

ENERNORTH INDUSTRIES INC

Form 6-K

May 28, 2004

Consolidated Financial Statements
Third Quarter
March 31, 2004
(Unaudited)
(Expressed in Canadian Dollars)

EnerNorth Industries Inc.
Consolidated Balance Sheets
(Expressed in Canadian dollars)

	March 31, 2004 (unaudited)	June 30, 2003 (audited)
ASSETS		
Current		
Cash and cash equivalents	\$ 2,615,162	\$ 6,729,283
Restricted cash	791,746	1,218,070

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Marketable securities	521,039	176,804
Receivables	3,447,938	6,503,464
Inventories	650,136	713,835
Unbilled revenue	590,830	1,680,806
Due from co-venturer	1,388,019	461,150
Prepaid expenses	150,431	240,725
Investment	3,365,000	-
Total current assets	13,520,301	17,724,137
Oil and gas interests (net of accumulated depletion)	5,386,218	4,444,038
Capital assets (net of accumulated depreciation and amortization)	3,096,078	3,166,786
Investment	-	3,500,000
	\$ 22,002,597	\$ 28,834,961
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank indebtedness	\$ 430,531	\$ 2,036,933
Accounts payable and accrued liabilities	3,774,237	5,747,414
Due to shareholder (Note 3b)	-	402,419
Current portion of long-term debt	158,309	158,309
Deferred revenue	396,984	2,399,086
Future income tax liability	302,900	302,900
Oakwell claim (Note 4)	8,050,000	5,900,000
Total current liabilities	13,112,961	16,947,061
Long-term debt	464,067	528,020
Site Restoration	114,274	106,274
Total liabilities	13,691,302	17,581,355
Shareholders' equity		
Capital stock (Note 5)	43,339,132	43,339,132
Deficit	(35,027,837)	(32,085,526)
Total shareholders' equity	\$ 8,311,295	\$ 11,253,606
	\$ 22,002,597	\$ 28,834,961

The accompanying notes to the financial statements are an integral part of these financial statements

EnerNorth Industries Inc.
Consolidated Statements of
Loss and Deficit
(Unaudited)
(Expressed in Canadian
dollars)

	For the nine month period ending March 31		For the three month period ending March 31	
	2004	2003	2004	2003
Sales	\$ 24,554,491	\$ 18,007,207	\$ 7,731,978	\$ 2,983,333
Cost of sales (including depreciation and depletion of \$472,352; 2003 - \$315,088)	21,348,235	15,653,176	7,207,910	2,573,261
Gross profit	3,206,256	2,354,031	524,068	410,072
Administrative expenses	4,054,219	3,262,392	1,699,729	1,255,540
Amortization of capital assets	92,128	60,544	42,496	20,217
Interest	80,353	117,056	20,449	37,417
Interest on long-term debt	36,456	36,169	11,535	10,966
	4,263,156	3,476,161	1,774,209	1,324,140
Loss before the following	(1,056,900)	(1,122,130)	(1,250,141)	(914,068)
Oakwell claim	(2,150,000)	-	(547,000)	-
Other income	264,589	144,195	36,718	42,389
Net loss before tax	(\$2,942,311)	(\$977,935)	(\$1,760,423)	(\$871,679)
Income taxes Future	(160,018)	-	(461,101)	-

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Utilization of loss carryforwards	160,018	-	461,101	-
-	-	-	-	-
Net loss	(\$2,942,311)	(\$977,935)	(\$1,760,423)	(\$871,679)
Deficit, beginning of period	(32,085,526)	(24,038,050)	(33,267,414)	(24,144,306)
Deficit, end of period	(\$35,027,837)	(\$25,015,985)	(\$35,027,837)	(\$25,015,985)
Net loss per Common Share				
Net loss per share	(\$0.72)	(\$0.24)	(\$0.43)	(\$0.21)
Weighted average common shares outstanding (thousands)	4,059	4,059	4,059	4,059
Fully Diluted net loss per Common Share				
Net loss per share	antidilutive	antidilutive	antidilutive	antidilutive

