

**BOREALIS EXPLORATION
LIMITED**
Financial Statement
for the six months ended 30 September 2003

BOREALIS EXPLORATION LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT For the six months ended 30 September 2003

	September 2003 \$	September 2002 \$
Expenditure	(1,748,192)	(1,461,879)
Operating loss	(1,748,192)	(1,461,879)
Financing Costs		
Interest	(15,841)	(7,090)
Loss on ordinary activities before taxation	(1,764,033)	(1,468,969)
Taxation	—	—
Loss on ordinary activities after taxation	(1,764,033)	(1,468,969)
Gain on decrease in stake in subsidiaries	1,126,754	1,191,934
Equity Minority interest	(563,092)	(571,367)
(Loss) / profit for the financial period	\$ (1,200,371)	\$ (848,402)
(Loss) / earnings per ordinary share	\$ (0.24)	\$ (0.17)

BOREALIS EXPLORATION LIMITED

CONSOLIDATED BALANCE SHEET as at 30 September 2003

	September 2003 US\$	September 2002 US\$
Fixed Assets		
Intangible assets	348,226	329,723
Tangible assets	11,982	16,492
Investments – mining properties	4,831,089	4,820,530
	<u>5,191,297</u>	<u>5,166,745</u>
Current assets		
Cash at bank and in hand	129,012	---
Accounts Receivable	1,073,288	---
	<u>1,202,300</u>	<u>---</u>
Creditors: amounts falling due within one year	<u>1,298,093</u>	<u>1,258,748</u>
Net current liabilities	<u>(1,298,093)</u>	<u>(1,258,748)</u>
Total assets less current liabilities	<u>5,095,504</u>	<u>3,907,997</u>
Creditors: amounts falling due after more than one year	<u>1,476,904</u>	<u>2,200,000</u>
Net Assets	<u>\$ 3,618,600</u>	<u>\$ 1,707,997</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	(25,788,102)	(25,289,456)
Total shareholders' funds	<u>(1,497,123)</u>	<u>(998,477)</u>
Minority interests - equity	<u>5,115,723</u>	<u>2,706,474</u>
	<u>\$ 3,618,600</u>	<u>\$ 1,707,997</u>

BOREALIS EXPLORATION LIMITED

COMPANY BALANCE SHEET as at 30 September 2003

	September 2003 \$	September 2002 \$
Fixed Assets		
Intangible assets	348,226	329,723
Tangible assets	11,982	16,492
	<u>360,208</u>	<u>346,215</u>
Investments in subsidiary undertakings	52,680	580
	<u>412,888</u>	<u>346,795</u>
Current assets		
Cash at bank and in hand	129,012	---
Debtors	52,000	52,000
Accounts Receivable	1,073,288	---
	<u>1,254,300</u>	<u>52,000</u>
Creditors: amounts falling due within one year	<u>(15,134,893)</u>	<u>(9,372,878)</u>
Net current liabilities	<u>(15,134,893)</u>	<u>(9,372,878)</u>
Total assets less current liabilities	<u>(13,467,705)</u>	<u>(8,974,083)</u>
Creditors: amounts falling due after more than one year	<u>1,476,904</u>	<u>2,200,000</u>
Total net liabilities	<u><u>\$ (14,944,609)</u></u>	<u><u>\$ (11,174,083)</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	(39,235,588)	(35,465,062)
	<u>(14,944,609)</u>	<u>(11,174,083)</u>
Total deficit in shareholders funds	<u><u>\$ (14,944,609)</u></u>	<u><u>\$ (11,174,083)</u></u>

BOREALIS EXPLORATION LIMITED

CONSOLIDATED CASH FLOW STATEMENT for the six months ended 30 September 2003

	September 2003 \$	September 2002 \$
Net cash outflow from operating activities	(937,365)	(464,788)
Returns on investments and servicing of finance		
Interest paid	(15,841)	(7,090)
Net cash outflow from returns on investments and servicing of finance	(15,841)	(7,090)
Capital expenditure and financial investment		
Patent additions	25,522	16,682
Purchase of tangible fixed assets	--	--
Purchase of fixed asset investment	--	--
Lease costs of mining properties	3,202	112,095
Net cash outflow from capital expenditure and financial investment	28,724	128,777
Acquisitions and disposals		
Cash received for issuance of shares by subsidiaries	945,533	246,029
Compensation for services provided by deposits	173,150	332,447
Net cash inflow from disposals	1,118,683	578,476
Net cash outflow before financing	136,753	(22,179)
Financing		
Proceeds raised from sale of shares advanced by directors	--	--
Net cash inflow from financing	--	--
Increase/Decrease in cash	\$ 136,753	\$ (22,179)

BOREALIS EXPLORATION LIMITED

CONSOLIDATED CASH FLOW STATEMENT (Continued) for the six months ended 30 September 2003

RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	September 2003	September 2002
	\$	\$
Operating loss	(1,748,192)	(848,402)
Depreciation of tangible fixed assets	2,700	3,810
Amortisation of patents	7,800	5,700
(Increase) Decrease in trade receivables	663,543	---
(Decrease) Increase in trade creditors	136,784	374,104
Net cash outflow from operating activities	<u><u>\$ (937,365)</u></u>	<u><u>\$ (464,788)</u></u>

MOVEMENT IN CASH AND ANALYSIS OF CASH BALANCES

Movement in net cash	September 2003	September 2002
	\$	\$
At 1 April	(7,741)	20,162
Increase/Decrease in cash in the six months	136,753	(22,179)
At 30 September	<u><u>\$ 129,012</u></u>	<u><u>\$ (2,017)</u></u>

Analysis of cash balances	September 2003	September 2002
	\$	\$
Cash at bank	129,012	-
Bank overdrafts	-	(2,017)
Net cash at 30 September	<u><u>\$ 129,012</u></u>	<u><u>\$ (2,017)</u></u>