Roche Bay plc

2005 Annual Report

About Roche Bay

Roche Bay plc owns the world's largest known undeveloped magnetite (iron ore) resource, located at Roche Bay on the Melville Peninsula, Nunavut, Canada. In two families of deposits, referred to as the East and West Deposits, Roche Bay has over 4 billion tonnes of resource and over 460 million tonnes (Mt) of drilled resource. The East Deposits, which Roche Bay will develop first, have an average core grade of 27%.

The Roche Bay magnetite deposits are 5.31 km from a dock site that can accept ships of up to 225,000 DWT. That dock site is roughly 2800 nautical miles from Rotterdam. The deposits' proximity to tidewater will enable Roche Bay to mine, process and move raw ore from the Roche Bay deposits to the dock for under $15/tonne. Furthermore, Roche Bay's proximity to the European market will limit its exposure to ocean freight prices. The only ore producer closer to the European market is LKAB.

Roche Bay plc is a majority-owned, publicly-traded subsidiary of Borealis Exploration Limited.

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Management's Letter to Members

6 June 2005

Fellow Members:

Fiscal 2005 was an interesting and productive year for the Roche Bay team. We did significant work to further the business prospects for Roche Bay plc. We spent the year on a lean budget but we managed to do a significant amount of planning work and meet with several important industry businesses.

Our primary focus was to get to know the Chinese market and to begin to analyze the business case for supplying it. We did some excellent work in this regard, and we still have significant work to do.

From the perspective of China, we firmed up our shipping case study to show that we can ship 6-8 million tonnes per year of ore at rates competitive to those of CVRD in Brazil. This opens the door to working on China as a primary market for our ore.

We made four trips to China, and spent a significant amount of time planning how to realistically do business there in such a way as to make sense from a long-term economic perspective. To that end, we now have an office in China that is executing a targeted marketing plan intended to develop support for our project.

The market is very strong for iron ore, with the price of fines going up 71.5% last year. We do not expect this rate of price increase to be sustained, but we expect a long-term strong iron ore market. The strong iron ore market is a major shift for the Roche Bay project economics.

At current market prices, the projections for Roche Bay show the property is significantly more bankable and more profitable for development than previous projections. We are debating our policy on whether we are best suited for doing exploration and testing work on the ground. We may do a small season on the ground to extract some core for process work if the cost-benefit analysis of this work is favorable.

On the business development front, we are finishing up the translation of our web site to Chinese and we are starting to give informational meetings in Chinese to educate the relevant companies about the project. Our target goal is to get 3-4 key Chinese customer relationships to help move the project forward.

Trying to get the project into development in such a way that we can retain a strong economic interest is more difficult than getting the project developed. Our goal in the longer term is to end up with either a sustainable project based on customer financing or a carried joint venture (JV) interest that could take the form of a gross overriding royalty (GOR). We have no debt and in the current marketplace the project is significantly increasing in value every year. We hope to complete a real economic development plan on this project in 2006-2007.

We thank our shareholders for their tremendous support, and we promise to work diligently to make 2006 the year that the Roche Bay Magnetite Project goes from paper to pavement.

Sincerely,

Roche Bay plc

Rodney T Cox
Chairman

Benjamin J. Cox
President and CEO

Progress Report

The past three years have been an active and eventful period for Roche Bay plc. We have been working intensively on the underlying analyses necessary to bring our very large Roche Bay ore deposits closer to actual development and eventual production. The greatest change, however, has been in the global market for iron ore. After decades of being in oversupply, iron ore has rapidly become a commodity with a seriously tight market and rapidly-growing demand from developing economies, especially China.

As a result of this sudden — and, we believe, long-lasting — increase in demand, the price of iron ore has begun rising rapidly, by 71.5% this calendar year. India, which for years has been a net exporter of iron ore, is likely to become a net importer in the next 10 years. China's imports of iron ore continue to grow significantly, and are expected to continue to rise. If China's consumption of iron ore follows the pattern set earlier by Japan and South Korea as those countries industrialized, China's per-capita consumption will double or triple over the next decade.

As both global demand and prices continues to increase, the viability of the Roche Bay project and the value of our ore also increase. As we get this project moving, our primary objective has been to reduce those risk factors in bringing the Roche Bay Project to production that we have the capability to reduce. From marketing to shipping to ice flows to mechanical equipment, we now feel that we have an excellent understanding of many of the areas of risk inherent in such a tremendous undertaking. And we have done all of this so far without large capital expenditures or dilution of our shareholders.

One of the biggest concerns has been shipping, which has been a major risk factor for Roche Bay since the deposits were discovered forty years ago. Since Roche Bay is located above the Arctic Circle, it was believed that ore could be shipped from Roche Bay for only a few weeks per year, which meant that large stockpiles would need to be maintained and shipping bottlenecks might make the entire project uneconomical.

Through extensive studies over the past three years, we have confirmed that Roche Bay will have a shipping season of at least 180 days a year using ice-strengthened ships that are already plying the seas in sufficient numbers to move our tonnage. We actually have 360-day shipping if ice-classed vessels are used. This good news means that a Roche Bay mine can operate virtually year-round, no large stockpiles will be required, and ore can be shipped for most of the year.

This extensive shipping season is a major plus for Roche Bay. It means that our ore, some deposits of which are located virtually adjacent to a deep-water harbor, is closer to markets in Europe than ore from Brazil, which now provides most of Europe's imported ore. Our extensive shipping studies and data are on our Website at www.rochebay.gi.

