

BOREALIS EXPLORATION LIMITED

Gibraltar Registered Number 66632

**Unaudited Financial Statements
for the six months ending 30 September 2006
the second quarter of Fiscal Year 2007**

Registered No (Gibraltar) 66632

CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the quarter ended 30 September 2006

	30 September 2006	30 September 2005
	\$	\$
Revenue	25,065	45,000
Expenditure	3,747,564	2,716,145
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Operating loss	3,722,499	2,671,145
Less Net Gain (Loss) from Financing	1,580,053	(2,312,456)
Financing gain (Loss)	1,602,731	(2,302,527)
Interest Paid	(22,678)	(9,929)
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Loss on ordinary activities before taxation	2,142,446	4,983,601
Taxation	---	---
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Loss on ordinary activities after taxation	2,142,446	4,983,601
Gain on decrease in stake in subsidiaries	3,078,684	3,559,536
Equity Minority interest	(534,151)	(1,219,426)
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Retained Earnings (Accumulated Loss) for the period	402,087	(2,643,491)
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Earnings / (Loss) per share	\$ 0.08	\$ (0.53)

BOREALIS EXPLORATION LIMITED

Registered No (Gibraltar) 66632

CONSOLIDATED BALANCE SHEET as at 30 September 2006

	30 September 2006	30 September 2005
	\$	\$
Fixed Assets	5,535,832	5,388,213
Intangible Assets	466,781	422,651
Tangible Assets	77,753	59,759
Investments - mining property	4,991,298	4,905,803
Net current assets (liabilities)	(2,392,189)	(1,083,217)
Current Assets	1,830,190	571,044
Cash at bank in hand	1,389,386	44,403
Accounts Receivable	440,804	526,641
Current Liabilities	4,222,379	1,654,261
Accounts Payable - falling due within one year	<hr/>	<hr/>
Total fixed assets less net current liabilities	3,143,643	4,304,996
Accounts Payable - falling due after more than one year	3,292,537	5,554,531
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Net Assets	\$ (148,894)	\$ (1,249,535)
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BOREALIS EXPLORATION LIMITED

Registered No (Gibraltar) 66632

CONSOLIDATED BALANCE SHEET (Continued) as at 30 September 2006

	30 September 2006	30 September 2005
	\$	\$
Capital and reserves		
Called up Share Capital	50,000	50,000
Share Premium Account	24,241,030	24,241,030
Accumulated Loss	(32,915,036)	(33,367,178)
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Total shareholders' funds	(8,624,006)	(9,076,148)
Outside shareholders' funds	8,475,112	7,826,613
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Total Equity	\$ (148,894)	\$ (1,249,535)
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BOREALIS EXPLORATION LIMITED

Registered No (Gibraltar) 66632

CONSOLIDATED CASH FLOW STATEMENT

for the quarter ended 30 September 2006

	30 September 2006	30 September 2005
	\$	\$
Net cash outflow from operating activities	(1,579,784)	(3,162,900)
Returns on investments and servicing of finance		
Interest paid	(22,678)	(9,929)
Net cash outflow from returns on investments and servicing of finance	(1,602,462)	(3,172,829)
Capital expenditure and financial investment		
Patent additions	(29,517)	(35,773)
Purchase of tangible fixed assets	(34,781)	(22,266)
Immovable Property	(81,593)	(48,038)
Net cash outflow from capital expenditure and financial investment	(145,891)	(106,077)
Acquisitions and disposals		
Cash received for issuance of shares by subsidiaries	3,034,303	1,021,498
Shares Issued in compensation for services	41,563	2,538,702
Net cash inflow from disposals	3,075,866	3,560,200
Net cash inflow before financing	1,327,513	281,294
Financing		
Funds repaid for purchase of shares advanced by Directors	---	(288,814)
Net cash inflow / (outflow) from financing	-	(288,814)
Increase / (Decrease) in cash	1,327,513	(7,520)

BOREALIS EXPLORATION LIMITED

Registered No (Gibraltar) 66632

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

RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	30 September 2006	30 September 2005
	\$	\$
Operating loss	(3,722,499)	(2,671,145)
Depreciation of tangible assets	9,012	3,800
Amortisation of patents	14,761	15,606
(Increase) / Decrease in accounts receivable	792,300	99,510
(Decrease) / Increase in accounts payable	1,326,642	(610,671)
Net cash outflow from operating activities	\$ (1,579,784)	\$ (3,162,900)

MOVEMENT IN CASH AND ANALYSIS OF CASH BALANCES

	30 September 2006	30 September 2005
	\$	\$
Movements in net cash		
At 1 April 2006	61,873	51,923
Increase / Decrease in cash during the period	1,327,513	(7,520)
At 30 September	1,389,386	44,403
Analysis of cash balances		
Cash at bank	1,389,386	44,403
Bank overdrafts	---	---
Net cash at 30 September 2006	\$ 1,389,386	\$ 44,403