

ROCHE BAY

PUBLIC LIMITED COMPANY

Gibraltar Registered No. 60527

Financial Statements

for the year ended 31 March 2005

ROCHE BAY PUBLIC LIMITED COMPANY

Gibraltar Registered No. 60527

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ROCHE BAY PUBLIC LIMITED COMPANY

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DIRECTORS AND OFFICERS

| Directors | Appointed | |
|--------------------|------------------|---|
| Rodney T. Cox | 02 June 1997 | Director, Chairman of the Board of Directors |
| Wayne S. Marshall | 02 June 1997 | Director |
| Iris Oren Cox | 24 July 2001 | Director |
| Benjamin J. Cox | 01 Aug 2001 | Director, Chief Executive Officer and President |
| Joseph J. Cox | 01 Aug 2001 | Director |
| Peter Vanderwicken | 11 Sept 2001 | Director |
| John W. Abernethy | 27 Mar 2003 | Director |
| Pelagie Sharp | 27 Mar 2003 | Director |

Secretary

Fidecs Management Limited

Registered Office

Montagu Pavilion
8-10 Queensway
Gibraltar

Auditors

Moore Stephens
Suite 5 Watergardens 4
Waterport
Gibraltar

ROCHE BAY PUBLIC LIMITED COMPANY

Gibraltar Registered No. 60527

DIRECTORS' REPORT

The directors submit their report and the audited financial statements for the year ended 31 March 2005.

Corporate Profile

The Company was incorporated in Gibraltar on 11 February 1997. The Company's shares are publicly traded in the United States over-the-counter (OTC) market and quoted as RCHBF on www.pinksheets.com. The last reported trade was at \$6.75 per share, with the yearly high at \$7.10 per share, and the low at \$2.25 per share.

Activities

The Company holds 100% interest in seven 21-year renewable Government of Canada Mineral Leases on 10,973 acres located near Roche Bay, on Melville Peninsula, in the Baffin Mining District of Nunavut, Canada, which contain one of the world's largest undeveloped resources of magnetite (Fe₃O₄). Significant work is currently underway in an attempt to bring these properties into production.

Results and Review of Business

The results for the year are shown in the Profit and Loss Account on page 6.

Borealis Exploration Limited ("Borealis"), the ultimate parent company, transferred in 1997 certain mineral rights to the Company pursuant to the terms of a Mining Rights Transfer Agreement. In exchange for acquiring these rights, the Company issued 5,200,000 shares valued at \$52,000 to a subsidiary of Borealis, assumed various existing encumbrances on the mineral properties, and assumed a contingent obligation valued at \$1,874,675.

The Company intends to retain its interest in the 21-year renewable Government of Canada Mineral Leases covering 10,973 acres at Roche Bay. These financial statements have been prepared in accordance with Gibraltar GAAP (generally accepted accounting principles), with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. As of 31 March 2005, the Company had net assets of \$4,692,590 (2004 - \$4,453,657) and to date has relied on the support of Borealis, which is also in the development stage. The Company's only assets are the investment in the Mineral Leases. The dependence on Borealis raises doubt about the ability of the Company to continue as a going concern. The continued operation of the Company is dependent on its ability to receive continued financial support from shareholders, or to complete sufficient equity financing or generate profitable operations in the future. However, there can be no assurance that the Company's efforts to generate profitable operations will be successful. The financial statements do not contain any adjustments that might be necessary if the Company is unable to continue as a going concern.

ROCHE BAY PUBLIC LIMITED COMPANY

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DIRECTORS' REPORT (Continued)

Business Review

Roche Bay Magnetite Project

The Company holds 100% interest in seven 21-year renewable Government of Canada Mineral Leases on 10,973 acres located near Roche Bay, on Melville Peninsula, in the Baffin Mining District of Nunavut, Canada. These leases require annual lease payments (at current exchange rates) of \$ 9,024 per year for those leases expiring in 2019, and \$ 9,118 per year for those leases expiring in 2021. All leases are renewable, and are expected to be renewed.

The Company anticipates that significant expenditures will be incurred on the development at Roche Bay, as work progresses toward putting the Roche Bay mineral resource into production. Finance will be provided by the sale of shares of the Company already held by the parent company and/or the issue of further shares of the Company.

By agreement dated 1 March 1979, the previous leaseholder granted a royalty interest to a third party based on 5% of the crown royalty interest on the 10,973 acres of mining leases currently held. On 6 March 1979, the previous leaseholder granted royalties to third parties based on 18.75% of the crown royalty. The Company is bound by these commitments.

Dividends

There were no dividends declared during the year.

Directors and their Interests

The directors who served during the year were as stated on page 1.