The accompanying notes to the financial statements are an integral part of these financial statements

EnerNorth Industries Inc.
Consolidated Statements of
Cash Flows
(Unaudited)
(Expressed in Canadian
dollars)

For the nine month period
ending March 31
2004

2003

For the three month period
ending March 31
2004

2003

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Cash provided by (used in)				
Operating activities				
Net loss	(\$2,942,311)	(\$977,935)	(\$1,760,423)	(\$871,679)
Adjustments to reconcile net loss to net cash provided by operating activities				
Amortization and depletion	564,480	375,632	179,692	127,116
Oakwell claim	2,150,000	-	547,000	-
Unrealized foreign exchange loss on investment	135,000	-	-	-
Gain on sale of marketable securities	(14,628)	(61,165)	-	(970)
	(107,459)	(663,468)	(1,033,731)	(745,533)
Net change in non-cash working capital				
Receivables	3,055,526	2,190,001	2,302,372	3,287,990
Inventories and unbilled revenue	1,153,675	1,548,499	(102,648)	38,758
Prepaid expenses	90,294	(99,404)	41,748	(45,459)
Accounts payable and accrued liabilities	(1,973,177)	(2,555,841)	(70,132)	(1,930,513)
Restricted cash	426,324	-	426,324	-
Deferred revenue	(2,002,102)	-	(1,765,661)	-
	643,081	419,787	(201,728)	605,243
Financing activities				
Bank indebtedness	(1,606,402)	(311,323)	(582,890)	(827,158)
Repayment of long term debt	(85,439)	(142,507)	858	(47,133)
Repayment to shareholders	(402,419)	(315,927)	-	(2,581)
Issue of common shares	-	1,242,400	-	(745)
	(2,094,260)	472,643	(582,032)	(877,617)
Investing activities				
Purchase of capital assets	(136,867)	(102,295)	(82,616)	(53,285)
Oil and gas interests	(1,253,926)	(204,712)	(463,705)	(166,407)
Due from co-venturer	(942,542)	(992,459)	(329,771)	(31,356)
Marketable securities	(329,607)	159,854	(31,500)	(17,103)
	(2,662,942)	(1,139,612)	(907,592)	(268,151)

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Increase (decrease) in cash	(4,114,121)	(247,182)	(1,691,352)	(540,525)
Cash, beginning of period	6,729,283	5,610,621	4,306,514	5,903,964
Cash, end of period	\$ 2,615,162	\$ 5,363,439	\$ 2,615,162	\$ 5,363,439

Cash, end of period consists of:

Cash	\$ 1,359,989	\$ 1,624,160	\$ 1,359,989	\$ 1,624,160
Money market funds	\$ 1,255,173	\$ 3,739,279	\$ 1,255,173	\$ 3,739,279

The accompanying notes to the financial statements are an integral part of these financial statements

EnerNorth Industries Inc.
Notes to Unaudited Consolidated Financial Statements
For the Nine Month Period Ending March 31, 2004
(Expressed in Canadian Dollars)

1. Basis of Presentation

These unaudited interim consolidated financial statements have been prepared by management following the same accounting policies and methods of computation as the audited consolidated financial statements for the year ended June 30, 2003. These interim financial statements should be read in conjunction with the Company's audited consolidated financial statements together with notes for the year ended June 30, 2003. The unaudited consolidated financial results for the nine month period ending March 31, 2004 and 2003 include the accounts of the Company and its wholly owned subsidiary M&M Engineering Limited, a Newfoundland and Labrador company, M&M's wholly-owned subsidiary M&M Offshore Limited, a Newfoundland and Labrador company, 10915 Newfoundland Limited, 11123 Newfoundland Limited and the proportionate share of its interests in joint ventures whose business focus is construction, mechanical contracting and steel fabrication. Operating results for the nine months ended March 31, 2004 are not indicative of the results that may be expected for the full year ending June 30, 2004.

