

BOREALIS

Borealis Exploration Limited

2008 Annual Report



BOREALIS EXPLORATION LIMITED

Gibraltar Registered No. 66632

About Borealis

Borealis Exploration Limited is a technology development company. Borealis imagines, invents, develops, and licenses new industrial technologies. These include new materials and technologies for more efficient and lower-cost generation of electrical power, more powerful and effective electric motors for use in everything from B-737 nose wheels to starter-generators, and silent, non-polluting cooling and refrigeration systems. These technologies will fundamentally change basic industries and introduce the Borealis Industrial Revolution. We anticipate that some of these technologies will enable entirely new industries and open new fields for scientific exploration and commercial development for many decades to come.

In addition, Borealis is the majority shareholder in the Roche Bay Magnetite Project, a massive undeveloped resource of magnetite iron ore located on a natural harbor, and the Freuchen Bay Polymetallic Project, which sits astride an incratronic rift. Both properties are in Nunavut, Canada.

Forward Looking Statement

The discussion of the Company's business and operations in this report includes in several instances forward-looking statements, which are based upon management's good faith assumptions relating to the financial, market, operating and other relevant environments that will exist and affect the Company's business and operations in the future. All technical, scientific, and commercial statements regarding technologies and their impacts are based on the educated judgment of the Company's technical and scientific staff. No assurance can be made that the assumptions upon which management based its forward-looking statements will prove to be correct, or that the Company's business and operations will not be affected in any substantial manner by other factors not currently foreseeable by management or beyond the Company's control.

All forward-looking statements involve risks and uncertainty. The Company undertakes no obligation to publicly release the result of any revisions to these forward-looking statements that might be made to reflect the events or circumstances after the date hereof, or to reflect the occurrence of unanticipated events; including those described in this report, and such statements shall be deemed in the future to be modified in their entirety by the Company's public pronouncements, including those contained in all future reports and other documents filed by the Company with the relevant Securities Commissions.

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BOREALIS EXPLORATION LIMITED

Gibraltar Registered No. 66632

Borealis Chairman's Letter to Members

19 June 2008

Fellow Members:

Borealis Exploration Limited is a major shareholder in a family of companies that engages in fundamental scientific research with the goal of providing high value, patented and proprietary products to many different markets. In addition, Borealis has significant holdings in mineral exploration and development companies.

Two subsidiary companies that hold mining properties are Roche Bay plc and Faraway plc. Over the past 18 months, Roche Bay plc entered into a series of transactions that are putting the Roche Bay Magnetite Project on the pathway to production, through the world-class team at Advanced Explorations, Inc.. Advanced Explorations, Inc. is expected to earn a 50.1% interest in the Eastern Roche Bay Magnetite Deposits, while making a significant investment in the property. Faraway plc owns the Freuchen Bay Polymetallic Project which may hold a substantial polymetallic deposit in an intra-cratonic rift.

The Borealis family of technology companies include: Borealis Technical Limited, Avto Metals plc, Chorus Motors plc, Cool Chips plc, Cool Chips Military Sales plc, Photon Power plc, Power Chips plc, and WheelTug plc. (Many of the Borealis family of companies are quoted on www.pinksheets.com)

Chorus Motors plc is developing patented and proprietary Chorus motors and drive systems with a greater power density than any other known technology, in virtually all traction operations. This means smaller drives and motors for hundreds of percent increases in starting torque, coupled with high reliability from the use of standard modules and materials. Chorus designs the product, and supplies the software which drives it. The motors and drives themselves, which are currently used for demonstration and testing purposes, are manufactured by world-class suppliers. Semikron manufactures and packages Chorus' power and control electronics. The Chorus motors are likewise manufactured by ISO 9001 certified companies, who have well-earned reputations for making highly-reliable, high-performance motors. Key markets now under consideration include drives for hybrid vehicles and starter-alternators for engines and turbines.

Chorus Motors, in turn, is the control shareholder in WheelTug plc, a company dedicated to changing the face of airport ground handling by giving pilots the ability to drive their aircraft on the ground using onboard electric motors instead of relying on a ground tug and inefficient turbines. Last year WheelTug inked a major deal with Delta Air Lines, in which Delta became both the launch WheelTug customer for the 737NG class of airplanes, as well as the launch customer and the exclusive airline development partner. Further, the agreement gives Delta the right of first refusal to provide installation and maintenance services on WheelTug systems for itself and for other airlines that desire such services. Delta already performs maintenance for more than 100 customers and this could serve as another opportunity for it to continue to expand its maintenance in-sourcing business. Delta has also acquired warrants to buy 600,000 shares of WheelTug plc at an average price of \$36 per share. We have a complete certification team for achieving FAA and equivalent worldwide certification, including the addition of the Program Manager and, most recently, the addition of multiple risk-sharing development partners for developing, testing, and supplying key WheelTug components.

Other members of the Borealis family of technology companies, namely, Avto Metals plc, Cool Chips plc and Power Chips plc, are developing new materials for the custom design of low electron-volt work functions as well as technologies for electrical power generation, and silent, non-polluting cooling and thermal management systems (along with a myriad of other applications). Military hardware is expected

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Borealis Chairman's Letter (Continued)

to be among the initial applications. Over time, this should broaden to include a wide range of industrial, consumer and other markets.

All our technology developments are protected by a large portfolio of patents. We are very proud of our patent team; last year we filed over 42 separate patent applications, to add to the 91 patents pending and 58 patents already issued. These patents are filed around the world as we strive to ensure that our Intellectual Property is protected worldwide. These patents are in turn licensed to our subsidiary companies on an exclusive worldwide basis for their own applications. For all practical purposes, while Borealis owns the IP, the rights to use it, and thus the practical benefits of the IP, flow directly to the subsidiary companies. Borealis' benefit is indirect, via the equity positions we hold in the subsidiary companies.