The interests of the directors in the shares of the Company in the year were as follows.

| | Shares held at 31 March 2005 | Shares held at 31 March 2004 |
|--------------------|---|---|
| Rodney T. Cox | 10,000 | 10,000 |
| Wayne S. Marshall | 28,417 | 28,417 |
| Iris Oren Cox | 7,827 | 600 |
| Benjamin J. Cox | 2,000 | 2,000 |
| Joseph J. Cox | 4,000 | 4,000 |
| Peter Vanderwicken | 4,826 | 2,433 |
| John W. Abernethy | 7,500 | 2,000 |
| Pelagie Sharp | 100 | 100 |

Share Options

As of 31 March 2005, there were no share options outstanding.

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DIRECTORS' REPORT (Continued)

Directors' Responsibilities

The directors are responsible for preparing financial statements for each financial year which give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss for that year and which comply with the Gibraltar Companies Ordinance 1930 and the Gibraltar Companies (Accounts) Ordinance 1999. In preparing the financial statements, appropriate accounting policies have been used and applied consistently, reasonable and prudent judgements and estimates have been made, and applicable accounting standards have been followed. The directors are responsible for maintaining adequate accounting records, for safeguarding the assets of the Company, and for preventing and detecting fraud and other irregularities.

Auditor

A resolution to reappoint Moore Stephens will be proposed at the Annual General Meeting.

By order of the Board on 3 June 2005



Benjamin J. Cox
Director



Rodney T. Cox
Director

REPORT OF THE AUDITORS

To the members of Roche Bay Public Limited Company

We have audited the financial statements on pages 6 to 11, which have been prepared under the historical cost convention and the accounting policies set out on page 8.

This report is made solely to the Company's members as a body, in accordance with the Companies Ordinance 1930. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the report of the Directors, the Company's Directors and management are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board in the United Kingdom. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

In forming our opinion, we have considered the disclosures made in Note 1 of the financial statements in connection with the application of the going concern basis and the uncertainty with regards to securing continued financial support. In view of the significance of these matters we consider they should be drawn to your attention but our opinion is not qualified in these respects.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company as at 31 March 2005, and of the loss for the year then ended in accordance with Gibraltar Accounting Standards and have been properly prepared in accordance with Gibraltar Companies Ordinance 1930 and the Gibraltar Companies (Accounts) Ordinance 1999.



Gibraltar
3 June 2005

Moore Stephens
CHARTERED ACCOUNTANTS

ROCHE BAY PUBLIC LIMITED COMPANY

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PROFIT AND LOSS ACCOUNT for the year ended 31 March 2005

| | Notes | 2005 \$ | 2004 \$ |
|--|-------|---------------------|---------------------|
| Expenditure | | | |
| Administrative fees | 6 | 64,800 | 243,000 |
| Retained loss for the year | | (64,800) | (243,000) |
| Retained losses brought forward | | (677,820) | (434,820) |
| Retained losses carried forward | | <u>\$ (742,620)</u> | <u>\$ (677,820)</u> |

The Company has had no discontinued activities during the year, accordingly, the above result for the Company relates solely to continuing activities.

No statement of recognised gains and losses has been produced as the only recognised gains and losses occurring in the year are those disclosed in the Profit and Loss Account.

The notes on pages 8 to 11 form part of these Financial Statements.

ROCHE BAY PUBLIC LIMITED COMPANY

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BALANCE SHEET as at 31 March 2005

| | Notes | 2005 \$ | 2004 \$ |
|--|-------|---------------------|---------------------|
| Investments – Mining Properties | 2 | 4,757,270 | 4,739,658 |
| Creditors: amounts falling due after more than one year | 3 | 64,680 | 286,001 |
| Total Net Assets | | <u>\$ 4,692,590</u> | <u>\$ 4,453,657</u> |
| Capital and Reserves | | | |
| Called up Share Capital | 4,5 | 61,016 | 58,535 |
| Share Premium Account | 4,5 | 5,374,194 | 5,072,942 |
| Profit and Loss Account | 5 | (742,620) | (677,820) |
| Total Shareholders' Funds | | <u>\$ 4,692,590</u> | <u>\$ 4,453,657</u> |

Signed on behalf of the Board of Directors on 3 June 2005



Benjamin J. Cox
Director



Rodney T. Cox
Director

The notes on pages 8 to 11 form part of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2005

1. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Gibraltar Accounting Standards and the Gibraltar Companies Ordinance 1930 and the Gibraltar (Companies Accounts) Ordinance 1999 (together, 'Gibraltar GAAP').

a. Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

b. Reporting currency

The Company's financial statements are presented in US dollars, which is the functional currency for operations.

c. Foreign currency translation

Transactions in foreign currency are recorded at the rate at the date of the transaction. Any monetary assets or liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

d. Going Concern

These financial statements have been prepared under the going concern concept, which assumes that the Company will continue in operational existence for the foreseeable future having adequate funds to meet its obligations as they fall due. Further information is set out in the Directors' Report on pages 2 to 4.

e. Cash Flow Statements

The Company meets the size criteria for a small company set by the Companies Act 1985, and therefore, in accordance with FRS1: Cash Flow Statements, it has not prepared a cash flow statement.

f. Taxation

The Company has been granted exempt status under the Gibraltar Companies (Taxation and Concessions) Ordinance. Providing the Company continues to satisfy the criteria for such status, including the payment of an annual government charge of £225 it will not be subject to Gibraltar Corporation Tax until 2010, the date at which the status of all Gibraltar exempt companies will be subject to new legislation.

g. Mining properties

These are stated at cost, less any provision for diminution in value that may, in the opinion of the directors, have taken place. Under Gibraltar GAAP these costs include developing and maintaining the property. The policy on amortisation is that this will be charged on a straight-line basis over the period over which commercial mining operations are expect to continue. At present no amortisation is being charged until exploitation begins.