2. Segmented information

The Company's operations are separated into two distinct segments; the Industrial & Offshore Division, consisting of the consolidated operations of M&M Engineering Limited, a wholly owned subsidiary, and the Oil & Gas Division performing oil and gas exploration and production. M&M is an industrial contracting company performing fabrication and installation of process piping, installation of production equipment, steel tank erection, specialized welding services and industrial maintenance. Results for the nine month and three month periods ending March 31, 2004 and March 31, 2003 are presented in the Consolidated Statements of Segmented Information below:

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For the nine months ending
March 31, 2004

	Industrial & Offshore	Oil & Gas	Corporate	Total
Revenue	24,189,474	365,017	-	24,554,491
Interest expense	112,707	-	4,102	116,809
Amortization and depletion	244,734	319,746	-	564,480
Net earnings (loss)	835,677	45,271	(3,823,259)	(2,942,311)
Capital assets and oil and gas interests	3,096,078	5,386,218	-	8,482,296

For the nine months ending
March 31, 2003

	Industrial & Offshore	Oil & Gas	Corporate	Total
Revenue	17,534,660	472,547	-	18,007,207
Interest expense	149,505	-	3,720	153,225
Amortization and depletion	194,968	180,664	-	375,632
Net earnings (loss)	147,947	41,759	(1,167,641)	(977,935)
Capital assets and oil and gas interests	2,766,627	4,424,126	-	7,190,753

For the three months ending
March 31, 2004

	Industrial & Offshore	Oil & Gas	Corporate	Total
Revenue	7,624,867	107,111	-	7,731,978
Interest expense	31,524	-	460	31,984
Amortization and depletion	96,158	83,534	-	179,692
Net earnings (loss)	(420,291)	179,792	(1,519,924)	(1,760,423)

For the three months ending
March 31, 2003

	Industrial & Offshore	Oil & Gas	Corporate	Total
Revenue	2,775,600	207,733	-	2,983,333

Interest expense	47,556	-	827	48,383
Amortization and depletion	67,123	59,993	-	127,116
Net earnings (loss)	(451,465)	68,416	(488,630)	(871,679)

EnerNorth Industries Inc.
Notes to Unaudited Consolidated Financial Statements
For the Nine month period ending March 31, 2004
(Expressed in Canadian Dollars)

3. Related Party Transactions

(a) During the nine month period ending March 31, 2004 a director of the Company was paid US\$35,000 (approximately Cdn\$45,868) under a nine month consulting agreement that commenced September 1, 2003.

(b) During the nine month period ending March 31, 2004 the Company repaid \$402,419 to a shareholder and a director of the Company.

These transactions were in the normal course of business and were measured at the exchange amount.

4. Subsequent Events

In April 2004 the Court of Appeal of the Republic of Singapore dismissed the Company's Appeal with costs. The Appeal was related to a Judgment against the Company dated October 16, 2003 in the amount of US\$5.42 million plus certain legal costs. To date, the Company has accrued Cdn\$8.1 million of costs related to this Judgment.

5. Share Capital

(a) Authorized and Issued:

Authorized:

Unlimited number of Common Shares, without par value

Unlimited number of Class A Preference Shares, Series I

Unlimited number of Class A Preference Shares, Series II

Issued:

Common shares

			#		Consideration
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Balance, as at June 30, 2003		4,059,009	\$	43,339,132
Balance, as at March 31, 2004		4,059,009	\$	43,339,132

(b) Common share purchase warrants outstanding consist of the following:

Exercise Price	Expiry Date	2004 #	2003 #
US\$ 1.80	December 31, 2004	533,332	533,332
		533,332	533,332

(c) Common share purchase options outstanding consist of the following:

Exercise Price	Expiry Date	Holder	2004 #	2003 #
\$12.00	June 14, 2005	Consultant	-	7,000
\$18.90	January 8, 2006	Directors and employees	-	91,333
			-	98,333