Our goal is to provide excellent returns to our investors. We have come a long way with our mining properties as the first property is now being driven to production by a world-class team. We are pleased about our past and thrilled with our future, and we thank you, our shareholders, for your continued support and encouragement.

Included below are letters to the members of some of the companies in the Borealis Family.

With warmest personal regards,

Borealis Exploration Limited and the Borealis Family of Companies

A handwritten signature in black ink, appearing to read 'Rodney T. Cox', with a large, stylized initial 'R' at the beginning.

Rodney T. Cox
Chairman and Chief Executive Officer

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Cool Chips Chairman's Letter to Members

19 June 2008

Fellow Members:

Over the past year, our patents and understanding of the underlying Cool Chips™ technology have continued to develop. Though we have not yet raised the necessary funding to complete our efforts, in the past year we sourced key proprietary materials that are difficult to obtain in small quantities for research and development work, and continued to develop our understanding of the underlying technology. Once we have obtained the required funding and we have developed functional Power Chips™, we can expect Cool Chips to be developed in 9 to 12 months.

Cool Chips are designed to be small "chip-like" devices that efficiently pump heat. They should not only replace thermoelectric (Peltier) devices, but ultimately compressors and other conventional coolers, for use in cooling everything from electronics to food.

A key to producing functional Cool Chips is found in the Avto Metals™ technology, which we publicly announced for the first time three summers ago. Avto Metals allows one to take an emitter, like the cathode found in older televisions and computer monitors, and make it work at lower temperatures. In conjunction with a nanometer-wide gap separating the electrodes, these temperatures are low enough to cool a computer chip or freeze water.

Highly optimized Avto Metals are necessary for making Cool Chips. The good news is that Avto Metals are, in principle, quite simple. They are essentially a corrugated pattern on the surface of a thin layer of a material. The dimensions are rather small, and thus it took until 2005 to prove the concept. Development has also been slowed by more practical problems. For example, oxygen tends to react with most things, even just a little bit. Oxygenated layers on top of the corrugated pattern diminish and sometimes even eliminate the Avto effect. So either we work with materials that do not react with oxygen at all (there are a few, but not many), or materials that react minimally with oxygen and thus can only be tested in a vacuum. Working in a vacuum is more complicated and slows things down a great deal, but it is all doable with enough time and resources.

We do not yet know the limits of the Avto Metals theory and technology but we do not think that Avto Metals will prove to be simply a curiosity with limited benefits (though it might).. We are betting on Avto Metals being the breakthrough that enables cryogenic Cool Chips that will be used not only for air conditioning but for cooling sensors and other very high value sub-zero instrumentation.

The work ahead of us is focused and requires high quality and thorough laboratory research - and funding that has not yet been secured. We need to make and test a sizable number of samples, and continue to check (and if necessary, refine) the theory, and push it to its limits. It is near the limits of the Avto Metal theory that Cool Chips will become a product and a market reality. At that point we can start to meet the intense market demand and return value to our shareholders. The fact that we have sourced the needed materials and expect to have them in hand in a few weeks is indeed great news, and super news if we can couple this with funding.

We have dedicated management capable of bringing Cool Chips to market. Hans J. Walitzki, who has decades of experience in administration, technology management and mass manufacturing, is our Chief Development Officer. Dr. Walitzki has worked extensively in thin film and wafer technologies, spending many years with Wacker Chemitronic and later Wacker Siltronic, where he was Director of Technology. He founded his own company, soiTronic, Inc. in 1999 to bring new wafer technologies to the market, and successfully integrated his company into Isonics Corporation, becoming Vice President for Advanced

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Cool Chips Chairman's Letter (Continued)

Wafer Technology. Dr. Walitzki is expected to manage the final development and commercialization of Cool Chips.

This year has shown considerable patenting activity. As of 31 March, we have 35 issued patents, and another 48 patents pending. Of those 48 applications, 16 were filed last year. (As always, we count only unique applications in this number; we don't multiply that by the number of countries in which we seek coverage.) We continue to ensure that we stay innovative and thereby secure what we believe is already a dominant patent position for thermionic coolers.

In parallel, we continue to work on raising funds for development. The work represents a constant cash drain, and our efforts certainly have been constrained by limited resources. This problem has not been solved yet, and we continue to talk to potential investors and partners. We welcome any new opportunities.

As always, we are very appreciative to our shareholders, who by and large, have stuck with us through thick and thin. We have no shame in claiming the finest shareholders in the world. Our owners are what every company should have: people who believe in what this Company can achieve, and who are ready, willing and able to roll up their sleeves, help out where possible, and keep the heat on management. We welcome any and all constructive criticism, and we thank you for your support to date.

With all good wishes,

Cool Chips plc

A handwritten signature in black ink, appearing to read 'Rodney T. Cox', written over a horizontal line.

Rodney T. Cox
Chairman and Chief Executive Officer

Power Chips Chairman's Letter to Members

19 June 2008

Fellow Members:

The energy crisis continues, and the world is paying the price for increased demand of fossil fuels.

We need more power, without somehow using more of the fuel we do have - whether it is coal, oil, gas, nuclear or even solar energy. And the opportunities are indeed there. While internal combustion engines are a very mature and highly evolved technology, cars tap less than 20% of the thermal energy of fuel to turn the wheels. Over 80% of the energy in your fuel tank will be dumped out the tailpipe or radiator. The majority of fuel consumed in making electrical power or steel or aluminium is also vented to the environment, and thus wasted. Why? Because there is no current technology which can economically convert such heat, which is often as hot as 1000C (that's a cosy 1700F), into electrical power. The need for more efficient generation technologies has never been greater than it is now.

Power Chips™ are the solution to this problem.

The Power Chips technology is being designed to be optimal for operation at "waste heat" temperatures of 500 - 600 C and below. A paper published in the Global Powertrain Congress showed that if Power Chips reach their projected efficiency, they will be able to almost *double* the efficiency of a car or truck. There are more than 50 million automobiles built every year worldwide; almost doubling their fuel efficiency is going to make an enormous difference.

