

ENERNORTH INDUSTRIES INC
Form 6-K
May 05, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K

Report of Foreign Private Issuer Pursuant to Rule 13a-16 or 15d-16 under the
Securities Exchange Act of 1934

For the month of May 2006

Commission File Number 0-29586

EnerNorth Industries Inc.
(formerly: Energy Power Systems Limited)
(Address of Principal executive offices)

2 Adelaide Street West, Suite 301, Toronto, Ontario, M5H 1L6, Canada
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Yes No

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934:

Yes No

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3- 2(b):
82- _____

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

EnerNorth Industries Inc.
(formerly: Energy Power Systems Limited)

Date: May 4, 2006 _

By: "Sandra J. Hall"

Sandra J. Hall,

President, Secretary & Director

EnerNorth Industries Inc.

Consolidated Financial Statements
Third Quarter
March 31, 2006
(Unaudited)
(Expressed in Canadian Dollars)

Notice to Reader

Management has compiled the unaudited interim consolidated financial information of EnerNorth Industries Inc. consisting of the Consolidated Balance Sheet as at March 31, 2006, Consolidated Statements of Operations and Deficit and Consolidated Statements of Cash Flows and notes thereto for the period ended March 31, 2006. All amounts are stated in Canadian Dollars. An accounting firm has not reviewed or audited these interim consolidated financial statements.

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

| (unaudited) | March 31, 2006 | June 30, 2005 (audited) |
|--|---------------------|----------------------------|
| ASSETS | | |
| Current | | |
| Cash and cash equivalents | \$ 1,183,378 | \$ 5,286,315 |
| Marketable securities (Market value \$2,229,335, June 30, 2005 - \$2,600,725) | 2,054,250 | 2,394,138 |
| Receivables | 1,721,297 | 677,704 |
| Total current assets | 4,958,925 | 8,358,157 |
| | | |
| Oil and gas interests (net of accumulated depletion) | 8,252,232 | 4,068,549 |
| Investment (Note 5) | 3,107,782 | 3,281,950 |
| | \$ 16,318,939 | \$ 15,708,656 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current | | |
| Accounts payable and accrued liabilities | 573,536 | 465,365 |
| Due to shareholder | 71,250 | 37,500 |
| Oakwell claim (Note 8) | 7,898,442 | 7,956,349 |
| Total current liabilities | 8,543,228 | 8,459,214 |
| | | |
| Site Restoration | 252,826 | 173,204 |
| Future income tax liability | - | - |
| Total liabilities | 8,796,054 | 8,632,418 |
| | | |
| Shareholders' equity | | |
| Capital stock (Note 6) | 43,577,303 | 43,339,132 |
| Contributed surplus (Note 6) | 152,845 | 149,109 |
| Deficit | (36,207,263) | (36,412,003) |
| Total shareholders' equity | \$ 7,522,885 | \$ 7,076,238 |
| | \$ 16,318,939 | \$ 15,708,656 |

The accompanying notes are an integral part of these consolidated financial statements

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

| | For the nine months ended March 31, | | For the three months ended March 31, | |
|--|--|-----------------------|---|-----------------------|
| | 2006 | 2005* | 2006 | 2005* |
| Revenue | | | | |
| Oil and gas revenue | \$ 908,498 | \$ 753,987 | \$ 203,386 | \$ 271,878 |
| Less: royalties | 128,361 | 157,778 | 36,445 | 65,834 |
| | 780,137 | 596,209 | 166,941 | 206,044 |
| Expenses | | | | |
| Operating and transportation | 282,318 | 354,811 | 84,637 | 88,317 |
| Depletion and accretion | 510,674 | 546,448 | 120,194 | 184,835 |
| Administrative expenses | 1,389,507 | 1,873,946 | 652,510 | 749,972 |
| Interest | 1,925 | 1,542 | 658 | 359 |
| | 2,184,424 | 2,776,747 | 857,999 | 1,023,483 |
| Loss before the following | (1,404,287) | (2,180,538) | (691,058) | (817,439) |
| Foreign exchange gain (loss) | 186,718 | 492,781 | 34,278 | (11,050) |
| Oakwell claim (Note 8) | (329,621) | - | (131,660) | - |
| Interest income | 220,233 | 221,452 | 16,850 | 56,603 |
| Cash distributions from marketable securities | 178,668 | - | 69,021 | - |
| Gain on sale of marketable securities | 1,353,029 | 9,775 | 1,070,892 | - |
| Net income (loss) from continuing operations | 204,740 | (1,456,530) | 368,323 | (771,886) |
| Net income from discontinued operations (Notes 4 and 7) | - | 337,355 | - | 112,367 |
| Gain on disposition of discontinued operations | - | 1,847,642 | - | 1,847,642 |
| Net income | 204,740 | 728,467 | 368,323 | 1,188,123 |
| Deficit, beginning of period | (36,412,003) | (36,249,254) | (36,575,586) | (36,708,910) |
| Deficit, end of period | (\$36,207,263) | (\$35,520,787) | (\$36,207,263) | (\$35,520,787) |
| Net income per common share | \$ 0.05 | \$ 0.18 | \$ 0.09 | \$ 0.29 |

