

**BOREALIS EXPLORATION
LIMITED**

**Financial Statement
for the quarter ended 30 June 2003**

BOREALIS EXPLORATION LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the quarter ended 30 June 2003

	June 2003	June 2002
	\$	\$
Expenditure	(637,915)	(709,658)
Operating loss	<u>(637,915)</u>	<u>(709,658)</u>
Financing Costs		
Interest	(5,149)	(3,348)
Loss on ordinary activities before taxation	<u>(643,064)</u>	<u>(713,006)</u>
Taxation	—	—
Loss on ordinary activities after taxation	<u>(643,064)</u>	<u>(713,006)</u>
Gain on decrease in stake in subsidiaries	117,785	132,444
Equity Minority interest	(186,565)	(113,509)
(Loss) / profit for the first financial quarter	<u><u>\$ (711,844)</u></u>	<u><u>\$ (694,071)</u></u>
(Loss) / earnings per ordinary share	\$ (0.14)	\$ (0.14)

BOREALIS EXPLORATION LIMITED

CONSOLIDATED BALANCE SHEET as at 30 June 2003

	June 2003 US\$	June 2002 US\$
Fixed Assets		
Intangible assets	332,251	324,362
Tangible assets	11,332	18,397
Investments	---	---
Investments – mining properties	4,823,567	4,708,435
	<u>5,167,150</u>	<u>5,051,194</u>
Current assets		
Cash at bank and in hand	15,837	14,788
Accounts Receivable	1,265,475	---
	<u>1,281,312</u>	<u>14,788</u>
Creditors: amounts falling due within one year	1,237,034	1,461,462
	<u>(1,237,034)</u>	<u>(1,461,462)</u>
Net current liabilities		
	5,211,428	3,604,520
Total assets less current liabilities		
Creditors: amounts falling due after more than one year	1,480,654	2,200,000
	<u>\$ 3,730,774</u>	<u>\$ 1,404,520</u>
Net Assets		
Capital and Reserves		
Called up Share Capital	50,000	49,826
Share Premium account	24,241,153	24,241,153
Profit and loss account	(25,299,575)	(25,135,075)
	<u>(1,008,422)</u>	<u>(844,096)</u>
Total shareholders' funds		
Minority interests - equity	4,739,196	2,248,616
	<u>\$ 3,730,774</u>	<u>\$ 1,404,520</u>

BOREALIS EXPLORATION LIMITED

COMPANY BALANCE SHEET as at 30 June 2003

	June 2003 \$	June 2002 \$
Fixed Assets		
Intangible assets	332,251	324,362
Tangible assets	11,332	18,397
Investments	--	---
	<u>343,583</u>	<u>342,759</u>
Investments in subsidiary undertakings	580	580
	<u>344,163</u>	<u>343,339</u>
Current assets		
Cash at bank and in hand	15,837	14,788
Debtors	52,000	52,000
	<u>67,837</u>	<u>66,788</u>
Creditors: amounts falling due within one year	(13,740,491)	(8,628,178)
Net current liabilities	<u>(13,672,654)</u>	<u>(8,561,390)</u>
Total assets less current liabilities	(13,328,491)	(8,218,051)
Creditors: amounts falling due after more than one year	1,480,654	2,200,000
Total net liabilities	<u>\$ (14,809,145)</u>	<u>\$ (10,418,051)</u>
Deficiency in assets		
Called up Share Capital	50,000	49,826
Share Premium account	24,241,153	24,241,153
Profit and loss account	(34,100,298)	(34,709,030)
Total deficit in shareholders funds	<u>\$ (14,809,145)</u>	<u>\$ (10,418,051)</u>

BOREALIS EXPLORATION LIMITED

CONSOLIDATED CASH FLOW STATEMENT for the quarter ended 30 June 2003

	June 2003 \$	June 2002 \$
Net cash outflow from operating activities	(589,356)	(125,999)
Returns on investments and servicing of finance		
Interest paid	(5,149)	(3,348)
Net cash outflow from returns on investments and servicing of finance	(5,149)	(3,348)
Capital expenditure and financial investment		
Patent additions	1,647	5,621
Purchase of tangible fixed assets	--	--
Purchase of fixed asset investment	--	--
Lease costs of mining properties	--	--
Net cash outflow from capital expenditure and financial investment	1,647	5,621
Acquisitions and disposals		
Cash received for issuance of shares by subsidiaries	304,350	132,444
Compensation for services provided by deposits	268,224	--
Net cash inflow from disposals	572,574	132,444
Net cash outflow before financing	23,578	(5,374)
Financing		
Proceeds raised from sale of shares advanced by directors	--	--
Net cash inflow from financing	--	--
Increase/Decrease in cash	23,578	(5,374)

BOREALIS EXPLORATION LIMITED

CONSOLIDATED CASH FLOW STATEMENT (Continued) for the quarter ended 30 June 2003

RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	June 2003	June 2002
	\$	\$
Operating loss	(637,915)	(709,608)
Depreciation of tangible fixed assets	1,350	1,905
Amortisation of patents	3,900	2,850
(Decrease)/Increase in trade creditors	46,819	578,854
Net cash outflow from operating activities	<u><u>\$ (589,356)</u></u>	<u><u>\$ (125,999)</u></u>

MOVEMENT IN CASH AND ANALYSIS OF CASH BALANCES

Movement in net cash	June 2003	June 2002
	\$	\$
At 1 April	(7,741)	20,162
Increase/Decrease in cash in the quarter	23,578	(5,374)
At 30 June	<u><u>\$ 15,837</u></u>	<u><u>\$ 14,788</u></u>

Analysis of cash balances	June 2003	June 2002
	\$	\$
Cash at bank	15,837	14,788
Bank overdrafts	-	---
Net cash at 30 June	<u><u>\$ 15,837</u></u>	<u><u>\$ 14,788</u></u>