Over the last four years we have made significant progress in advancing the development of this project. We have identified areas of risk and been able to successfully manage them within our business model. We looked at the costs of land transportation, shipping, and ice and arctic weather conditions. We learned about the market for ore and where it is. We also got very lucky in both the oligopoly that has formed in the industry, and the fact that growth in China has resulted in a significant increase in worldwide demand. In the past three years we have talked to hundreds of people about this project and we have made significant progress in regards to customer relations, Northern and government relations, and other such contacts.

The option four years ago had been to go out and raise enough money to first solve the technical risk. This would have resulted in at least 80% dilution of your Company to get the property properly drilled and proven up, and we might still have been knocked out on market or logistics risks (as we didn't know anything about these risks at the time). The decision was made to reduce known risks before we went down the drilling path, and hopefully get to the point where we can now do development work with less dilution. At each point of decision, we must make an accurate assessment of where we stand on the risk-reward equilibrium before deciding whether and how to move forward.

Ideally, we will find a willing and experienced partner, and we will hand the whole or part of the property over to the partner company in a joint venture-style relationship, where they invest the money and earn some equity. The goal is to get to a carried position, convertible in the long term to a working position or a royalty position. The continued increase in the price of iron ore sure makes getting Roche Bay developed on terms that would provide an acceptable rate of return for our shareholders over the longer term.

We believe that Roche Bay will continue to move forward, and that a highly-profitable mine at Roche Bay is going to happen. It is just a question of when, and the very strong market sure helps. Our China Office will help in educating the world’s largest customer in what we have on offer in terms of iron ore. We continue to work hard to bring one of the premier worldwide iron ore resources to production, and exciting times are to follow.

Management's Discussion and Analysis of Financial Results

Our retained loss for the year was $64,800, compared to $243,000 for 2004. Our retained loss carried forward is $742,620 compared to last year's $677,820.

Our shareholder funds are $4,692,590 compared to $4,453,657 in 2004.

Basically all expenses are paid by our parent company. We do not write everything off as the values of the mining leases are increasing, our advisors tell us, at a greater rate than the cost of the leases.

We do expect to be paying substantial fees for the arranging of the placing of the property into production.

These properties have been known and controlled by Roche Bay plc and its predecessor companies for over 40 years.

We are fairly confident in our ability to raise any money needed for any work we plan and for any expenses to further the development of Roche Bay.

Forward Looking Statement

The discussion of the Company's business and operations in this report includes in several instances forward-looking statements, which are based upon management's good faith assumptions relating to the financial, market, operating and other relevant environments that will exist and affect the Company's business and operations in the future. All technical, scientific, and commercial statements regarding technologies and their impacts are based on the educated judgment of the Company's technical and scientific staff. No assurance can be made that the assumptions upon which management based its forward-looking statements will prove to be correct, or that the Company's business and operations will not be affected in any substantial manner by other factors not currently foreseeable by management or beyond the Company's control.

All forward-looking statements involve risks and uncertainty. The Company undertakes no obligation to publicly release the result of any revisions to these forward-looking statements that might be made to reflect the events or circumstances after the date hereof, or to reflect the occurrence of unanticipated events; including those described in this report, and such statements shall be deemed in the future to be modified in their entirety by the Company's public pronouncements, including those contained in all future reports and other documents filed by the Company with the relevant Securities Commissions.

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 as RCHBF and quoted on the Pink Sheets at 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 (Fe_3O_4). 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 9.

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 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 below.

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.

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 9 to 13, which have been prepared under the historical cost convention and the accounting policies set out on page 11.

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.

Moore Stephens

Gibraltar
3 June 2005

Moore Stephens
CHARTERED ACCOUNTANTS

Financial Statements and Notes

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		$ (742,620)	$ (677,820)

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 11 to 13 form part of these Financial Statements.

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		$ 4,692,590	$ 4,453,657
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		$ 4,692,590	$ 4,453,657

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

Benjamin J. Cox
Director

Rodney T. Cox
Director

The notes on pages 11 to 13 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 6 to 7.

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.

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 2002	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 2003	5,853,497	58,535	5,072,942	5,131,477
Shares issued at par	200,000	2,000	–	2,000
Shares issued at 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.

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)
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)
At 31 March 2005	$ 61,016	$ 5,374,194	$ (742,620)	$ 4,692,590

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.

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.

Roche Bay plc Officers and Directors

OFFICERS

Rodney T. Cox, Chairman of the Board
Benjamin J. Cox, President and Chief Executive Officer

Fidecs Management Limited, Secretary

DIRECTORS

Rodney T. Cox	(Appointed 2 June 1997)
Wayne S. Marshall	(Appointed 2 June 1997)
Iris Oren Cox	(Appointed 24 July 2001)
Benjamin J. Cox	(Appointed 1 August 2001)
Joseph J. Cox	(Appointed 1 August 2001)
Peter Vanderwicken	(Appointed 11 September 2001)
John W. Abernethy	(Appointed 27 March 2003)
Pelagie Sharp	(Appointed 27 March 2003)

Corporate Information

Corporate Headquarters

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Tel: +350.59995 or +350.586.99000
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Public Relations

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Auditors

Moore Stephens
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Waterport
Gibraltar

Stock Trading Information

Quoted in the United States over-the-counter market on Pink Sheets, at www.pinksheets.com
Symbol: **RCHBF**
CUSIP # X73580 10 6

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Incorporated

Gibraltar Company Number 60527
11 February 1997