Power Chips are small and relatively simple devices with a large number of potential applications. In automotive and aerospace applications alone, there is a market of many *billions* of devices per year. And that is not counting all the other applications, like steel mills and aluminium smelters and power plants. We get inquiries every week from companies and individuals who would love to add Power Chips to their furnaces or cars or water heaters. When one begins to contemplate all the sources of waste heat in existence, one realizes how vast the potential for Power Chips really is.

There is just one significant problem. We cannot even begin to meet market demand, because we do not yet have functional Power Chips. However, we have finally sourced the materials, which specifications are proprietary but difficult to obtain small quantities for prototype building. We need to now produce functional Power Chips and we are looking for funding to finish product development. With funding we are looking to have product in approximately 12 months.

Power Chips are small diodes in which electrons move from one side to the other. The key to doing this at low temperatures is the Avto Metals™ technology, which we publicly announced for the first time three years ago. Avto Metals allow one to take an emitter, like the cathode found in older televisions and computer monitors, and make it work at temperatures low enough for use with exhaust pipes or smokestacks.

For use in Power Chips, however, Avto Metals need to be optimized for peak performance and long-term endurance at elevated temperatures. The good news is that Avto Metals are, in principle, quite simple. They are essentially a corrugated pattern on top of a thin layer of a material. The dimensions, however, are rather small, and thus it took quite a while to prove the concept. Development has also been slowed by practical problems. For example, oxygen tends to react with most things, even just a little bit. Oxygenated layers on top of the corrugated pattern diminish and sometimes even eliminate the Avto effect. Thus, some of these materials cannot be exposed to air during transportation. Therefore, either we work with materials that do not react with oxygen at all (there are a few, but not many), or we work with

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Power Chips Chairman's Letter (Continued)

materials that react minimally with oxygen and thus must be tested in a vacuum. Working in a vacuum is more complicated and slows things down a great deal, but it is all doable with enough time and resources.

The work ahead of us is focused and requires high quality and thorough laboratory research - and funding, which we have not yet secured. We need to make and test a sizable number of samples, and continue to check (and if necessary, refine) the theory, and push it to its limits. We don't require dramatic improvements in electron emission at the design operating temperature to start making Power Chips; we need only slightly better results than we have already achieved, albeit in a different material.

We have dedicated management capable of bringing Power Chips to market. Hans Walitzki, who has decades of experience in administration, technology management and mass manufacturing, is our Chief Development Officer. Dr. Walitzki has worked extensively in thin film and wafer technologies, spending many years with Wacker Chemitronic and later Wacker Siltronic, where he was Director of Technology. He founded his own company, soiTronic, Inc. in 1999 to bring new wafer technologies to the market, and successfully integrated his company into Isonics Corporation, becoming Vice President for Advanced Wafer Technology. Dr. Walitzki is expected to manage the final development stages and commercialization of Power Chips.

As of 31 March, we have 35 issued patents, and another 48 patents pending. Of those 48 applications, 16 were filed last year. We continue to ensure that we stay innovative and thereby secure what we believe is already a dominant patent position for low temperature thermionic power converters.

In parallel, we continue to work on raising funds for development. The work represents a constant cash drain, and our efforts certainly have been constrained by limited resources. The funding problem has not been solved yet, and we continue to talk to potential investors and partners. We welcome any new opportunities that arise!

Power Chips plc



Rodney T. Cox
Chairman and Chief Executive Officer



Isaiah W. Cox
President and Chief Operating Officer

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Avto Metals Chairman's Letter to Members

19 June 2008

Fellow Members:

Patent filings this year have proceeded apace. As of 31 March, we have 35 issued patents, and another 48 patents pending. Of those 48 applications, 16 were filed last year. As we are the only entity working in this area of nanotechnology, the patents are correspondingly broad and strong. We believe that our patent position is superb.

We have dedicated management capable of bringing Avto Metals™ to the next level. Hans J. Walitzki, who has decades of experience in administration, technology management and mass manufacturing, is our Chief Development Officer. Dr. Walitzki has worked extensively in thin film and wafer technologies, spending many years with Wacker Chemitronic and later Wacker Siltronic, where he was Director of Technology. He founded his own company, soiTronic, Inc. in 1999 to bring new wafer technologies to the market, and successfully integrated his company into Isonics Corporation, becoming Vice President for Advanced Wafer Technology. Dr. Walitzki is expected to manage the final development stages and commercialization of Avto Metals.

On the marketing side, we have a good understanding of the marketplace for Avto Metal cathodes and where, if all goes well, we expect our first sales.

In the laboratory, progress has been sporadic over the past year, primarily because we have had very limited funding to advance our technical efforts. Theories are a very good place to start, but the results will tell us the limits of the theoretical foundation of Avto Metals. In other words, we do not yet know whether Avto Metals will be a blockbuster or just a scientific curiosity. If we raise the necessary funds, this question should be settled this year. Obviously we are betting on Avto Metals being a blockbuster.

We thank you for your continued support!

Avto Metals plc



Rodney T. Cox
Chairman and Chief Executive Officer



Isaiah W. Cox
President and Chief Operating Officer

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Cool Chips Military Sales Chairman's Letter

19 June 2008

Fellow Members;

Cool Chips Military Sales plc (CCMS) exists as an organization dedicated to serving the single most lucrative and urgent market for Cool Chips: the military. CCMS has the exclusive world wide license from Cool Chips plc for sales in military markets. Our direct parent company is Cool Chips plc (OTC: COLCF) and Cool Chips is indirectly owned by Borealis Exploration Limited.

