

BOREALIS EXPLORATION LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the nine months ended 31 December 2004

	December 2004	December 2003
	\$	\$
Income	290,000	—
Expenditure	(2,932,629)	(2,576,579)
Operating loss	(2,642,629)	(2,576,579)
Financing Costs		
Interest	(12,902)	(17,331)
Loss on ordinary activities before taxation	(2,655,531)	(2,593,910)
Taxation	—	—
Loss on ordinary activities after taxation	(2,655,531)	(2,593,910)
Exceptional item	(308,000)	—
Loss after exceptional item	(2,963,531)	(2,593,910)
Gain on decrease in stake in subsidiaries	1,877,313	1,230,025
Equity Minority interest	(819,512)	(677,588)
(Loss) / profit for the financial year	\$ (1,905,730)	\$ (2,041,472)
(Loss) / earnings per ordinary share	\$ (0.38)	\$ (0.41)

BOREALIS EXPLORATION LIMITED

CONSOLIDATED BALANCE SHEET – As at 31 December 2004

	December 2004 US\$	December 2003 US\$
Fixed Assets		
Intangible assets	353,796	360,388
Tangible assets	29,037	10,631
Investments – mining properties	4,857,765	4,839,713
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	5,240,598	5,210,732
Current assets		
Cash at bank and in hand	121,896	43,254
Debtors	1,111,795	822,383
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	1,233,691	865,637
Creditors: amounts falling due within one year	2,193,581	1,725,071
Net current liabilities	(759,890)	(859,434)
Total assets less current liabilities	4,280,708	4,351,298
Creditors: amounts falling due after more than one year	2,596,411	1,459,304
Net Assets	<hr/> <hr/> \$ 1,684,297	<hr/> <hr/> \$ 2,891,994
Capital and Reserves		
Called up Share Capital	50,000	49,826
Share Premium account	24,241,030	24,241,153
Profit and loss account	(29,722,688)	(25,503,675)
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Total shareholders' funds	(5,431,658)	(2,338,225)
Minority interests - equity	7,115,955	5,230,219
	<hr/>	<hr/>
	<hr/> <hr/> \$ 1,684,297	<hr/> <hr/> \$ 2,891,994

BOREALIS EXPLORATION LIMITED

COMPANY BALANCE SHEET as at 31 December 2004

		December 2004 \$	December 2003 \$
Fixed Assets			
Intangible assets	K21	353,796	360,388
Tangible assets	k19	29,037	10,631
Investments		---	---
		<u>382,833</u>	<u>371,019</u>
Investments in subsidiary undertakings		170,590	580
		<u>553,423</u>	<u>371,599</u>
Current assets			
Cash at bank and in hand		121,896	43,254
Debtors		1,160,395	926,483
		<u>1,282,291</u>	<u>969,737</u>
Creditors: amounts falling due within one year		(21,105,151)	(15,656,518)
Net current liabilities		<u>(19,822,860)</u>	<u>(15,656,518)</u>
Total assets less current liabilities		(19,269,437)	(14,315,182)
Creditors: amounts falling due after more than one year		2,634,658	1,459,304
Total net liabilities		<u>\$ (21,904,095)</u>	<u>\$ (15,774,486)</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		(46,195,125)	(40,065,465)
Total deficit in shareholders funds		<u>\$ (21,904,095)</u>	<u>\$ (15,774,486)</u>

BOREALIS EXPLORATION LIMITED

CONSOLIDATED CASH FLOW STATEMENT for the nine months ended 31 December 2004

	December 2004 \$	December 2003 \$
Net cash outflow from operating activities	(1,689,765)	(1,090,360)
Returns on investments and servicing of finance		
Interest paid	(12,902)	(17,331)
Net cash outflow from returns on investments and servicing of finance	(1,702,667)	(1,107,691)
Capital expenditure and financial investment		
Patent additions	25,881	41,584
Purchase of tangible fixed assets	22,706	–
Purchase of fixed asset investment	–	–
Lease costs of mining properties	17,612	11,826
Net cash outflow from capital expenditure and financial investment	66,199	53,410
Acquisitions and disposals		
Cash received for issuance of shares by subsidiaries	797,512	1,141,046
Compensation for services provided by deposits	1,079,801	71,050
Net cash inflow from disposals	1,877,313	1,212,096
Net cash inflow/ (outflow) before financing	108,447	50,995
Financing		
Proceeds raised from sale of shares advanced by directors	(38,747)	–
Net cash inflow from financing	(38,747)	–
Increase/Decrease in cash	\$ 69,700	\$ 50,995

BOREALIS EXPLORATION LIMITED

CONSOLIDATED CASH FLOW STATEMENT (Continued) for the nine months ended 31 December 2004

RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	December 2004	December 2003
	\$	\$
Operating loss	(2,950,629)	(2,576,579)
Depreciation of tangible fixed assets	7,836	4,050
Amortisation of patents	12,170	11,700
(Decrease)/Increase in trade creditors	103,537	556,021
(Increase)/Decrease in trade receivables	1,137,321	(914,448)
Net cash outflow from operating activities	\$ (1,689,765)	\$ (1,090,360)

MOVEMENT IN CASH AND ANALYSIS OF CASH BALANCES

	December 2004	December 2003
	\$	\$
Movement in net cash		
At 1 April	52,196	20,162
Increase/Decrease in cash	69,700	23,092
At 31 December	\$ 121,896	\$ 43,254

	December 2004	December 2003
	\$	\$
Analysis of cash balances		
Cash at bank	121,896	43,254
Bank overdrafts	---	---
Net cash at 31 December	\$ 121,896	\$ 43,254