

BOREALIS EXPLORATION LIMITED

Gibraltar Registered Number 66632

**Unaudited Financial Statements
for the nine months ending 31 December 2007**

BOREALIS EXPLORATION LIMITED

Registered No (Gibraltar) 66632

CONSOLIDATED PROFIT AND LOSS ACCOUNT for the nine months ended 31 December 2007

| | 31 December 2007 | 31 December 2006 |
|---|-------------------------|-------------------------|
| | \$ | \$ |
| Revenue | 17,904,192 | 35,682 |
| Expenditure | <u>7,892,374</u> | <u>5,190,847</u> |
| Operating profit (loss) | 10,011,818 | (5,155,165) |
| Plus profit on disposal of fixed assets | <u>124,187</u> | <u>-</u> |
| | 10,136,005 | (5,155,165) |
| Plus Net Gain from Financing | 2,323,184 | 2,937,862 |
| Financing gain | 2,358,974 | 2,971,289 |
| Interest Paid | <u>(35,790)</u> | <u>(33,427)</u> |
| Profit (Loss) on ordinary activities before taxation | 12,459,189 | (2,217,303) |
| Taxation | <u>---</u> | <u>---</u> |
| Profit (Loss) on ordinary activities after taxation | 12,459,189 | (2,217,303) |
| Gain on decrease in stake in subsidiaries | 4,307,312 | 5,940,179 |
| Equity Minority interest | <u>(3,500,268)</u> | <u>(1,005,045)</u> |
| Retained Earnings for the period | <u>13,266,233</u> | <u>2,717,831</u> |
| Earnings per share | \$ 2.65 | \$ 0.54 |

BOREALIS EXPLORATION LIMITED

Registered No (Gibraltar) 66632

CONSOLIDATED BALANCE SHEET (Continued) as at 31 December 2007

| | 31 December 2007 | 31 December 2006 |
|----------------------------------|----------------------|---------------------|
| | \$ | \$ |
| Capital and reserves | | |
| Called up Share Capital | 50,000 | 50,000 |
| Share Premium Account | 24,241,030 | 24,241,030 |
| Non Distributable Reserve | 5,381,925 | |
| Accumulated Loss | <u>(19,400,678)</u> | <u>(30,599,292)</u> |
| Total shareholders' funds | 10,272,277 | (6,308,262) |
| Outside shareholders' funds | <u>12,533,814</u> | <u>8,946,006</u> |
| Total Equity | <u>\$ 22,806,091</u> | <u>\$ 2,637,744</u> |

Note

Marketable Securities have been accounted for at the price prevailing on 31 December 2007.

Subsequent to this date, there has been a drop of approximately 25% to 30% in the price at which these securities have been traded. The Directors are of the opinion that these are temporary fluctuations due to the volatility of the current market, and for this reason, no adjustment has been made in this report.

BOREALIS EXPLORATION LIMITED

Registered No (Gibraltar) 66632

COMPANY BALANCE SHEET as at 31 December 2007

| | 31 December 2007 | 31 December 2006 |
|--|----------------------------|----------------------------|
| | \$ | \$ |
| Fixed Assets | 565,701 | 521,651 |
| Intangible Assets | 530,996 | 483,185 |
| Tangible Assets | 34,705 | 38,466 |
| Investments in subsidiaries | 83,990 | 83,990 |
| | <u>649,691</u> | <u>605,641</u> |
| Marketable Securities refer note below | 5,720,187 | - |
| | <u>6,369,878</u> | <u>605,641</u> |
| Net Current Liabilities | (29,122,000) | (28,588,546) |
| Current Assets | 379,275 | 945,034 |
| Cash at bank | 1,526 | 10,986 |
| Accounts Receivable | 377,749 | 934,048 |
| Current Liabilities | | |
| Accounts Payable - falling due within one year | (29,501,275) | (29,533,580) |
| | <u>(29,501,275)</u> | <u>(29,533,580)</u> |
| Total assets less net current liabilities | (22,752,122) | (27,982,905) |
| Accounts payable - falling due after more than one year | (2,341,098) | (1,913,979) |
| | <u>(2,341,098)</u> | <u>(1,913,979)</u> |
| Total Net Liabilities | \$ (25,093,220) | \$ (29,896,884) |
| | <u><u>(25,093,220)</u></u> | <u><u>(29,896,884)</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 | (49,384,250) | (54,187,914) |
| | <u>(25,093,220)</u> | <u>(29,896,884)</u> |
| Total Deficit in Shareholders' Funds | \$ (25,093,220) | \$ (29,896,884) |
| | <u><u>(25,093,220)</u></u> | <u><u>(29,896,884)</u></u> |
| Number of Shares in Issue | 5,000,000 | 5,000,000 |