| | | | | | | |
|--|-----------|-------------|-----------------|-----------|-------------|-----------------|
| Net income (loss) from continuing operations per common share | \$ | 0.05 | (\$0.36) | \$ | 0.09 | (\$0.19) |
|--|-----------|-------------|-----------------|-----------|-------------|-----------------|

| | | | | |
|---|--------------|--------------|--------------|--------------|
| Weighted average common shares outstanding (thousands) | 4,063 | 4,059 | 4,073 | 4,059 |
|---|--------------|--------------|--------------|--------------|

| | | | | | | | | |
|--|-----------|-------------|-----------|-------------|-----------|-------------|-----------|-------------|
| Fully diluted net income per common share | \$ | 0.04 | \$ | 0.16 | \$ | 0.08 | \$ | 0.26 |
|--|-----------|-------------|-----------|-------------|-----------|-------------|-----------|-------------|

*Comparative figures have been reclassified to conform to the current periods financial statement presentation (See Notes 4 and 7).

The accompanying notes are an integral part of these consolidated financial statements

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

| | For the nine months ended March 31, | | For the three months ended March 31, | |
|---|--|---------------|---|-------------|
| | 2006 | 2005* | 2006 | 2005* |
| Cash provided by (used in) | | | | |
| Operating activities | | | | |
| Net income (loss) from continuing operations | \$ 204,740 | (\$1,456,530) | \$ 368,323 | (\$771,886) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities | | | | |
| Depletion and accretion | 510,674 | 546,448 | 120,194 | 184,835 |
| Oakwell claim | (57,907) | - | 112,863 | - |
| Stock based compensation | 3,736 | 149,446 | - | 149,446 |
| Unrealized foreign exchange (gain) loss | 174,168 | (370,646) | (37,910) | 133,185 |
| Gain on sale of marketable securities | (1,353,029) | (9,775) | (1,070,892) | - |
| | (517,618) | (1,141,057) | (507,422) | (304,420) |
| Net change in non-cash working capital | | | | |
| Receivables | (1,043,593) | 653,221 | (82,328) | (238,488) |
| Accounts payable and accrued liabilities | 108,171 | 175,478 | (14,379) | (78,116) |
| Cash used by operating activities from continuing operations | (1,453,040) | (312,358) | (604,129) | (621,024) |
| Cash provided by operating activities of discontinued operations | - | 1,868,433 | - | 211,955 |
| | (1,453,040) | 1,556,075 | (604,129) | (409,069) |
| Financing activities | | | | |
| Due to shareholders (net) | 33,750 | (42,000) | 52,500 | (42,000) |
| Issue of common shares | 238,171 | - | 238,171 | - |
| Financing activities of discontinued operations | - | (2,981,618) | - | (1,579,840) |
| | 271,921 | (3,023,618) | 290,671 | (1,621,840) |
| Investing activities | | | | |
| Oil and gas assets | (4,635,320) | (589,270) | (2,497,925) | (112,565) |
| Site restoration liability assumed | 20,585 | - | 20,585 | - |

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| | | | | |
|---|---------------------|--------------|---------------------|--------------|
| Purchase of marketable securities (net) | 1,692,917 | (1,487,867) | 1,979,244 | (1,499,242) |
| Proceeds from sale of discontinued operations | - | 8,111,989 | - | 8,111,989 |
| Investing activities of discontinued operations | - | 896,809 | - | 1,188,259 |
| | (2,921,818) | 6,931,661 | (498,096) | 7,688,441 |
| Increase (decrease) in cash | (4,102,937) | 5,464,118 | (811,554) | 5,657,532 |
| Cash, beginning of period | 5,286,315 | 600,313 | 1,994,932 | 406,899 |
| Cash, end of period | \$ 1,183,378 | \$ 6,064,431 | \$ 1,183,378 | \$ 6,064,431 |
| Cash, end of period consists of: | | | | |
| Cash | \$ 461,180 | \$ 264,855 | \$ 461,180 | \$ 264,855 |
| Money market funds | \$ 722,198 | \$ 5,799,576 | \$ 722,198 | \$ 5,799,576 |

*Comparative figures have been reclassified to conform to the current periods financial statement presentation (See Notes 4 and 7) .

The accompanying notes are an integral part of these consolidated financial statements

EnerNorth Industries Inc.
Notes to Unaudited Consolidated Financial Statements
For the Period Ended March 31, 2006
(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, 2005. 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, 2005. For further detailed discussions please refer to the Company's Management Discussion and Analysis of Financial Condition and Operating Results for the three and nine month period ending March 31, 2006.

