

BOREALIS EXPLORATION LIMITED

Gibraltar Registered Number 66632

**Unaudited Financial Statements
for the three months ending 30 June 2007
the first quarter of Fiscal Year 2008**

BOREALIS EXPLORATION LIMITED

Registered No (Gibraltar) 66632

CONSOLIDATED PROFIT AND LOSS ACCOUNT for the quarter ended 30 June 2007

	30 June 2007	30 June 2006
	\$	\$
Revenue	233,770	70,303
Expenditure	<u>(3,970,866)</u>	<u>(1,666,486)</u>
Operating loss	(3,737,096)	(1,596,183)
Financing gain / (costs)	1,725,053	780,858
Interest Received	1,694	-
Interest Paid	<u>(10,799)</u>	<u>(12,463)</u>
Loss on ordinary activities before taxation	(2,021,148)	(827,788)
Taxation	<u>-</u>	<u>-</u>
Loss on ordinary activities after taxation	(2,021,148)	(827,788)
Gain on decrease in stake in subsidiaries	3,786,089	3,146,847
Equity Minority interest	<u>(1,437,998)</u>	<u>(780,573)</u>
Profit / (Loss) for the financial quarter	<u>326,943</u>	<u>1,538,486</u>
Earnings / (Loss) per share	\$ 0.07	\$ 0.31

BOREALIS EXPLORATION LIMITED

Registered No (Gibraltar) 66632

CONSOLIDATED BALANCE SHEET as at 30 June 2007

	30 June 2007	30 June 2006
	\$	\$
Fixed Assets		
Intangible Assets	496,460	469,554
Tangible Assets	210,767	47,477
Investments - mining property	6,497,276	4,941,254
Investments - fixed property	61,435	
	<hr/>	<hr/>
	7,265,938	5,458,285
Current Assets		
Cash at bank in hand	229,440	1,994,087
Debtors	440,376	971,308
	<hr/>	<hr/>
	669,816	2,965,395
Creditors: amounts falling due within one year	<hr/>	<hr/>
	2,517,004	3,072,523
Net current (liabilities) / assets	<hr/>	<hr/>
	(1,847,188)	(107,128)
Total fixed assets less net current liabilities	5,418,750	5,351,157
Creditors: amounts falling due after more than one year	<hr/>	<hr/>
	2,996,144	4,117,230
Net Assets	<hr/>	<hr/>
	\$ 2,422,606	\$ 1,233,927
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BOREALIS EXPLORATION LIMITED

Registered No (Gibraltar) 66632

CONSOLIDATED BALANCE SHEET (Continued) as at 30 June 2007

	30 June 2007	30 June 2006
	\$	\$
Capital and reserves		
Called up Share Capital	50,000	50,000
Share Premium Account	24,241,030	24,241,030
Profit and Loss Account	(32,339,968)	(31,778,637)
	<hr/>	<hr/>
Total shareholders' funds	(8,048,938)	(7,487,607)
Minority interests - equity	10,471,544	8,721,534
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Total Equity	\$ 2,422,606	\$ 1,233,927
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BOREALIS EXPLORATION LIMITED

Registered No (Gibraltar) 66632

COMPANY BALANCE SHEET

As at 30 June 2007

	30 June 2007	30 June 2006
	\$	\$
Fixed Assets		
Intangible Assets	496,460	469,554
Tangible Assets	40,483	47,477
	<u>536,943</u>	<u>517,031</u>
Investments in subsidiary undertakings	83,990	83,990
	<u>620,933</u>	<u>601,021</u>
Current Assets		
Cash at bank in hand	29,754	330
Debtors	399,098	1,337,194
	<u>428,852</u>	<u>1,337,524</u>
Creditors: amounts falling due within one year	(29,188,048)	(28,309,370)
Net Current Liabilities	<u>(28,759,196)</u>	<u>(26,971,846)</u>
Total fixed assets less net current liabilities	(28,138,263)	(26,370,825)
Creditors: amounts falling due after more than one year	(2,996,144)	(4,117,230)
	<u>(31,134,407)</u>	<u>(30,488,055)</u>
Total Net Liabilities	\$ (31,134,407)	\$ (30,488,055)
	<u><u>(31,134,407)</u></u>	<u><u>(30,488,055)</u></u>
Deficiency in Assets		
Called up Share Capital	50,000	50,000
Share Premium account	24,241,030	24,241,030
Profit and Loss Account	(55,425,437)	(54,779,085)
	<u>(31,134,407)</u>	<u>(30,488,055)</u>
Total Deficit in Shareholders Funds	\$ (31,134,407)	\$ (30,488,055)
	<u><u>(31,134,407)</u></u>	<u><u>(30,488,055)</u></u>

BOREALIS EXPLORATION LIMITED

Registered No (Gibraltar) 66632

CONSOLIDATED CASH FLOW STATEMENT for the quarter ended 30 June 2007

	30 June 2007	30 June 2006
	\$	\$
Net cash outflow from operating activities	(3,608,322)	(1,145,756)
Returns on investments and servicing of finance		
Interest received	1,694	-
Interest paid	(10,799)	(12,463)
Net cash outflow from returns on investments and servicing of finance	(3,617,427)	(1,158,219)
Capital expenditure and financial investment		
Patent additions	(6,282)	(24,868)
Purchase of tangible fixed assets	(2,701)	-
Development costs of mining properties	(92,576)	
Lease costs of mining properties	(4,117)	(31,549)
Net cash outflow from capital expenditure and financial investment	(105,676)	(56,417)
Acquisitions and disposals		
Cash received for issuance of shares by subsidiaries	-	3,146,850
Compensation for services provided by deposits	3,786,089	-
Net cash inflow from disposals	3,786,089	3,146,850
Increase / (Decrease) in cash	<u>62,986</u>	<u>1,932,214</u>

BOREALIS EXPLORATION LIMITED

Registered No (Gibraltar) 66632

CONSOLIDATED CASH FLOW STATEMENT (Continued) for the quarter ended 30 June 2007

RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	30 June 2007	30 June 2006
	\$	\$
Operating loss	(3,737,096)	(1,596,183)
Depreciation of tangible assets	8,056	4,506
Amortisation of patents	10,671	7,339
(Increase) / Decrease in trade receivables	(39,139)	261,796
(Decrease) / Increase in trade creditors	149,186	176,786
Net cash outflow from operating activities	<u>\$ (3,608,322)</u>	<u>\$ (1,145,756)</u>

MOVEMENT IN CASH AND ANALYSIS OF CASH BALANCES

	30 June 2007	30 June 2006
	\$	\$
Movements in net cash		
At 1 April 2006	166,454	61,873
Increase / Decrease in cash in the quarter	62,986	1,932,214
At 30 June	<u>229,440</u>	<u>1,994,087</u>
Analysis of cash balances		
Cash at bank	229,440	1,994,087
Bank overdrafts	-	-
Net cash at 30 June 2006	<u>\$ 229,440</u>	<u>\$ 1,994,087</u>