

BOREALIS EXPLORATION LIMITED

Gibraltar Registered Number 66632

**Unaudited Financial Statements
for the three months ending 30 June 2005
the first quarter of Fiscal Year 2006**

Prepared on 4 August 2005

BOREALIS EXPLORATION LIMITED

Registered No (Gibraltar) 66632

CONSOLIDATED PROFIT AND LOSS ACCOUNT for the quarter ended 30 June 2005

	30 June 2005	30 June 2004
	\$	\$
Revenue	45,000	---
Expenditure	<u>(1,272,325)</u>	<u>(1,256,513)</u>
Operating loss	(1,227,325)	(1,256,513)
Financing gain / (costs)	(482,387)	---
Interest	<u>(4,940)</u>	<u>(2,885)</u>
Loss on ordinary activities before taxation	(1,714,652)	(1,259,398)
Taxation	<u>---</u>	<u>---</u>
Loss on ordinary activities after taxation	(1,714,652)	(1,259,398)
Gain on decrease in stake in subsidiaries	2,045,190	513,343
Equity Minority interest	<u>(931,996)</u>	<u>(187,674)</u>
Loss for the financial quarter	<u>(601,458)</u>	<u>(933,729)</u>
Loss per share	<u>\$ (0.12)</u>	<u>\$ (0.19)</u>

BOREALIS EXPLORATION LIMITED

Registered No (Gibraltar) 66632

CONSOLIDATED BALANCE SHEET as at 30 June 2005

	30 June 2005	30 June 2004
	\$	\$
Fixed Assets		
Intangible Assets	413,047	336,184
Tangible Assets	59,553	22,337
Investments - mining property	4,871,368	4,840,153
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	5,343,968	5,198,674
Current Assets		
Cash at bank in hand	103,171	56,209
Debtors	484,694	1,688,713
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	587,865	1,744,922
Creditors: amounts falling due within one year	1,678,398	2,284,480
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Net current (liabilities) / assets	(1,090,533)	(539,558)
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Total fixed assets less net current liabilities	4,253,435	4,659,116
Creditors: amounts falling due after more than one year	3,749,031	2,634,657
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Net Assets	\$ 504,404	\$2,024,459
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BOREALIS EXPLORATION LIMITED

Registered No (Gibraltar) 66632

CONSOLIDATED BALANCE SHEET (Continued) as at 30 June 2005

	30 June 2005	30 June 2004
	\$	\$
Capital and reserves		
Called up Share Capital	50,000	50,000
Share Premium Account	24,241,030	24,241,030
Profit and Loss Account	(31,325,145)	(28,750,687)
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Total shareholders' funds	(7,034,115)	(4,459,657)
Minority interests - equity	7,538,519	6,484,116
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Total Equity	\$ 504,404	\$ 2,024,459
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BOREALIS EXPLORATION LIMITED

Registered No (Gibraltar) 66632

COMPANY BALANCE SHEET

As at 30 June 2005

	30 June 2005	30 June 2004
	\$	\$
Fixed Assets		
Intangible Assets	413,047	336,184
Tangible Assets	59,553	22,337
	<u>472,600</u>	<u>358,521</u>
Investments in subsidiary undertakings	83,990	83,940
	<u>556,590</u>	<u>442,461</u>
Current Assets		
Cash at bank in hand	103,171	56,209
Debtors	484,694	1,740,713
	<u>587,865</u>	<u>1,796,922</u>
Creditors: amounts falling due within one year	(23,528,595)	(19,926,488)
Net Current Liabilities	<u>(22,940,730)</u>	<u>(18,129,567)</u>
Total fixed assets less net current liabilities	(22,384,140)	(17,687,105)
Creditors: amounts falling due after more than one year	<u>3,749,031</u>	<u>2,634,658</u>
Total Net Liabilities	<u>\$(26,133,171)</u>	<u>\$(20,321,763)</u>
Deficiency in Assets		
Called up Share Capital	50,000	50,000
Share Premium account	24,241,030	24,241,030
Profit and Loss Account	<u>(50,424,201)</u>	<u>(44,612,793)</u>
Total Deficit in Shareholders Funds	<u>\$(26,133,171)</u>	<u>\$(20,321,763)</u>

BOREALIS EXPLORATION LIMITED

Registered No (Gibraltar) 66632

CONSOLIDATED CASH FLOW STATEMENT for the quarter ended 30 June 2005

	30 June 2005	30 June 2004
	\$	\$
Net cash outflow from operating activities	(1,663,157)	(496,424)
Returns on investments and servicing of finance		
Interest paid	(4,940)	(2,885)
Net cash outflow from returns on investments and servicing of finance	(1,668,097)	(499,309)
Capital expenditure and financial investment		
Patent additions	(18,237)	---
Purchase of tangible fixed assets	(20,134)	(9,520)
Lease costs of mining properties	(13,602)	---
Net cash outflow from capital expenditure and financial investment	(51,973)	(9,520)
Acquisitions and disposals		
Cash received for issuance of shares by subsidiaries	489,425	216,420
Compensation for services provided by deposits	1,555,765	296,922
Net cash inflow from disposals	2,045,190	513,342
Net cash inflow before financing	325,120	4,513
Financing		
Funds repaid for purchase of shares advanced by Directors	(273,872)	(500)
Net cash inflow / (outflow) from financing	(273,872)	(500)
Increase / (Decrease) in cash	51,248	\$ 4,013

BOREALIS EXPLORATION LIMITED

Registered No (Gibraltar) 66632

CONSOLIDATED CASH FLOW STATEMENT (Continued) for the quarter ended 30 June 2005

RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	30 June 2005	30 June 2004
	\$	\$
Operating loss	(1,227,325)	(1,256,513)
Depreciation of tangible assets	1,873	1,350
Amortisation of patents	7,672	3,900
(Increase) / Decrease in trade receivables	141,457	560,403
(Decrease) / Increase in trade creditors	(586,834)	194,436
Net cash outflow from operating activities	<u><u>\$ (1,663,157)</u></u>	<u><u>\$ (496,424)</u></u>

MOVEMENT IN CASH AND ANALYSIS OF CASH BALANCE

	30 June 2005	30 June 2004
	\$	\$
Movements in net cash		
At 1 April	51,923	52,196
Increase / Decrease in cash in the quarter	51,248	4,013
At 30 June	<u>103,171</u>	<u>56,209</u>
Analysis of cash balances		
Cash at bank	103,171	56,209
Bank overdrafts	---	---
Net cash at 30 June	<u><u>\$ 103,171</u></u>	<u><u>\$ 56,209</u></u>