

# **BOREALIS EXPLORATION LIMITED**

**Gibraltar Registered Number 66632**

**Unaudited Financial Statements  
for the six months ending 30 September 2007  
the second quarter of Fiscal Year 2008**

**BOREALIS EXPLORATION LIMITED**

Registered No (Gibraltar) 66632

**CONSOLIDATED PROFIT AND LOSS ACCOUNT  
for the six months ended 30 September 2007**

	<b>30 Sept 2007</b>	<b>30 Sept 2006</b>
	<b>\$</b>	<b>\$</b>
<b>Revenue</b>	12,372,142	25,065
<b>Expenditure</b>	<u>6,529,167</u>	<u>3,747,564</u>
<b>Operating profit (loss)</b>	5,842,975	(3,722,499)
Plus Net Gain from Financing	2,156,085	1,580,053
Financing gain	2,175,984	1,602,731
Interest Paid	<u>(19,899)</u>	<u>(22,678)</u>
<b>Profit (Loss) on ordinary activities before taxation</b>	7,999,060	(2,142,446)
Taxation	<u>---</u>	<u>---</u>
<b>Profit (Loss) on ordinary activities after taxation</b>	7,999,060	(2,142,446)
Gain on decrease in stake in subsidiaries	3,786,089	3,078,684
Equity Minority interest	<u>(4,307,799)</u>	<u>(534,151)</u>
<b>Retained Earnings for the period</b>	<u>7,477,350</u>	<u>402,087</u>
<b>Earnings per share</b>	\$ 1.50	\$ 0.08

## BOREALIS EXPLORATION LIMITED

Registered No (Gibraltar) 66632

### CONSOLIDATED BALANCE SHEET

as at 30 September 2007

	30 Sept 2007	30 Sept 2006
	\$	\$
<b>Fixed Assets</b>		
Intangible Assets	505,188	466,781
Tangible Assets	200,096	77,753
Investments - mining property	7,373,709	4,991,298
	<u>8,078,993</u>	<u>5,535,832</u>
Marketable Securities	12,063,325	---
	<u>20,142,318</u>	<u>5,535,832</u>
<b>Net current assets (liabilities)</b>	(5,488,914)	(2,392,189)
<b>Current Assets</b>	398,537	1,830,190
Cash at bank in hand	88,192	1,389,386
Accounts Receivable	310,345	440,804
<b>Current Liabilities</b>		
Accounts Payable - falling due within one year	<u>5,887,451</u>	<u>4,222,379</u>
<b>Total fixed assets less net current liabilities</b>	2,590,079	3,143,643
<b>Accounts Payable - falling due after more than one year</b>	<u>2,521,213</u>	<u>3,292,537</u>
<b>Net Assets</b>	<u>\$ 12,132,191</u>	<u>\$ (148,894)</u>

## **BOREALIS EXPLORATION LIMITED**

Registered No (Gibraltar) 66632

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### **CONSOLIDATED BALANCE SHEET (Continued)** as at 30 September 2007

	<b>30 Sept 2007</b>	<b>30 Sept 2006</b>
	\$	\$
<b>Capital and reserves</b>		
Called up Share Capital	50,000	50,000
Share Premium Account	24,241,030	24,241,030
Non Distributable Reserve	794,240	---
Accumulated Loss	(25,189,561)	(32,915,036)
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<b>Total shareholders' funds</b>	(104,291)	(8,624,006)
Outside shareholders' funds	12,236,482	8,475,112
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<b>Total Equity</b>	\$ 12,132,191	\$ (148,894)
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# BOREALIS EXPLORATION LIMITED