Military hardware of all kinds has very specific and demanding cooling requirements. Often these requirements are not met, grounding key hardware or otherwise rendering it inoperable. One such case is the cooling of sensors for use in satellites. Satellite sensors are used to monitor the surface of the earth, among other things, in search of infrared radiation which signals the launch of a missile. These sensors must be cooled to a low temperature, and - importantly for what is essentially a very focused camera - the cooling system must not introduce vibration. A satellite whose "eyes" shake produces the same results as a camera in very shaky hands. Cool Chips are the ideal solution -- solid-state, projected to give a high efficiency, and workable in the vacuum of space.

There are literally hundreds of other applications, from cooling electronics and avionics to cooling radar systems to the individual foot soldier. Each of these is potentially extremely valuable to your company.

Cool Chips Military Sales is the company designed to take the hardware and customize it to meet the specific and unique needs of the military. Since the customer is very different from any other, your company was set up with the specific desire to grow a dedicated team and set of processes able to best meet the market needs. CCMS holds the exclusive worldwide license to sell Cool Chips into this market.

We are waiting for product to start flowing from Cool Chips plc, which still must be funded, and we realize that it is going to take at least a year before we have product at the point of being ready to sell into the military market after funding. But once we get to that point, we expect to start generating excellent returns for our shareholders.

We are very willing to engage in creative financing using CCMs as the vehicle to raise the funding to complete the Research and Development work of Cool Chips. This can involve future sales of product or sale of company shares by our parent or by ourselves or license sales. The store is open for business and we encourage enquiries about how we can move forward.

Cool Chips Military Sales plc



Rodney T. Cox
Chairman and CEO



Isaiah W. Cox
President and COO

Chorus Motors Chairman's Letter to Members

19 June 2008

Fellow Members:

This year has seen further progress in our development of motor and drive products which can be installed in real world applications, and a consolidation of our focus toward high-end solutions.

Development

This year we have focused our development in four areas: patenting, software, WheelTug, and new markets. We continue to innovate, to advance our technical advantage and to solidify it through filing and prosecuting patents.

As of 31 March, we have 19 issued patents, and another 43 patents pending. Of those 43 applications, 26 were filed last year. Our patenting efforts remain a strong part of our operational efforts.

Our software programming continues apace. We are developing our software so that it should be straightforward to integrate into different systems, and in order to meet the requirements of different applications. For each application, a custom software solution is required, and we are working to ensure that we make this optimization as turnkey as possible. We are doing this by using a software architecture which provides a core ability, but which can be customized for different applications.

Chorus Motors is providing the technical development work for WheelTug plc, which entered an agreement in March 2007 with Delta Air Lines. We have been ramping up to the development work, and re-directing our efforts to focus on the Boeing 737NG, which will be our launch platform. The certification of the product to meet FAA and equivalent requirements is an important consideration, and we are working hand-in-hand with WheelTug's certification team to ensure that this proceeds as smoothly as possible.

Chorus Motors has been considering other applications where the advantages of the Chorus technology can be easily realized, and where industries are more likely to make the shift to a new technology. We have been focusing on three potential areas: automotive, wind power and deep sea oil drilling. Currently the business plans are being developed, and once we have a clear plan, we will be working our way forward in these different fields.

Focus

Our technical focus remains on being customer driven. Chorus® is not developing systems for the entire range of motor applications, nor are we making off-the-shelf systems. Most of these applications are essentially commoditized, and therefore extremely cost-sensitive. While Chorus has certain cost advantages in many markets, we have determined that high value patented proprietary applications are the best place to go to maximize profits and shareholder value.

There are many applications where, similar to WheelTug, the capacities of our motors can "make or break" a system. The weight and size benefits encourage potential customers to approach us. Rather than building for inventory, we are bidding and quoting on high value systems. Chorus systems are high performance systems which are needed for specific applications. We are offering custom patented proprietary systems, where we see patented proprietary profitability for our customers.

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Chorus Motors Chairman's Letter (Continued)

As such, we now work with companies in specific fields who require the best drive solution for their demanding application - essentially they need small motors that can do large jobs. Several companies have approached us with Requests for Proposals, and we have been designing custom solutions to meet these requests.

Our staff works on the custom design and the specific software programming for the specific needs of each application, and we have limited bandwidth. Because of this we are focusing on applications with large markets where patented proprietary products can provide patented proprietary profits. For example, this past year we have spent considerable time on starters and starter-generators for turbines, and we are bidding on jobs for this application.

WheelTug plc is a major asset for your company. Chorus holds 6,664,658 shares of WheelTug. Delta holds warrants for WheelTug shares at \$27, \$36 and \$45 per share. As WheelTug development continues, we expect it will continue to add underlying value to Chorus Motors.

Overall, 2008 has been a year of patenting and technical development, and working closely with select end users to design world-beating patented proprietary Chorus® drives that allow our customers to have patented proprietary profits.

Chorus Motors plc



Rodney T. Cox
Chairman and Chief Executive Officer



Isaiah W. Cox
President

BOREALIS EXPLORATION LIMITED

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WheelTug Management's Letter to Members

19 June 2008

Fellow Members:

It has been an excellent year. WheelTug has added the core members of the development team, and launched the WheelTug® for the Boeing 737NG family of aircraft.

WheelTug's two Chorus® motors, installed in the nose wheels of planes like the Boeing 737, will give airliners on the ground full mobility without the use of the main turbines or tugs. The resulting improvements in efficiency, flexibility, fuel savings, and reduced maintenance aim to unlock savings of over US\$850,000 per airplane per year. And the environmental benefits, in huge reductions in ground emissions, noise and pollution, are transformational. In sum, WheelTug® has the potential to revolutionize airport ground operations - and be of immense value to your company, our customers, and the environment.

After adding Delta Air Lines as our launch customer and development partner, we then welcomed Gilbert Thompson as our Senior Certification Advisor. Together with Newport Aeronautical, we now have partners providing a complete certification service to help WheelTug obtain regulatory approval in the United States with the FAA, and then worldwide. The addition of Newport was significant enough news to merit media coverage both in Design News, and in the Wall Street Journal.