Note

Marketable Securities have been accounted for at the price prevailing on 31 December 2007.

Subsequent to this date, there has been a drop of approximately 25% to 30% in the price at which these securities have been traded. The Directors are of the opinion that these are temporary fluctuations due to the volatility of the current market, and for this reason, no adjustment has been made in this report.

BOREALIS EXPLORATION LIMITED

Registered No (Gibraltar) 66632

**CONSOLIDATED CASH FLOW STATEMENT
for the nine months ended 31 December 2007**

| | 31 December 2007 | 31 December 2006 |
|---|-------------------------|-------------------------|
| | \$ | \$ |
| Net cash inflow (outflow) from operating activities | 11,626,269 | (6,103,078) |
| Proceeds on disposal of fixed assets | 267,000 | - |
| Returns on investments and servicing of finance | | |
| Interest received | 2,876 | - |
| Interest paid | (35,790) | (33,427) |
| Net cash inflow (outflow) from returns on investments and servicing of finance | 11,860,355 | (6,136,505) |
| Capital expenditure and financial investment | | |
| Patent additions | (57,404) | (53,673) |
| Purchase of tangible fixed assets | (4,323) | (121,722) |
| Development costs of mining properties | (102,509) | (119,299) |
| Lease costs of mining properties | (24,153) | - |
| Immovable Property | - | - |
| Marketable Securities | (16,114,574) | - |
| Net cash outflow from capital expenditure and financial investment | (16,302,963) | (294,694) |
| Net Cash outflow | (4,442,608) | (6,431,199) |
| Acquisitions and disposals | | |
| Cash received for issuance of shares by subsidiaries | 90,000 | 4,720,481 |
| Shares Issued in compensation for services | 4,202,452 | 1,401,400 |
| Net cash inflow from disposals | 4,292,452 | 6,121,881 |
| Increase / (Decrease) in cash | (150,156) | (309,318) |

BOREALIS EXPLORATION LIMITED

Registered No (Gibraltar) 66632

CONSOLIDATED CASH FLOW STATEMENT (Continued) for the nine months ended 31 December 2007

RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

| | 31 December 2007 | 31 December 2006 |
|--|-------------------------|-------------------------|
| | \$ | \$ |
| Operating profit (loss) | 10,011,818 | (5,155,165) |
| Depreciation of tangible assets | 25,042 | 23,868 |
| Amortisation of patents | 24,643 | 22,514 |
| Decrease (Increase) in accounts receivable | 106,719 | 299,056 |
| Increase (Decrease) in accounts payable | 1,458,047 | (1,293,351) |
| Net cash inflow (outflow) from operating activities | \$ 11,626,269 | \$ (6,103,078) |

MOVEMENT IN CASH AND ANALYSIS OF CASH BALANCES

| | 31 December 2007 | 31 December 2006 |
|---|-------------------------|-------------------------|
| | \$ | \$ |
| Movements in net cash | | |
| At 1 April 2007 | 166,454 | 61,873 |
| Increase (Decrease) in cash during the period | (150,156) | 309,318 |
| At 31 December 2007 | 16,298 | 371,191 |
| Analysis of cash balances | | |
| Cash at bank | 16,298 | 371,191 |
| Bank overdrafts | --- | --- |
| Net cash at 31 December 2007 | \$ 16,298 | \$ 371,191 |