Registered No (Gibraltar) 66632

## COMPANY BALANCE SHEET as at 30 September 2007

	30 Sept 2007	30 Sept 2006
	\$	\$
<b>Fixed Assets</b>	541,971	509,753
Intangible Assets	505,188	466,781
Tangible Assets	36,783	42,972
Investments in subsidiaries	83,990	83,990
	<u>625,961</u>	<u>593,743</u>
<b>Net Current Liabilities</b>	(25,876,730)	(27,763,720)
<b>Current Assets</b>	3,379,805	1,103,056
Cash at bank in hand	37,345	237,488
Accounts Receivable	3,342,460	865,568
<b>Current Liabilities</b>		
Accounts Payable - falling due within one year	(29,256,535)	(28,866,776)
	<u>(25,250,769)</u>	<u>(27,169,977)</u>
<b>Total assets less net current liabilities</b>	(25,250,769)	(27,169,977)
<b>Accounts payable - falling due after more than one year</b>	(2,521,213)	(3,292,537)
	<u>(27,771,982)</u>	<u>(30,462,514)</u>
<b>Total Net Liabilities</b>	\$ (27,771,982)	\$ (30,462,514)
<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	(52,063,012)	(54,753,544)
	<u>(27,771,982)</u>	<u>(30,462,514)</u>
<b>Total Deficit in Shareholders Funds</b>	\$ (27,771,982)	\$ (30,462,514)
<b>Number of Shares in Issue</b>	5,000,000	5,000,000

## **BOREALIS EXPLORATION LIMITED**

Registered No (Gibraltar) 66632

### **CONSOLIDATED CASH FLOW STATEMENT for the six months ended 30 September 2007**

	<b>30 Sept 2007</b>	<b>30 Sept 2006</b>
	<b>\$</b>	<b>\$</b>
<b>Net cash inflow (outflow) from operating activities</b>	8,362,216	(1,579,784)
<b>Returns on investments and servicing of finance</b>		
Interest paid	2,430	---
Interest received	(22,329)	(22,678)
<b>Net cash inflow (outflow) from returns on investments and servicing of finance</b>	8,342,317	(1,602,462)
<b>Capital expenditure and financial investment</b>		
Patent additions	(23,202)	(29,517)
Purchase of tangible fixed assets	(2,701)	(34,781)
Development costs of mining properties	(102,440)	---
Lease costs of mining properties	(15,010)	---
Immovable Property	---	(81,593)
Marketable Securities	(12,063,325)	---
<b>Net cash outflow from capital expenditure and financial investment</b>	(12,206,678)	(145,891)
Net Cash outflow	(3,864,361)	(1,748,353)
<b>Acquisitions and disposals</b>		
Cash received for issuance of shares by subsidiaries	---	3,034,303
Shares Issued in compensation for services	3,786,089	41,563
<b>Net cash inflow from disposals</b>	3,786,089	3,075,866
<b>Increase / (Decrease) in cash</b>	<b>\$ (78,272)</b>	<b>\$ 1,327,513</b>

## **BOREALIS EXPLORATION LIMITED**

Registered No (Gibraltar) 66632

### **CONSOLIDATED CASH FLOW STATEMENT (Continued) for the six months ended 30 September 2007**

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

	<b>30 Sept 2007</b>	<b>30 Sept 2006</b>
	<b>\$</b>	<b>\$</b>
Operating profit (loss)	5,842,975	(3,722,499)
Depreciation of tangible assets	21,342	9,012
Amortisation of patents	16,248	14,761
Decrease in accounts receivable	90,892	792,300
Increase in accounts payable	2,390,759	1,326,642
<b>Net cash inflow (outflow) from operating activities</b>	<b>\$ 8,362,216</b>	<b>\$ (1,579,784)</b>

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

	<b>30 Sept 2007</b>	<b>30 Sept 2006</b>
	<b>\$</b>	<b>\$</b>
<b>Movements in net cash</b>		
At 1 April 2007	166,454	61,873
Increase (Decrease) in cash during the period	(78,272)	1,327,513
<b>At 30 September</b>	<b>88,182</b>	<b>1,389,386</b>
<b>Analysis of cash balances</b>		
Cash at bank	88,182	1,389,386
Bank overdrafts	---	---
<b>Net cash at 30 September 2007</b>	<b>\$ 88,182</b>	<b>\$ 1,389,386</b>