In December we started building the development team as we officially launched the development work. Daniel Barbalata joined as our Program Manager, and he brings a wealth of experience to managing complex and far-flung aerospace development projects such as these.

In January we started courting development partners capable of handling the design, development, testing, and supply aspects of key WheelTug components. WheelTug systems themselves have four major components: the Chorus Motors that turn the wheels; the electronics that interface with the motors and the pilot; the cockpit interface; and the wiring that connects all of these elements together (known as a "wire harness"). We have announced Luxell Technologies Inc. (TSX:LUX) as our risk sharing development partner for the cockpit interface, and Co-Operative Industries Aerospace as our risk sharing development partner for the wire harness.

In both cases, our risk sharing partners are making a significant investment in time and resources in return for the exclusive supply rights for those components. WheelTug benefits by reducing the development risk of developing, testing and certifying components for which we have no specific expertise. We view the addition of these partners as extremely positive for WheelTug's future.

Alongside the development work comes our intellectual property protection. As of 31 March, we have 19 issued patents, and another 43 patents pending. Of those 43 applications, 26 were filed last year. Our patenting efforts remain a strong part of our operational efforts.

This coming year should be one with a great deal of development work. We expect to complete development work over the coming year, and by this time next year to be solidly in the certification stage. We hope to complete certification by the end of 2009, and be on revenue-generating flights soon after. Also within the next year we expect to have embarked on development of a WheelTug product for at least one more aircraft type to follow the 737NG. Discussions are already underway with potential partners and customers.

We thank you for your support and encouragement, and we look forward to a superb year!

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Management's Letter to Members (Continued)

To learn more, visit our website: (www.wheeltug.gi).

WheelTug plc

A handwritten signature in black ink, appearing to be 'Isaiah Cox', with a long horizontal stroke extending to the right.

Isaiah Cox
Chief Executive Officer

A handwritten signature in black ink, appearing to be 'Rodney T. Cox', with a large, stylized initial 'R' and 'C'.

Rodney T. Cox
Chairman

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Faraway plc Management's Letter to Members

19 June 2008

Fellow Members:

Faraway's principal asset is 10,350 acres, slightly more than 16 square miles, located near Freuchen Bay, on Melville Peninsula, Nunavut, Canada. Faraway and its parent company have worked on this property since the 1960s and have continually held this property since the 1980s. Thanks to the amount of work done to date, we now hold what we call "Freuchen Bay" under long term renewable Government of Canada leases.

This is what we know, thanks to the work of renowned geophysicists/geochemists like Anthony Barringer, and Johnny Walker who helped put together the pieces of this puzzle:

The overall geology of Freuchen Bay suggests that it is a property quite similar to the Thompson Nickel-Copper belt of Manitoba, as well as Broken Hill in Australia and Black Mountain in South Africa. Those mines have produced billions of dollars worth of metals for their owners. So far, so good.

But counter to expectations of some exploration geologists who were sorely lacking in any understanding of geochemical exploration techniques, , once surface samples were taken and assayed, it was found that the surface samples at Freuchen Bay did not have very much by way of base metals. In other words, while it looks like a fantastic property, feels like a fantastic property, and acts like a fantastic property, the sampling of the surface rock suggests there are no commercial base metals on the property.

Until you get thirsty, that is.

While the surface rock does not show very much nickel or zinc or copper or lead, the local lakes have heavy doses of the stuff. Zinc is chronically toxic at 120ppm. Freuchen Bay's lakes and lake sediments have more than 2,000 ppm. Not to mention the copper or nickel or lead also in the lake waters and the lake sediments.

Since there is no other plausible explanation for how such massive concentrations of base metals found their way into the lakes, our geophysicists/geochemists concluded that the base metals leached out of the sulphide ground rocks and into the lake water and lake sediment. This leaching process is not overnight, but time is one thing the earth has had quite a bit of. And because the water in the desert arctic is not absorbed into the ground because of permafrost and has no significant runoff, the lakes and the lake sediments continue to hold the metals.

Between the ground water concentrations and the overall geology which reminded them of world class mines such as Broken Hill and Black Mountain, John Walker and Anthony Barringer concluded that "we believe the area has a very high potential for ... a buried large base metal deposit."

Please go to www.faraway.gi and look at the library of reports. Here are a few to get started:

Cameron Survey Report:

http://www.faraway.gi/library/F.Bay_InvestigationOfBaseMetals_Cameron_1979.pdf

Barringer Survey Report

http://www.faraway.gi/library/F.Bay_Barringer_Assess_Report_1989.pdf

Barringer (Summary) Letter http://www.faraway.gi/library/F.Bay_Barringer.LtrTo.Kennecott_1990.pdf

Faraway Document Library

<http://www.faraway.gi/library/>

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Faraway plc Management's Letter (Continued)

METALLOGENY OF PHANEROZOIC INTRACRATONIC RIFT BASINS by

EMSBO, Poul, U.S. Geol Survey

http://gsa.confex.com/gsa/2002AM/finalprogram/abstract_41213.htm

The only way to prove this beyond a shadow of a doubt, however, is to drill the property and see what the non-leached fresh rock looks like. The next best thing is to do a modern "Fly" of the property which we do hope to arrange for in fiscal 2009. Modern Geophysics is a wonder to behold. The fly will give us to a high degree of probability a serious estimation of the size and potential of Fruechen Bay. We will know probably before the annual meeting if the Fly has been arranged for fiscal 2009. We feel confident that we can get the Fly funded, and if the fly looks promising your company should be able to raise serious funds on acceptable terms to mount a program which both determines the ideal targets and drills them for core samples which will then be analyzed.

We believe that Freuchen Bay has always been a prospect worth holding on to. Both Tony and Johnny convinced us decades ago of the value of the property. With the continual soaring base metal prices, it is more likely than ever that others will come to the same conclusion, and we can probably see some serious action on the ground.

