u></u>	<u><u>\$ (9,686)</u></u>

Analysis of cash balances	September 2002	September 2001
	\$	\$
Cash at bank	-	-
Bank overdrafts	(2,017)	(9,686)
Net cash at 30 September	<u><u>\$ (2,017)</u></u>	<u><u>\$ (9,686)</u></u>