

BOREALIS EXPLORATION LIMITED

Gibraltar Registered Number 66632

**Unaudited Financial Statements
for the three months ending 30 June 2006
the first quarter of Fiscal Year 2007**

BOREALIS EXPLORATION LIMITED

Registered No (Gibraltar) 66632

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the quarter ended 30 June 2006**

	30 June 2006	30 June 2005
	\$	\$
Revenue	70,303	45,000
Expenditure	(1,666,486)	(1,272,325)
Operating loss	(1,596,183)	(1,227,325)
Financing gain / (costs)	780,858	(482,387)
Interest	(12,463)	(4,940)
Loss on ordinary activities before taxation	(827,788)	(1,714,652)
Taxation	-	-
Loss on ordinary activities after taxation	(827,788)	(1,714,652)
Gain on decrease in stake in subsidiaries	3,146,847	2,045,190
Equity Minority interest	(780,573)	(931,996)
Profit / (Loss) for the financial quarter	1,538,486	(601,458)
Earnings / (Loss) per share	\$ 0.31	\$ (0.12)

BOREALIS EXPLORATION LIMITED

Registered No (Gibraltar) 66632

CONSOLIDATED BALANCE SHEET as at 30 June 2006

	30 June 2006	30 June 2005
	\$	\$
Fixed Assets		
Intangible Assets	469,554	413,047
Tangible Assets	47,477	59,553
Investments - mining property	4,941,254	4,871,368
	<u>5,458,285</u>	<u>5,343,968</u>
Current Assets		
Cash at bank in hand	1,994,087	103,171
Debtors	971,308	484,694
	<u>2,965,395</u>	<u>587,865</u>
Creditors: amounts falling due within one year	<u>3,072,523</u>	<u>1,678,398</u>
Net current (liabilities) / assets	(107,128)	<u>(1,090,533)</u>
Total fixed assets less net current liabilities	5,351,157	4,253,435
Creditors: amounts falling due after more than one year	<u>4,117,230</u>	<u>3,749,031</u>
Net Assets	<u>\$ 1,233,927</u>	<u>\$ 504,404</u>

BOREALIS EXPLORATION LIMITED

Registered No (Gibraltar) 66632

CONSOLIDATED BALANCE SHEET (Continued) as at 30 June 2006

	30 June 2006	30 June 2005
	\$	\$
Capital and reserves		
Called up Share Capital	50,000	50,000
Share Premium Account	24,241,030	24,241,030
Profit and Loss Account	(31,778,637)	(31,325,145)
	<hr/>	<hr/>
Total shareholders' funds	(7,487,607)	(7,034,115)
Minority interests - equity	8,721,534	7,538,519
Total Equity	\$ 1,233,927	\$ 504,404
	<hr/> <hr/>	<hr/> <hr/>

BOREALIS EXPLORATION LIMITED

Registered No (Gibraltar) 66632

CONSOLIDATED CASH FLOW STATEMENT for the quarter ended 30 June 2006

	30 June 2006	30 June 2005
	\$	\$
Net cash outflow from operating activities	(1,145,756)	(1,663,157)
Returns on investments and servicing of finance		
Interest paid	(12,463)	(4,940)
Net cash outflow from returns on investments and servicing of finance	(1,158,219)	(1,668,097)
Capital expenditure and financial investment		
Patent additions	(24,868)	(18,237)
Purchase of tangible fixed assets	-	(20,134)
Immovable Property	(31,549)	(13,602)
Net cash outflow from capital expenditure and financial investment	(56,417)	(51,973)
Acquisitions and disposals		
Cash received for issuance of shares by subsidiaries	3,146,850	489,425
Compensation for services provided by deposits	-	1,555,765
Net cash inflow from disposals	3,146,850	2,045,190
Net cash inflow before financing	1,932,214	325,120
Financing		
Funds repaid for purchase of shares advanced by Directors	-	(273,872)
Net cash inflow / (outflow) from financing	-	(273,872)
Increase / (Decrease) in cash	1,932,214	51,248

BOREALIS EXPLORATION LIMITED

Registered No (Gibraltar) 66632

CONSOLIDATED CASH FLOW STATEMENT (Continued) for the quarter ended 30 June 2006

RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	30 June 2006	30 June 2005
	\$	\$
Operating loss	(1,596,183)	(1,227,325)
Depreciation of tangible assets	4,506	1,873
Amortisation of patents	7,339	7,672
(Increase) / Decrease in trade receivables	261,796	141,457
(Decrease) / Increase in trade creditors	176,786	(586,834)
Net cash outflow from operating activities	\$ (1,145,756)	\$ (1,663,157)

MOVEMENT IN CASH AND ANALYSIS OF CASH BALANCES

	30 June 2006	30 June 2005
	\$	\$
Movements in net cash		
At 1 April 2006	61,873	51,923
Increase / Decrease in cash in the quarter	1,932,214	51,248
At 30 June	1,994,087	103,171
Analysis of cash balances		
Cash at bank	1,994,087	103,171
Bank overdrafts	-	-
Net cash at 30 June 2006	\$ 1,994,087	\$ 103,171