

# **BOREALIS EXPLORATION LIMITED**

**Gibraltar Registered Number 66632**

**Unaudited Financial Statements  
for the nine months ending 31 December 2006  
the third quarter of Fiscal Year 2007**

Registered No (Gibraltar) 66632

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**for the nine months ended 31 December 2006**

	<b>31 December 2006</b>	<b>31 December 2005</b>
	\$	\$
<b>Revenue</b>	35,682	164,905
<b>Expenditure</b>	5,190,847	3,706,926
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<b>Operating loss</b>	5,155,165	3,542,021
Less Net Gain ( Loss) from Financing	2,937,862	(2,606,655)
Financing gain ( Loss)	2,971,289	(2,583,592)
Interest Paid	(33,427)	(23,063)
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<b>Loss on ordinary activities before taxation</b>	2,217,303	6,148,676
Taxation	-	---
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<b>Loss on ordinary activities after taxation</b>	2,217,303	6,148,676
Gain on decrease in stake in subsidiaries	5,940,179	3,795,842
Equity Minority interest	(1,005,045)	(1,235,358)
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<b>Retained Earnings ( Accumulated Loss) for the period</b>	2,717,831	(3,588,192)
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<b>Earnings / (Loss) per share</b>	\$ 0.54	\$ (0.72)

## BOREALIS EXPLORATION LIMITED

Registered No (Gibraltar) 66632

### CONSOLIDATED BALANCE SHEET as at 31 December 2006

	31 December 2006 \$	31 December 2005 \$
<b>Fixed Assets</b>	5,662,028	5,386,335
Intangible Assets	483,185	420,817
Tangible Assets	151,660	58,081
Investments - mining and fixed property	5,027,183	4,907,437
<b>Net current assets (liabilities)</b>	(1,110,305)	(1,728,842)
<b>Current Assets</b>	492,081	544,775
Cash at bank in hand	371,191	52,405
Accounts Receivable	120,890	492,370
<b>Current Liabilities</b>	1,602,386	2,273,617
Accounts Payable - falling due within one year		
<b>Net current (liabilities) / assets</b>		
<b>Total fixed assets less net current liabilities</b>	4,551,723	3,657,493
<b>Accounts Payable - falling due after more than one year</b>	1,913,979	5,835,595
<b>Net Assets</b>	\$ 2,637,744	\$ (2,178,102)

## **BOREALIS EXPLORATION LIMITED**

Registered No (Gibraltar) 66632

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### **CONSOLIDATED BALANCE SHEET (Continued)** as at 31 December 2006

	<b>31 December 2006</b>	<b>31 December 2005</b>
	<b>\$</b>	<b>\$</b>
<b>Capital and reserves</b>		
Called up Share Capital	50,000	50,000
Share Premium Account	24,241,030	24,241,030
Accumulated Loss	(30,599,292)	(34,311,879)
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<b>Total shareholders' funds</b>	(6,308,262)	(10,020,849)
Outside shareholders' funds	8,946,006	7,842,747
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<b>Total Equity</b>	\$ 2,637,744	\$ (2,178,102)
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# BOREALIS EXPLORATION LIMITED

Registered No (Gibraltar) 66632

## COMPANY BALANCE SHEET as at 31 December 2006

	31 December 2006 \$	31 December 2005 \$
<b>Fixed Assets</b>	521,651	478,899
Intangible Assets	483,185	420,817
Tangible Assets	38,466	58,082
Investments in subsidiaries	83,990	83,990
	605,641	562,889
<b>Net Current Liabilities</b>	(28,588,546)	(25,062,220)
<b>Current Assets</b>	945,034	973,139
Cash at bank in hand	10,986	52,405
Accounts Receivable	934,048	920,734
<b>Current Liabilities</b>		
Accounts Payable - falling due within one year	(29,533,580)	(26,035,359)
	(27,982,905)	(24,499,331)
<b>Total assets less net current liabilities</b>	(27,982,905)	(24,499,331)
Accounts payable - falling due after more than one year	(1,913,979)	(5,835,595)
	\$ (29,896,884)	\$ (30,334,926)
<b>Total Net Liabilities</b>	\$ (29,896,884)	\$ (30,334,926)
<b>Deficiency in Assets</b>		
Called up Share Capital	50,000	50,000
Share Premium account	24,241,030	24,241,030
Profit and Loss Account	(54,187,914)	(54,625,956)
<b>Total Deficit in Shareholders Funds</b>	\$ (29,896,884)	\$ (30,334,926)
No of Shares in Issue	5,000,000	5,000,000

## **BOREALIS EXPLORATION LIMITED**

Registered No (Gibraltar) 66632

### **CONSOLIDATED CASH FLOW STATEMENT for the nine months ended 31 December 2006**

	<b>31 December 2006</b>	<b>31 December 2005</b>
	<b>\$</b>	<b>\$</b>
<b>Net cash outflow from operating activities</b>	(6,103,078)	(3,370,443)
<b>Returns on investments and servicing of finance</b>		
Interest paid	(33,427)	(23,063)
<b>Net cash outflow from returns on investments and servicing of finance</b>	(6,136,505)	(3,393,506)
<b>Capital expenditure and financial investment</b>		
Patent additions	(53,673)	(40,424)
Purchase of tangible fixed assets	(121,722)	(23,809)
Immovable Property and leases	(119,299)	(49,672)
<b>Net cash outflow from capital expenditure and financial investment</b>	(294,694)	(113,905)
<b>Acquisitions and disposals</b>		
Cash received for issuance of shares by subsidiaries	4,720,481	1,150,598
Shares Issued in compensation for services	1,401,400	2,646,110
<b>Net cash inflow from disposals</b>	6,121,881	3,796,708
<b>Net cash inflow before financing</b>	(309,318)	289,297
<b>Financing</b>		
Funds repaid for purchase of shares advanced by Directors	-	(288,815)
<b>Net cash inflow / (outflow) from financing</b>	-	(288,815)
<b>Increase / (Decrease) in cash</b>	(309,318)	482

## **BOREALIS EXPLORATION LIMITED**

Registered No (Gibraltar) 66632

### **CONSOLIDATED CASH FLOW STATEMENT (Continued) for the nine months ended 31 December 2006**

#### **RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES**

	<b>31 December 2006</b>	<b>31 December 2005</b>
	<b>\$</b>	<b>\$</b>
Operating loss	(5,155,165)	(3,542,021)
Depreciation of tangible assets	23,868	5,477
Amortisation of patents	22,514	23,635
(Increase) / Decrease in accounts receivable	299,056	8,685
(Decrease) / Increase in accounts payable	(1,293,351)	133,781
<b>Net cash outflow from operating activities</b>	<b>\$ (6,103,078)</b>	<b>\$ (3,370,443)</b>

#### **MOVEMENT IN CASH AND ANALYSIS OF CASH BALANCES**

	<b>31 December 2006</b>	<b>31 December 2005</b>
	<b>\$</b>	<b>\$</b>
<b>Movements in net cash</b>		
At 1 April 2006	61,873	51,923
Increase / Decrease in cash during the period	309,318	482
<b>At 30 December 2006</b>	<b>371,191</b>	<b>52,405</b>
<b>Analysis of cash balances</b>		
Cash at bank	371,191	52,405
Bank overdrafts	---	---
<b>Net cash at 31 December 2006</b>	<b>\$ 371,191</b>	<b>\$ 52,405</b>