The Company's primary activities include investment in, exploration, development and production of oil and gas. The unaudited consolidated financial results for the periods ending March 31, 2006 and 2005 include the accounts of the Company and its subsidiaries Sawn Lake Resources Ltd. ("Sawn") and Euro India Canara Private Limited ("EIPCL") which is carried on the balance sheet at nil. The results of operations of its former wholly owned subsidiaries, held through M&M Engineering Limited ("M&M") are accounted for as discontinued operations (See Notes 4 and 7).

Operating results for the three and nine month periods ending March 31, 2006 are not indicative of the results that may be expected for the full year ending June 30, 2006.

The Company's ability to continue as a going concern is primarily dependent upon the enforceability of the Oakwell Claim (see Note 8). If the application of the judgment becomes enforceable in Canada then there would be a material and adverse impact on the Company's financial condition.

These consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company not be able to continue in the normal course of operations. If the "going concern" assumption is not appropriate for these consolidated financial statements then adjustments may be necessary to the carrying value of assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used.

These consolidated financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada.

On March 31, 2006 the Company acquired 100% of the shares of Sawn for gross proceeds of \$2,349,715. Sawn is an Alberta Company with interests in oil and gas properties located in Alberta and Saskatchewan. The allocation of the purchase price was as follows:

| | |
|------------------------------|--------------|
| Current assets | \$ 32,718 |
| Oil and gas assets | 2,339,474 |
| Payables | 1 |
| Site restoration liabilities | \$ (20,585) |
| Net assets acquired * | \$ 2,351,608 |

*Including transaction costs of \$1,893

2. Seasonality and Trend Information

Oil and gas production is not a seasonal business, but increased consumer demand or changes in supply in certain months of the year can influence the price of produced hydrocarbons, depending on the circumstances. Production from the Company's oil and gas properties is the primary determinant for the volume of sales during the year.

3. Segmented information

The Company's operations consist of one operating segment in the oil and gas industry, which includes investment in, exploration, development and production of oil and gas. These operations consist of one cost centre, Canada.

4. Discontinued Operations

On February 1, 2005 the Company divested of its interests in M&M for cash proceeds of Cdn. \$7,361,989. The transaction was a sale of 100% of the common shares and 100% of the preferred shares of M&M held by the Company. Prior to closing, the Company retracted preferred shares of M&M for Cdn \$1,000,000 cash.

The results of M&M have been accounted for as discontinued operations. Estimated disposal costs have been included in the net income from discontinued operations.

EnerNorth Industries Inc.
Notes to Unaudited Consolidated Financial Statements
For the Period Ended March 31, 2006
(Expressed in Canadian Dollars)

5. Investment

As of March 31, 2005 the Company owns 11,848,200 common shares, par value Indian Rupees (“INR”) 10 in Konaseema Gas Power Limited (formerly known as Konaseema EPS Oakwell Power Limited).

6. Share Capital

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 |
|---|-----------|---------------|
| Balance, as at June 30, 2005 | 4,059,009 | \$43,339,132 |
| Exercise of common share purchase options | 15,000 | 13,171 |
| Issued pursuant to acquisition of Sawn | 103,212 | 225,000 |
| Balance, as at March 31, 2006 | 4,177,221 | \$43,577,303 |

Contributed Surplus

| | Value |
|---|-----------|
| Balance, as at June 30, 2005 | \$149,109 |
| Issuance of options | 3,736 |
| Balance, as at March 31, 2006 and May 2, 2006 | \$152,845 |

Common share purchase options

| Exercise Price | Expiry Date | 2006 # | 2005 # |
|-------------------------------|-------------------|---------|---------|
| US\$0.75 | February 28, 2010 | 585,000 | 600,000 |
| US\$1.77 | July 15, 2008 | 15,000 | - |
| Balance, as at March 31, 2006 | | 600,000 | 600,000 |

Of the options priced at US\$1.77, 10,000 vest July 15, 2006 and 5,000 vest on July 15, 2007.

7. Comparative Figures

As a result of discontinued operations the comparative unaudited consolidated financial statements have been reclassified from statements previously presented to conform to the March 31, 2006 presentation.

8. Oakwell Claim

The Oakwell Claim relates to a Singapore judgment against the Company plus costs and interest. On August 2, 2005 the Superior Court for the Province of Ontario ruled that the Singapore judgment was enforceable in Ontario with costs. The Company filed a notice of appeal of the August 2, 2005 ruling. The appeal was heard on April 10, 2006 and judgment was reserved.

9. Related Party Transactions

During the nine month period ended March 31, 2006 the Company paid Chadha & Co., a company controlled by Namita Chadha who was appointed a director of EIPCL, \$23,524 for services rendered on behalf of the Company (2005 - \$17,109).

During the nine month period ended March 31, 2006 the Chairman, a director and shareholder of the Company was awarded \$71,250 as compensation for services rendered on behalf of the Company.