

# BOREALIS EXPLORATION LIMITED

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## CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the nine months ended 31 December 2002

	December 2002	December 2001
	\$	\$
Expenditure	(2,450,689)	(2,169,594)
<b>Operating loss</b>	<u>(2,450,689)</u>	<u>(2,169,594)</u>
Financing Costs		(810,000)
Interest	(11,928)	(8,597)
<b>Loss on ordinary activities before taxation</b>	<u>(2,462,617)</u>	<u>(2,988,191)</u>
Taxation	—	—
<b>Loss on ordinary activities after taxation</b>	<u>(2,462,617)</u>	<u>(2,988,191)</u>
Gain on decrease in stake in subsidiaries	2,411,954	1,244,455
Equity Minority interest	(1,011,957)	(424,099)
<b>(Loss) / profit for the financial year</b>	<u>\$ (1,062,620)</u>	<u>\$ (2,167,835)</u>
<b>(Loss) / earnings per ordinary share</b>	\$ (0.21)	\$ (0.44)

# BOREALIS EXPLORATION LIMITED

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## CONSOLIDATED BALANCE SHEET as at 31 December 2002

	December 2002 US\$	December 2001 US\$
<b>Fixed Assets</b>		
Intangible assets	333,732	317,252
Tangible assets	14,587	23,118
Investments	---	---
Investments – mining properties	4,827,887	4,772,879
	<u>5,176,206</u>	<u>5,113,249</u>
<b>Current assets</b>		
Cash at bank and in hand	---	31,273
	<u>---</u>	<u>31,273</u>
<b>Creditors: amounts falling due within one year</b>	1,041,838	1,402,229
	<u>(1,041,838)</u>	<u>(1,402,229)</u>
<b>Net current liabilities</b>		
	4,134,368	3,742,293
<b>Total assets less current liabilities</b>		
<b>Creditors: amounts falling due after more than one year</b>	2,200,000	2,770,000
	<u>\$ 1,934,368</u>	<u>\$ 972,293</u>
<b>Net Assets</b>		
<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	(25,503,675)	(25,079,740)
	<u>(1,212,696)</u>	<u>(788,761)</u>
<b>Total shareholders' funds</b>		
Minority interests - equity	3,147,064	1,761,054
	<u>\$ 1,934,368</u>	<u>\$ 972,293</u>
	<u><u>\$ 1,934,368</u></u>	<u><u>\$ 972,293</u></u>

# BOREALIS EXPLORATION LIMITED

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## COMPANY BALANCE SHEET as at 31 December 2002

	December 2002 \$	December 2001 \$
<b>Fixed Assets</b>		
Intangible assets	333,732	317,252
Tangible assets	14,587	23,118
Investments	---	---
	<u>348,319</u>	<u>340,370</u>
Investments in subsidiary undertakings	580	580
	<u>348,899</u>	<u>340,950</u>
<b>Current assets</b>		
Cash at bank and in hand	---	31,273
Debtors	52,000	52,000
	<u>52,000</u>	<u>83,273</u>
<b>Creditors: amounts falling due within one year</b>	(10,368,630)	(6,772,752)
<b>Net current liabilities</b>	<u>(10,368,630)</u>	<u>(6,772,752)</u>
<b>Total assets less current liabilities</b>	(9,967,731)	(6,348,529)
<b>Creditors: amounts falling due after more than one year</b>	2,200,000	2,770,000
<b>Total net liabilities</b>	<u>\$ (12,167,731)</u>	<u>\$ (9,118,529)</u>
<b>Deficiency in assets</b>		
Called up Share Capital	49,826	49,826
Share Premium account	24,241,153	24,241,153
Profit and loss account	(36,458,710)	(33,409,508)
<b>Total deficit in shareholders funds</b>	<u>\$ (12,167,731)</u>	<u>\$ (9,118,529)</u>

# BOREALIS EXPLORATION LIMITED

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## CONSOLIDATED CASH FLOW STATEMENT for the nine months ended 31 December 2002

	December 2002	December 2001
	\$	\$
<b>Net cash outflow from operating activities</b>	(895,299)	(1,709,418)
<b>Returns on investments and servicing of finance</b>		
Interest paid	(11,928)	(8,597)
<b>Net cash outflow from returns on investments and servicing of finance</b>	(11,928)	(8,597)
<b>Capital expenditure and financial investment</b>		
Patent additions	23,541	14,923
Purchase of tangible fixed assets	--	--
Purchase of fixed asset investment	--	--
Lease costs of mining properties	109,160	67,604
<b>Net cash outflow from capital expenditure and financial investment</b>	132,701	82,527
<b>Acquisitions and disposals</b>		
Cash received for issuance of shares by subsidiaries	876,824	883,209
Compensation for services provided by deposits	136,787	962,851
<b>Net cash inflow from disposals</b>	1,013,611	1,846,060
<b>Net cash outflow before financing</b>	(26,317)	45,518
<b>Financing</b>		
Proceeds raised from sale of shares advanced by directors	--	---
<b>Net cash inflow from financing</b>	--	--
<b>Increase/Decrease in cash</b>	\$ (26,317)	\$ 45,518

# **BOREALIS EXPLORATION LIMITED**

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## **CONSOLIDATED CASH FLOW STATEMENT (Continued) for the nine months ended 31 December 2002**

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

	<b>December 2002</b>	<b>December 2001</b>
	<b>\$</b>	<b>\$</b>
Operating loss	(1,062,620)	(2,167,835)
Depreciation of tangible fixed assets	5,715	3,948
Amortisation of patents	8,550	7,674
(Decrease)/Increase in trade creditors	153,056	446,795
<b>Net cash outflow from operating activities</b>	<u><u>\$ (895,299)</u></u>	<u><u>\$ (1,709,418)</u></u>

### **MOVEMENT IN CASH AND ANALYSIS OF CASH BALANCES**

<b>Movement in net cash</b>	<b>December 2002</b>	<b>December 2001</b>
	<b>\$</b>	<b>\$</b>
At 1 April	20,162	(14,245)
Increase/Decrease in cash	(26,317)	45,518
<b>At 31 December</b>	<u><u>\$ (6,155)</u></u>	<u><u>\$ 31,273</u></u>

<b>Analysis of cash balances</b>	<b>December 2002</b>	<b>December 2001</b>
	<b>\$</b>	<b>\$</b>
Cash at bank	-	31,273
Bank overdrafts	(6,155)	-
<b>Net cash at 31 December</b>	<u><u>\$ (6,155)</u></u>	<u><u>\$ 31,273</u></u>