

**BOREALIS EXPLORATION
LIMITED**

**Financial Statement
for the quarter ended 30 June 2004**

BOREALIS EXPLORATION LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the quarter ended 30 June 2004

	June 2004	June 2003
	\$	\$
Expenditure	(1,256,513)	(637,915)
Operating loss	<u>(1,256,513)</u>	<u>(637,915)</u>
Financing Costs		
Interest	(2,885)	(5,149)
Loss on ordinary activities before taxation	<u>(1,259,398)</u>	<u>(643,064)</u>
Taxation	—	—
Loss on ordinary activities after taxation	<u>(1,259,398)</u>	<u>(643,064)</u>
Gain on decrease in stake in subsidiaries	513,343	117,785
Equity Minority interest	(711,844)	(186,565)
(Loss) / profit for the first financial quarter	<u><u>\$ (933,729)</u></u>	<u><u>\$ (711,844)</u></u>
(Loss) / earnings per ordinary share	\$ (0.19)	\$ (0.14)

BOREALIS EXPLORATION LIMITED

CONSOLIDATED BALANCE SHEET as at 30 June 2004

	June 2004 US\$	June 2003 US\$
Fixed Assets		
Intangible assets	336,184	332,251
Tangible assets	22,337	11,332
Investments	---	---
Investments – mining properties	4,840,153	4,823,567
	<u>5,198,674</u>	<u>5,167,150</u>
Current assets		
Cash at bank and in hand	56,209	145,837
Accounts Receivable	1,688,713	1,265,475
	<u>1,744,922</u>	<u>1,281,312</u>
Creditors: amounts falling due within one year	2,284,480	1,237,034
	<u>(539,558)</u>	<u>(1,237,034)</u>
Net current liabilities		
	4,659,116	5,211,428
Total assets less current liabilities		
Creditors: amounts falling due after more than one year	2,634,657	1,480,654
	<u>\$ 2,024,459</u>	<u>\$ 3,730,774</u>
Net Assets		
Capital and Reserves		
Called up Share Capital	50,000	50,000
Share Premium account	24,241,030	24,241,153
Profit and loss account	(28,750,687)	(25,299,575)
	<u>(4,459,657)</u>	<u>(1,008,422)</u>
Total shareholders' funds		
Minority interests - equity	6,484,116	4,739,196
	<u>\$ 2,024,459</u>	<u>\$ 3,730,774</u>

BOREALIS EXPLORATION LIMITED

COMPANY BALANCE SHEET as at 30 June 2004

	June 2004 \$	June 2003 \$
Fixed Assets		
Intangible assets	336,184	332,251
Tangible assets	22,337	11,332
Investments	--	---
	<u>358,521</u>	<u>343,583</u>
Investments in subsidiary undertakings	83,940	580
	<u>427,523</u>	<u>344,163</u>
Current assets		
Cash at bank and in hand	56,209	15,837
Debtors	1,740,713	52,000
	<u>1,796,922</u>	<u>67,837</u>
Creditors: amounts falling due within one year	(19,926,488)	(13,740,491)
Net current liabilities	<u>(18,129,567)</u>	<u>(13,672,654)</u>
Total assets less current liabilities	(17,770,466)	(13,328,491)
Creditors: amounts falling due after more than one year	<u>2,634,658</u>	<u>1,480,654</u>
Total net liabilities	<u>\$ (20,321,763)</u>	<u>\$ (14,809,145)</u>
Deficiency in assets		
Called up Share Capital	50,000	50,000
Share Premium account	24,241,030	24,241,153
Profit and loss account	(44,612,793)	(34,100,298)
Total deficit in shareholders funds	<u>\$ (20,321,763)</u>	<u>\$ (14,809,145)</u>

BOREALIS EXPLORATION LIMITED

CONSOLIDATED CASH FLOW STATEMENT for the quarter ended 30 June 2004

	June 2004 \$	June 2003 \$
Net cash outflow from operating activities	(496,424)	(589,356)
Returns on investments and servicing of finance		
Interest paid	(2,885)	(5,149)
Net cash outflow from returns on investments and servicing of finance	(499,309)	(594,505)
Capital expenditure and financial investment		
Patent additions	--	(1,647)
Purchase of tangible fixed assets	(9,520)	--
Purchase of fixed asset investment	--	--
Lease costs of mining properties	--	--
Net cash outflow from capital expenditure and financial investment	(9,520)	(1,647)
Acquisitions and disposals		
Cash received for issuance of shares by subsidiaries	216,420	304,350
Compensation for services provided by deposits	296,922	268,224
Net cash inflow from disposals	513,342	572,574
Net cash outflow before financing	4,513	23,578
Financing		
Funds repaid for purchase of shares advanced by directors	(500)	--
Net cash (outflow) from financing	(500)	--
Increase/(Decrease) in cash	\$ 4,013	\$ 23,578

BOREALIS EXPLORATION LIMITED

CONSOLIDATED CASH FLOW STATEMENT (Continued) for the quarter ended 30 June 2004

RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	June 2004	June 2003
	\$	\$
Operating loss	(1,256,513)	(637,915)
Depreciation of tangible fixed assets	1,350	1,350
Amortisation of patents	3,900	3,900
(Increase) /Decrease in trade receivables	560,403	-
(Decrease)/Increase in trade creditors	194,436	46,819
Net cash outflow from operating activities	<u><u>\$ (496,424)</u></u>	<u><u>\$ (589,356)</u></u>

MOVEMENT IN CASH AND ANALYSIS OF CASH BALANCES

	June 2004	June 2003
	\$	\$
Movement in net cash		
At 1 April	52,196	(7,741)
Increase/Decrease in cash in the quarter	4,013	23,578
At 30 June	<u><u>56,209</u></u>	<u><u>\$ 15,837</u></u>

	June 2004	June 2003
	\$	\$
Analysis of cash balances		
Cash at bank	56,209	15,837
Bank overdrafts	-	---
Net cash at 30 June	<u><u>\$ 56,209</u></u>	<u><u>\$ 15,837</u></u>