

**BOREALIS EXPLORATION
LIMITED**
Financial Statements
for the six months ended 30 September 2004

BOREALIS EXPLORATION LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30 September 2004

	September 2004	September 2003
	\$	\$
Expenditure	(2,179,683)	(1,748,192)
Operating loss	<u>(2,179,683)</u>	<u>(1,748,192)</u>
Financing Costs		
Interest	(6,295)	(15,841)
Loss on ordinary activities before taxation	<u>(2,185,978)</u>	<u>(1,764,033)</u>
Taxation	—	—
Loss on ordinary activities after taxation	<u>(2,185,978)</u>	<u>(1,764,033)</u>
Gain on decrease in stake in subsidiaries	1,524,215	1,126,754
Equity Minority interest	(1,074,291)	(563,092)
(Loss) / profit for the financial period	<u><u>\$ (1,736,054)</u></u>	<u><u>\$ (1,200,371)</u></u>
(Loss) / earnings per ordinary share	\$ (0.35)	\$ (0.24)

BOREALIS EXPLORATION LIMITED

CONSOLIDATED BALANCE SHEET as at 30 September 2004

	September 2004 US\$	September 2003 US\$
Fixed Assets		
Intangible assets	349,920	348,226
Tangible assets	23,478	11,982
Investments – mining properties	4,840,153	4,831,089
	<u>5,213,551</u>	<u>5,191,297</u>
Current assets		
Cash at bank and in hand	49,127	129,012
Accounts Receivable	1,578,813	1,073,288
	<u>1,627,940</u>	<u>1,202,300</u>
Creditors: amounts falling due within one year	<u>2,296,191</u>	<u>1,298,093</u>
Net current assets	(668,251)	(1,298,093)
Total assets less current liabilities	<u>4,545,300</u>	<u>5,095,504</u>
Creditors: amounts falling due after more than one year	<u>2,634,657</u>	<u>1,476,904</u>
Net Assets	<u>\$ 1,910,643</u>	<u>\$ 3,618,600</u>
Capital and Reserves		
Called up Share Capital	50,000	49,826
Share Premium account	24,241,030	24,241,153
Profit and loss account	(29,938,794)	(25,788,102)
Total shareholders' funds	(5,647,764)	(1,497,123)
Minority interests - equity	<u>7,558,407</u>	<u>5,115,723</u>
	<u>\$ 1,910,643</u>	<u>\$ 3,618,600</u>

BOREALIS EXPLORATION LIMITED

COMPANY BALANCE SHEET as at 30 September 2004

	September 2004 \$	September 2003 \$
Fixed Assets		
Intangible assets	349,920	348,226
Tangible assets	23,478	11,982
	<u>373,398</u>	<u>360,208</u>
Investments in subsidiary undertakings	83,940	52,680
	<u>457,338</u>	<u>412,888</u>
Current assets		
Cash at bank and in hand	49,127	129,012
Debtors	1,578,831	1,125,288
	<u>1,627,958</u>	<u>1,254,300</u>
Creditors: amounts falling due within one year	(20,510,909)	(15,134,893)
Net current liabilities	<u>(18,882,951)</u>	<u>(15,134,893)</u>
Total assets less current liabilities	(18,509,540)	(13,467,705)
Creditors: amounts falling due after more than one year	<u>2,634,657</u>	<u>1,476,904</u>
Total net liabilities	<u>\$ (21,517,608)</u>	<u>\$ (14,944,609)</u>
Deficiency in assets		
Called up Share Capital	50,000	49,826
Share Premium account	24,241,030	24,241,153
Profit and loss account	(45,808,638)	(39,235,588)
Total deficit in shareholders funds	<u>\$ (21,517,608)</u>	<u>\$ (14,944,609)</u>

BOREALIS EXPLORATION LIMITED

CONSOLIDATED CASH FLOW STATEMENT for the six months ended 30 September 2004

	September 2004 \$	September 2003 \$
Net cash outflow from operating activities	(932,833)	(937,365)
Returns on investments and servicing of finance		
Interest paid	(6,295)	(15,841)
Net cash outflow from returns on investments and servicing of finance	(6,295)	(15,841)
Capital expenditure and financial investment		
Patent additions	10,069	25,522
Purchase of tangible fixed assets	6,724	
Purchase of fixed asset investment	--	
Lease costs of mining properties		3,202
Net cash outflow from capital expenditure and financial investment	16,793	28,724
Acquisitions and disposals		
Cash received for issuance of shares by subsidiaries	446,715	945,533
Compensation for services provided by deposits	979,805	173,150
Net cash inflow from disposals	1,426,520	1,118,683
Net cash outflow before financing	(7,082)	136,753
Financing		
Proceeds raised from sale of shares advanced by directors	--	--
Net cash inflow from financing	--	--
Increase/Decrease in cash	\$ (7,082)	\$ 136,753

BOREALIS EXPLORATION LIMITED

CONSOLIDATED CASH FLOW STATEMENT (Continued) for the six months ended 30 September 2004

RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	September 2004	September 2003
	\$	\$
Operating loss	(2,179,683)	(1,748,192)
Depreciation of tangible fixed assets	2,700	2,700
Amortisation of patents	7,800	7,800
(Increase) Decrease in trade receivables	1,010,259	663,543
(Decrease) Increase in trade creditors	226,091	136,784
Net cash outflow from operating activities	<u><u>\$ 932,833</u></u>	<u><u>\$ (937,365)</u></u>

MOVEMENT IN CASH AND ANALYSIS OF CASH BALANCES

Movement in net cash	September 2004	September 2003
	\$	\$
At 1 April	56,209	(7,741)
Increase/Decrease in cash in the six months	(7,082)	136,753
At 30 September	<u><u>\$ 49,127</u></u>	<u><u>\$ 129,012</u></u>

Analysis of cash balances	September 2004	September 2003
	\$	\$
Cash at bank	49,127	129,012
Bank overdrafts	-	-
Net cash at 30 September	<u><u>\$ 49,127</u></u>	<u><u>\$ 129,012</u></u>