As was the case in previous years, your company's goal is to determine what is actually under the ground. We intended to do this work last year, but did not raise the necessary funds. That search for funds continues this year. Once funding is in hand, we expect to find out within 18 months or so whether our 10,350 acres are just a fascinating, incredibly naturally polluted area in Nunavut, or whether Freuchen Bay has the makings of a world-class base metal deposit.

We thank you for your continued support!

Faraway plc



Rodney T. Cox
Chairman and Chief Executive Officer



Isaiah W. Cox
President and Chief Operating Officer

BOREALIS EXPLORATION LIMITED

Gibraltar Registered No. 66632

Roche Bay Management's Letter to Members

June 19, 2008

Fellow Members:

Roche Bay moved significantly closer in the last fiscal year toward our goal of owning a major portion of, and earning substantial income from, a producing iron ore mine at our long-held Eastern properties at Roche Bay, Nunavut, Canada.

You will recall that just over a year ago, we concluded an extensive Option and Farm-Out Agreement with Advanced Explorations, Inc.(AXI), a Canadian company with considerable expertise in mineral exploration and mining development. AXI assumed primary responsibility for conducting the exploration drilling, confirming the feasibility of a mine at Roche Bay, developing plans for a mine and processing facilities and, not least, raising the capital required to do all this work.

In all these tasks, AXI has performed quite well. Over the past year, AXI raised and spent C\$12.8 million on the exploration of Roche Bay's Eastern deposits. They built an exploration camp, drilled and tested more than 9,000 meters of core, and began many of the engineering, environmental, economic, and design studies that will be needed to confirm the project's feasibility.

As our Option Agreement, and the follow-on Joint Venture operating agreement provide, Roche Bay will own 49.9% of the project once the mine goes into production. In effect, 49% of AXI's work and spending has been on our behalf. From an accounting perspective, the value of our holdings in the Eastern deposits has increased by almost \$6 million. Beyond accounting, the knowledge they have gained is bringing this project closer to production - and this asset closer to realization. To date, AXI has performed strongly and is more than meeting the deadlines set out in the Joint Venture agreement.

Revised earn-in schedule

While AXI has met its targets under the joint venture agreement, it was mutually agreed during the winter to revise those targets- accelerating the earn-in process for AXI. Our exploration over the past year revealed that the property had some unexpected geological complexity. This made the targets more difficult to reach and raised the investment threshold for AXI.

Expectations for the coming year

In the coming fiscal year, we expect to reach two major milestones. We expect AXI to issue a calculation of the estimated size of the indicated and inferred ore resource, and to publish an economic feasibility study of the project. These two documents, a reflection of more solid knowledge of the project and particularly the path to production, will further define the business in the eyes of the marketplace.

It is encouraging, then, that over the past year we have seen the iron ore market further consolidate and strengthen. The global market for iron ore remains very strong and it is expected to stay strong for the foreseeable future.

BOREALIS EXPLORATION LIMITED

Gibraltar Registered No. 66632

Roche Bay Management's Letter (Continued)

Ratchet fee

In fiscal year 2006 it was anticipated that Roche Bay would seek an IPO in a major European market and a public listing of its shares by May 2007. We raised capital for our exploration program from certain institutional investors with this expectation. Included in our agreement was a "ratchet fee" payable to these investors if the company did not go public as planned. The fee, totaling 5,670 shares per month, started August 1, 2007 and will terminate in January 2009. We have not made a public offering of Roche Bay shares as we had expected, and we have no plans to do so now. Instead, we pursued the partnership with AXI because we felt that it would prove most valuable to our shareholders in the long term. With AXI as a partner, and responsible for itself raising the necessary capital, the development of the property could move forward with more limited dilution to Roche Bay shareholders, and with the great benefit of an experienced management team.

Future structure

As we look at Roche Bay today, we see that our Eastern ore deposits (those covered by our agreements with AXI) are being intensively explored with plans well underway for development of a mine, while our Western deposits remain unexplored and unexploited. Our Eastern deposits have a clear economic value that is increasing rapidly, while the economic value of the Western deposits is unknown. Given such disparity in known asset values, we are currently executing an internal business-planning process to define our economic options for the Western deposits.

Summary

At this point, Roche Bay itself is essentially an asset holding company, and thus has relatively low expenses. As originally anticipated, AXI is raising and spending the bulk of the funds -- earning their equity in the project. The joint venture has been a win-win and we look forward to future years of success on this project.

Thus far, the major exploration and development program being run by AXI is successful and has added greatly to our knowledge of the ore bodies that we have held for some 40 years. The team that has made this possible is composed of many valuable individual and corporate contributors. These include not only the capable management and staff of AXI but also the numerous third-party consultants producing environmental, economic, geological or other studies.

In summary, the Roche Bay project is progressing swiftly and its future looks promising.

Yours sincerely,



Peter Vanderwicken
Chairman



Benjamin J. Cox
President and Chief Executive Officer

BOREALIS EXPLORATION LIMITED

Gibraltar Registered No. 66632

Photon Power Chairman's Letter to Members

19 June 2008

Fellow Members:

Unfortunately, it has been yet another year of watching and waiting for your company. As you know, Photon Power holds the rights to any non-thermal solar power technologies developed by Borealis Technical Limited (Borealis) or any of its subsidiaries. More concretely, this means that as soon as a member of the Borealis Family of Companies has completed the development pieces which are crucial for the success of Photon Power, then this business has a chance to start to make and sell product. But until then, we are in limbo.

Electric power is at a premium now, with no obvious respite in sight. Though the reasons for this are numerous and complex, the core reality is that there is a rich reward for any technology which can make electricity from a renewable resource such as the sun, and do it economically. Photon Power holds the rights to a number of Borealis' patents to do just that; convert photonic energy from the sun into electrical energy.

