

ROCHE BAY
PUBLIC LIMITED COMPANY
Registered No (Gibraltar) 60527

Financial Statements

for the year ended 31 March 2004

ROCHE BAY PUBLIC LIMITED COMPANY

Registered No (Gibraltar) 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
(Formerly known as BDO Fidecs Management Limited)

Registered Office

Montagu Pavillion
8-10 Queensway
Gibraltar

Auditors

Moore Stephens
Suite 5 Watergardens 4
Waterport
Gibraltar

ROCHE BAY PUBLIC LIMITED COMPANY

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DIRECTORS' REPORT

The directors submit their report and the audited financial statements for the year ended 31 March 2004.

Corporate Profile

The Company was incorporated in Gibraltar on 11 February 1997. Roche Bay plc trades on the OTC market in the United States, under the symbol RCHBF. The trading range, since quotations began in November of 2003, has been between \$4/share and \$7.10/share, with the last trade at \$6.10/share.

Activities

The Company holds 21-year renewable Government of Canada Mineral Leases on 10,973 acres on Melville Peninsula, Nunavut, Canada, that contain apparent large showings of magnetite. Negotiations are underway to see the Mineral Leases developed and placed 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. 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 2004, the Company had net assets of \$4,453,657 (2003 - \$4,723,072) 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.

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DIRECTORS' REPORT (Continued)

Business Review

Roche Bay Magnetite Project

The Company owns various mineral leases located near Roche Bay, Nunavut, Canada. These leases require annual lease payments of \$8,333 per year for those leases expiring in 2019, and \$8,420 per year for those leases expiring in 2021 (equivalents at current exchange rates). All leases are renewable, and are expected to be renewed. The leases are located in the Baffin Mining District of Nunavut, Canada.

On the minerals side, in 2005 and subsequent years the Company anticipates that significant expenditures will be incurred on the development at Roche Bay, as work is progressing on putting the Roche Bay mineral resource into production. Finance will be provided by the sale of shares in the company already held by the parent company and/or the issue of further shares. Various proposals for the above are under discussion.

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 2004
Rodney T. Cox	10,000
Wayne S. Marshall	28,417
Iris Oren Cox	600
Benjamin J. Cox	2,000
Joseph J Cox	4,000
Peter Vanderwicken	2,433
John W. Abernethy	2,000
Pelagie Sharp	100

Share Options

As of 31 March 2004, 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 12 August 2004



Benjamin J. Cox
Director



Rodney T Cox
Director

ROCHE BAY PUBLIC LIMITED COMPANY

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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 2004, 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.



Moore Stephens
CHARTERED ACCOUNTANTS

Gibraltar
12 August 2004

ROCHE BAY PUBLIC LIMITED COMPANY

Registered No (Gibraltar) 60527

PROFIT AND LOSS ACCOUNT for the year ended 31 March 2004

	Notes	2004 \$	2003 \$
Expenditure			
Administration fees	6	243,000	252,320
		<u>(243,000)</u>	<u>(252,320)</u>
Retained loss for the year		(434,820)	(182,500)
Retained losses brought forward		<u>\$ (677,820)</u>	<u>\$ (434,820)</u>
Retained losses carried forward		<u><u> </u></u>	<u><u> </u></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.

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BALANCE SHEET as at 31 March 2004

	Notes	2004 \$	2003 \$
Investments – Mining Properties	2	4,739,658	4,723,072
Creditors: amounts falling due after more than one year	3	286,001	45,501
Total Net Assets		<u>\$ 4,453,657</u>	<u>\$ 4,677,571</u>
Capital and Reserves			
Called up Share Capital	4,5	58,535	58,508
Share Premium Account	4,5	5,072,942	5,053,883
Profit and Loss account	5	(677,820)	(434,820)
Total Shareholders' Funds		<u>\$ 4,453,657</u>	<u>\$ 4,677,571</u>

Signed on behalf of the Board of Directors on 12 August 2004



Benjamin J. Cox
Director



Rodney T Cox
Director

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

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NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2004

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 for a period of twenty-five years from 24 August 1999, the date on which it was granted such status. There is proposed legislation now pending approval that may change the tax status of the Company in the foreseeable future, although it appears likely that a low or zero rate of taxation will apply under the proposed new structure

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.

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NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2004

2. INVESTMENT – MINING PROPERTIES

	2004	2003
	\$	\$
Mining Properties	\$ 4,739,658	\$ 4,723,072
	<u> </u>	<u> </u>

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

	2004	2003
	\$	\$
Loan from related party	\$ 286,001	\$ 45,501
	<u> </u>	<u> </u>

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

4. CALLED UP SHARE CAPITAL

	2004	2003
	\$	\$
Authorised share capital 10,000,000 ordinary shares @ \$0.01 each	\$ 100,000	\$ 100,000
	<u> </u>	<u> </u>

	Number of Shares	Share Capital \$	Share Premium Account \$	Total \$
At 31 March 2002	5,332,005	53,379	1,131,061	1,184,440
Shares issued during the year	518,812	5,129	3,922,822	3,927,951
At 31 March 2003	<u>5,850,817</u>	<u>58,508</u>	<u>5,053,883</u>	<u>5,112,391</u>
Shares issued during the year	2,680	27	19,059	19,086
At 31 March 2004	<u>5,853,497</u>	<u>\$ 58,535</u>	<u>\$ 5,072,942</u>	<u>\$ 5,131,477</u>

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NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2004

5. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

	Share Capital	Share Premium	Profit & Loss	Total
	\$	\$	\$	\$
At 31 March 2002	53,379	1,131,061	(182,500)	1,001,940
Shares issued during the year	5,129	3,922,822		3,928,051
Loss for the year			(252,320)	(252,320)
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)
At 31 March 2004	\$ 58,535	\$ 5,072,942	\$ (677,820)	\$ 4,453,657

6. RELATED PARTY TRANSACTIONS

In addition to related party transactions disclosed elsewhere in these financial statements, during the year ended 31 March 2004, the Company was charged \$ 243,000 (2003 - \$252,320) in fees for administrative services provided by Borealis.

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NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2004

7. CONTINGENT LIABILITIES

Environmental claim

The environmental claims are against Borealis Exploration Limited and Borealis has assumed any and all liability for Roche Bay plc concerning these matters.

In 1996, statements of claim were filed by the Attorney General of Canada, the Kilvalli Inuit Association and the Baffin Region Inuit Association for failure to clean up sites in Fat Lake, Roche Bay and near Naguak Lake. Borealis has filed countersuits against these parties. At the present time, the result of these claims and any potential cost to the group is not determinable and no liability for this has been recorded in these financial statements.

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 USD 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, US \$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 Pavillion, 8-10 Queensway, Gibraltar.