

BOREALIS EXPLORATION LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the nine months ended 31 December 2003

	December 2003	December 2002
	\$	\$
Expenditure	(2,576,579)	(2,450,689)
Operating loss	<u>(2,576,579)</u>	<u>(2,450,689)</u>
Financing Costs		
Interest	(17,331)	(11,928)
Loss on ordinary activities before taxation	<u>(2,593,910)</u>	<u>(2,462,617)</u>
Taxation	—	—
Loss on ordinary activities after taxation	<u>(2,593,910)</u>	<u>(2,462,617)</u>
Gain on decrease in stake in subsidiaries	1,230,025	2,411,954
Equity Minority interest	(677,588)	(1,011,957)
(Loss) / profit for the financial year	<u><u>\$ (2,041,472)</u></u>	<u><u>\$ (1,062,620)</u></u>
(Loss) / earnings per ordinary share	\$ (0.41)	\$ (0.21)

BOREALIS EXPLORATION LIMITED

CONSOLIDATED BALANCE SHEET as at 31 December 2003

	December 2003 US\$	December 2002 US\$
Fixed Assets		
Intangible assets	360,388	333,732
Tangible assets	10,631	14,587
Investments	---	---
Investments – mining properties	4,839,713	4,827,887
	<u>5,210,732</u>	<u>5,176,206</u>
Current assets		
Cash at bank and in hand	43,254	---
Accounts Receivable	822,383	---
	<u>865,637</u>	<u>---</u>
Creditors: amounts falling due within one year	<u>1,725,071</u>	<u>1,041,838</u>
Net current liabilities	<u>(859,434)</u>	<u>(1,041,838)</u>
Total assets less current liabilities	4,351,298	4,134,368
Creditors: amounts falling due after more than one year	<u>1,459,304</u>	<u>2,200,000</u>
Net Assets	<u>\$ 2,891,994</u>	<u>\$ 1,934,368</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	(26,629,204)	(25,503,675)
Total shareholders' funds	<u>(2,338,225)</u>	<u>(1,212,696)</u>
Minority interests - equity	<u>5,230,219</u>	<u>3,147,064</u>
	<u>\$ 2,891,994</u>	<u>\$ 1,934,368</u>

BOREALIS EXPLORATION LIMITED

COMPANY BALANCE SHEET as at 31 December 2003

	December 2003	December 2002
	\$	\$
Fixed Assets		
Intangible assets	360,388	333,732
Tangible assets	10,631	14,587
Investments	---	---
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	371,019	348,319
Investments in subsidiary undertakings	580	580
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	371,599	348,899
Current assets		
Cash at bank and in hand	43,254	---
Debtors	104,100	52,000
Accounts Receivable	822,383	---
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	969,737	52,000
Creditors: amounts falling due within one year	(15,656,518)	(10,368,630)
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Net current liabilities	(15,656,518)	(10,368,630)
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Total assets less current liabilities	(14,315,182)	(9,967,731)
Creditors: amounts falling due after more than one year	1,459,304	2,200,000
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Total net liabilities	\$ (15,774,486)	\$ (12,167,731)
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Deficiency in assets		
Called up Share Capital	49,826	49,826
Share Premium account	24,241,153	24,241,153
Profit and loss account	(40,065,465)	(36,458,710)
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Total deficit in shareholders funds	\$ (15,774,486)	\$ (12,167,731)
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BOREALIS EXPLORATION LIMITED

CONSOLIDATED CASH FLOW STATEMENT for the nine months ended 31 December 2003

	December 2003	December 2002
	\$	\$
Net cash outflow from operating activities	(1,090,360)	(895,299)
Returns on investments and servicing of finance		
Interest paid	(17,331)	(11,928)
Net cash outflow from returns on investments and servicing of finance	(17,331)	(11,928)
Capital expenditure and financial investment		
Patent additions	41,584	23,541
Purchase of tangible fixed assets	--	--
Purchase of fixed asset investment	--	--
Lease costs of mining properties	11,826	109,160
Net cash outflow from capital expenditure and financial investment	53,410	132,701
Acquisitions and disposals		
Cash received for issuance of shares by subsidiaries	1,141,046	876,824
Compensation for services provided by deposits	71,050	136,787
Net cash inflow from disposals	1,212,096	1,013,611
Net cash outflow before financing	50,995	(26,317)
Financing		
Proceeds raised from sale of shares advanced by directors	--	---
Net cash inflow from financing	--	--
Increase/Decrease in cash	\$ 50,995	\$ (26,317)

BOREALIS EXPLORATION LIMITED

CONSOLIDATED CASH FLOW STATEMENT (Continued) for the nine months ended 31 December 2003

RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITES

	December 2003	December 2002
	\$	\$
Operating loss	(2,576,579)	(1,062,620)
Depreciation of tangible fixed assets	4,050	5,715
Amortisation of patents	11,700	8,550
(Decrease)/Increase in trade creditors	556,021	153,056
(Increase)/Decrease in trade receivables	914,448	---
Net cash outflow from operating activities	\$ (1,090,360)	\$ (895,299)

MOVEMENT IN CASH AND ANALYSIS OF CASH BALANCES

	December 2003	December 2002
	\$	\$
Movement in net cash		
At 1 April	20,162	20,162
Increase/Decrease in cash	23,092	(26,317)
At 31 December	\$ 43,254	\$ (6,155)

	December 2003	December 2002
	\$	\$
Analysis of cash balances		
Cash at bank	43,254	--
Bank overdrafts	---	(6,155)
Net cash at 31 December	\$ 43,254	\$ (6,155)