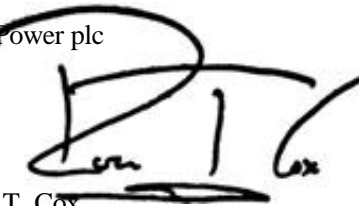
The ultimate success of Photon Power's technology seems to depend upon the degree of technological success reached in the Avto Metals development effort. If and when Avto Metals can make very low work function materials, then they can be applied to low-cost and efficient solar panels by Photon Power, and sold in respective marketplaces. We stress that with this success, Photon Power should be able to compete with any traditional power generating technology, and not to rely on government subsidies or affiliated "green" pricing which currently is used to artificially help photovoltaics gain a foothold in the market. With optimized Avto Metals, Photon Power should be able to go toe-to-toe with any fossil fuel power generation source, and make a healthy profit.

It should be noted that there are many ways to convert solar energy into electrical energy, including through a thermal medium such as hot water collectors. Photon Power's rights to Borealis' technology is for direct solar conversion only, and does not include the rights to conversion of thermal energy into electricity. Those rights belong to our sister company, Power Chips plc. It is expected that Power Chips will be developed before Photon Power modules are made, but if Avto Metals are able to achieve very high reductions in work functions then Photon Power should ultimately be more competitive in the energy marketplace.

In the meantime, we recognize that there are many competitors in the solar power marketplace, and many of them have technological approaches that may prove to be more competitive. Until we have a much better understanding of the practical limits of the Avto Metals theory, and the corresponding economic realities, we cannot know whether Photon Power will be an also-ran or a world-beating technology.

Your company is eagerly anticipating the optimization of Avto Metals, with high hopes that our photoelectric patents and ideas are able to come to market and unlock the key to Photon Power's success.

Photon Power plc



Rodney T. Cox
Chairman and Chief Executive Officer



Isaiah W. Cox
President and Chief Operating Officer

BOREALIS EXPLORATION LIMITED

Gibraltar Registered No. 66632

DIRECTORS AND OFFICERS

Directors	Appointed	
Rodney T. Cox	27 Dec 1978	Director, Chairman of the Board, and Chief Executive Officer
Wayne S. Marshall	11 Sep 1985	Director
Arnold A. Turin	06 Apr 1988	Director (resigned 27 June 2007)
Donald N. Jones	19 Dec 1991	Director
Isaiah W. Cox	15 Feb 1994	Director, President, and Chief Operating Officer
David M. Goldenberg	18 Sep 1996	Director
Peter Vanderwicken	03 Aug 1999	Director
Nechama J. Cox	01 Aug 2001	Director
Giulio Pontecorvo	28 Aug 2003	Director
Stuart Harbron	03 Jan 2005	Director, and Chief Patent Officer (resigned 31 March 2008)
Nechama S. Katan	04 Jan 2006	Director (resigned 3 May 2007)

Secretary

STM Fidecs Management (Gibraltar) Limited
Montagu Pavilion
8-10 Queensway
Gibraltar

Registered Office

Suite 3G, Eurolife Building
1 Corral Road
Gibraltar

Auditors

Moore Stephens
Suite 5 Watergardens 4
Waterport
Gibraltar

BOREALIS EXPLORATION LIMITED

Gibraltar Registered No. 66632

BOREALIS EXPLORATION LIMITED

Gibraltar Registered No. 66632

Financial Statements

for the year ended 31 March 2008

BOREALIS EXPLORATION LIMITED

Gibraltar Registered No. 66632

DIRECTORS' REPORT

The directors submit their report and the audited financial statements for the Company and the Borealis Family of Companies for the year ended 31 March 2008.

BOREALIS FAMILY OF COMPANIES' PROFILE

The Borealis Family of Companies "Family" is comprised of those companies listed in Note 9 of the financial statements.

The Company was primarily a mining company prior to 1992. The Borealis Family of Companies retains its mining properties through Roche Bay plc and Faraway plc. The Roche Bay Magnetite Project of Roche Bay plc is now under development and the Freuchen Bay property of Faraway plc is generating industry interest. The Family of Companies has also added to its operations the business of conducting innovative industrial research for which it now has well over a hundred patents either issued, approved for issue or pending. From 1995 to 2008, most of the Borealis Family of Companies' expenses relate to expenses incurred whilst carrying out its research and development activities. This will most likely change in future years as, on a consolidated basis, the development of the Roche Bay Magnetite Project is likely to dominate our consolidated statements until the technology-based companies start to sell significant product. Please note that our Research and Development costs have all been written off in the year incurred, and most R&D costs are funded by the issue of shares in subsidiary undertakings. We expect most of the Development Costs of Roche Bay plc to be covered by third parties.

On 19 October 1998, the Company successfully completed a redomiciliation out of Canada into Gibraltar. Accordingly, Borealis Exploration Limited received a Certificate of Discontinuance from Industry Canada and a Certificate of Redomiciliation of a Company from the Registrar of Companies in Gibraltar. This move was consistent with the fact that most of the Borealis Family of Companies' technology research was already being managed in Europe.

Business Review

Mining Properties

Roche Bay Magnetite Project: www.rochebay.com

A subsidiary company, Roche Bay plc, owns 100% interest in 10,973 acres of Government of Canada long term mineral leases located near Roche Bay, Melville Peninsula, Nunavut, Canada, which contain one of the world's largest undeveloped resources of magnetite (Fe₃O₄). These leases require annual lease payments (at current exchange rates) of \$10,916 per year for those leases expiring in 2019, and \$11,030 per year for those leases expiring in 2021. All leases are expected to be renewed by the renewal dates. The leases are located in the Baffin Mining District of Nunavut, Canada. Significant work continues in an attempt to bring these properties into production.

Roche Bay has made significant strides in the past year, including a major transaction with Advanced Explorations Inc., which has put the Eastern portion of the mineral leases on track for development and production at long last. A major drilling program is underway this summer, as part of the groundwork toward an operating mine.