ROCHE BAY PUBLIC LIMITED COMPANY

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NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2005 (Continued)

2. INVESTMENT – MINING PROPERTIES

| | 2005 | 2004 |
|-------------------|--------------|--------------|
| | \$ | \$ |
| Mining Properties | \$ 4,757,270 | \$ 4,739,658 |

The investment in the Mining Properties, located at Roche Bay is related to leases granted by the Government of Canada for the exploitation of these sites with regard to their mineral reserves. To date, costs for the maintenance of these leases, along with costs in preliminary studies of the properties have been capitalised. The directors are confident that a mineral resource has been established in the properties and it is their intention to commence production in the near future.

3. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

| | 2005 | 2004 |
|--------------------------|-----------|------------|
| | \$ | \$ |
| Loan from parent company | \$ 64,680 | \$ 286,001 |

Amounts due to the Company's parent company are non-interest bearing, unsecured, and with no fixed terms of repayment.

4. CALLED UP SHARE CAPITAL

| | 2005 | 2004 |
|--|------------|------------|
| | \$ | \$ |
| Authorised share capital 10,000,000 ordinary shares @ \$0.01 each | \$ 100,000 | \$ 100,000 |

| | Number of Shares | Share Capital \$ | Share Premium Account \$ | Total \$ |
|-------------------------------|---------------------|------------------------|-----------------------------------|--------------|
| At 31 March 2003 | 5,850,817 | 58,508 | 5,053,883 | 5,112,391 |
| Shares issued during the year | 2,680 | 27 | 19,059 | 19,086 |
| At 31 March 2004 | 5,853,497 | 58,535 | 5,072,942 | 5,131,477 |
| Shares issued at par | 200,000 | 2,000 | – | 2,000 |
| Shares issued at a premium | 48,113 | 481 | 301,252 | 301,733 |
| At 31 March 2005 | 6,101,610 | \$ 61,016 | \$ 5,374,194 | \$ 5,435,210 |

The 200,000 shares issued at par were issued to Borealis Technical Limited on the understanding that all proceeds from the sale of these shares are for the benefit of the Company, and that proceeds will be remitted to the Company or held for the benefit of the Company, or may be loaned to parent company.

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NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2005 (Continued)

5. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

| | Share Capital \$ | Share Premium Account \$ | Profit & Loss Account \$ | Total \$ |
|-------------------------------|---------------------|--------------------------------|--------------------------------|---------------------|
| At 31 March 2003 | 58,508 | 5,053,883 | (434,820) | 4,677,571 |
| Shares issued during the year | 27 | 19,059 | – | 19,086 |
| Loss for the year | – | – | (243,000) | (243,000) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At 31 March 2004 | 58,535 | 5,072,942 | (677,820) | 4,453,657 |
| Shares issued during the year | 2,481 | 301,252 | – | 303,733 |
| Loss for the year | – | – | (64,800) | (64,800) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At 31 March 2005 | <u>\$ 61,016</u> | <u>\$ 5,374,194</u> | <u>\$ (742,620)</u> | <u>\$ 4,692,590</u> |

6. RELATED PARTY TRANSACTIONS

In addition to related party transactions disclosed elsewhere in these financial statements, during the year ended 31 March 2005, the Company was charged \$ 64,800 (2004 - \$243,000) in fees for administrative services provided by the ultimate parent company.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2005 (Continued)

7. CONTINGENT LIABILITIES

Royalty payment

In 1993, Borealis renegotiated its loan with Mr. G. Gillet, which had been assigned to Boston Safe Deposit & Trust Company (Boston Safe). Under the agreement with Boston Safe, the loan was converted into 10,000 common shares of Borealis and a \$ 1,874,675 royalty. The royalty, which is a contingent liability, is to be paid from 25% of the net proceeds from the lease, sale or other disposition, or production on or from its mineral properties. To date, \$ 2,625 has been paid to Boston Safe. In 1995, Boston Safe assigned its interest to its nominee, Mitlock Limited Partnership.

The liability only becomes payable if the Company sells, disposes or commences production of the mineral properties. Consequently under Gibraltar GAAP this liability has been reported as a contingent liability.

As security for payment of the royalty, the group gave an assignment of all receivables derived from its mineral properties.

8. ULTIMATE PARENT COMPANY

The ultimate parent company is Borealis Exploration Limited, a company incorporated in Gibraltar whose registered office is at Montagu Pavilion, 8-10 Queensway, Gibraltar.