BOREALIS EXPLORATION LIMITED

Gibraltar Registered No. 66632

DIRECTORS' REPORT (Continued)

Freuchen Bay Intracratonic Rift Project: www.faraway.gi

Faraway plc, owns 100% of 10,350 acres of Government of Canada long term renewable leases near Freuchen Bay, Melville Peninsula, Nunavut, Canada. These leases cover the Freuchen Bay property, which is a series of geophysical/geochemical anomalies that our consultants tell us sit astride an intracratonic rift. These leases run for 21 years from 27 December 2001, and are expected to be renewed by the renewal dates, and will require annual payments of \$10,085 at current exchange rates. We are looking to fund a drilling program looking for significant polymetallic deposits within our lease holdings.

Principal Technologies

Avto Metals™: www.avtometals.gi

Avto Metals plc was incorporated on 6 October 2004. Avto Metals technology is designed to provide the necessary means to custom-design electron-volt work functions (eV). Avto Metals plc is continuing to research new applications and technologies in related scientific fields. The ability to make low-work function materials has been long sought within scientific and technological circles. There are many potential applications for the resulting “cold cathode”, and many are in lucrative markets.

Chorus® Meshcon™: www.chorusmotors.gi & **WheelTug™:** www.wheeltug.gi

The Chorus Meshcon technology is a novel AC electric motor/drive combination that uses electromagnetic harmonics to greatly increase the motor's torque. A Chorus system is smaller, lighter, and is expected to sell for a premium over a conventional motor with the same output. It is ideal for traction applications such as electric cars and trains. We can routinely improve torque by up to ten times the overload capacity of a conventional 3-phase machine, and there are new advances that suggest we will be able to achieve over twenty times the overload capacity of the competition. The system has huge aerospace, ship propulsion and automotive uses.

WheelTug plc was incorporated on 9 February 2005, as a subsidiary of Chorus Motors plc, and is the assignee of the WheelTug™ programme announced with Boeing Phantom Works on 8 November 2004. The WheelTug™ technology is expected to be a major profit centre in our business, as shown by the recent announcement of an agreement with Delta Air Lines in which Delta became WheelTug's exclusive North American development partner for the 737NG, as well as securing launch customer rights and certain rights to installing and maintaining WheelTug systems on 737NGs. Delta also obtained warrants to purchase up to 600,000 shares of WheelTug plc at an average price of \$36/share. We have a detailed and informative Business Plan that is available under NDA to interested parties.

Cool Chips™: www.coolchips.gi

Cool Chips are solid-state devices based on quantum tunnelling that pump heat to produce cooling, refrigeration, or air conditioning. They are small, lightweight, non-polluting and non-corrosive, and are projected to be more efficient than any existing thermal management technology. Cool Chips plc continues to drive towards production, relying both on the physical build techniques which have been enabled by semiconductor manufacturing and packaging advances, as well as the Avto Metal solution for reducing the work function of a material.

Cool Chips Military Sales plc was incorporated on 8 February 2005, as a subsidiary of Cool Chips plc, as it is expected that our first sales of Cool Chips technology will be delivery of products to US military contractors.

BOREALIS EXPLORATION LIMITED

Gibraltar Registered No. 66632

DIRECTORS' REPORT (Continued)

Power Chips™: www.powerchips.gi

Power Chips are devices that absorb heat to produce electrical power. They are silent, non-polluting, scalable, portable, and can operate anywhere there is a source of heat. We expect them to replace many existing technologies for generating electricity. Power Chips devices are being developed in parallel with Cool Chips, and rapid success is reliant on the success of the Avto Metal work function reduction technology.

Borealis Technical Limited, a 98% owned subsidiary of the Company, manages the above operations, along with other research which examines a wide range of scientific areas which potentially will challenge the presently accepted boundaries of the industrial world. This is a non-capital-intensive business where most of the expenditures are for consultants and the support of the patenting and accounting work. During fiscal year 2008, Borealis Technical filed 58 new applications for patents and had 9 patents issue. It is anticipated that the research and development activities will remain at the current level or increase in fiscal year 2009.

Financial Review

Results for the Borealis Family of Companies for the year are shown in the consolidated profit and loss account on page 28.

As of 31 March 2008 the Family of Companies had accumulated losses of \$24,958,954 (2007-\$32,666,911) and a working capital deficit of \$ 4,131,782 (Deficit in 2007 - \$1,800,127). The net equity, as at 31 March 2008 amounted to \$ 16,593,670 (net equity 2007 - \$657,665).

There can be no assurance that the Company or its Subsidiaries' efforts to generate further financing and achieve profitable operations will be successful.

As explained in Note 1(e), all costs relating to the Borealis Family of Companies' Government of Canada mineral leases have been capitalised and these costs are accordingly reflected in the consolidated balance sheet. The directors are confident that the current market value of the Roche Bay leases is substantial, as evidenced by the Advanced Explorations Inc.. transaction, and in excess of their cost. We feel that the Freuchen Bay leases of Faraway plc also have a value in excess of cost, although there is no similar transaction backing up this assertion at present. The commercial potentials of certain of the technology investments, as evidenced by the recent market valuations of the public shares issued, also justifies the use of the going-concern basis as appropriate for the preparation of these financial statements.

These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation to market value of marketable securities, and in accordance with the going concern concept, which assumes that the Borealis Family of Companies will be able to realise its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation.

Dividends

There were no dividends declared during the year.

BOREALIS EXPLORATION LIMITED

Gibraltar Registered No. 66632

DIRECTORS' REPORT (Continued)

Directors and their Interests

The directors who served during the year were as stated on page 20.

The interest of the directors in the shares of the Company were as follows:

	Number of shares held at 31 March 2008	Number of shares held at 31 March 2007
Rodney T. Cox	20,549	20,549
Wayne S. Marshall	98,904	98,904
Arnold A. Turin (resigned 27 June 2007)	100	100
Donald N. Jones	55,548	55,548
Isaiah W. Cox	158,048	158,048
David M. Goldenberg	100	100
Peter Vanderwicken	34,200	34,200
Nechama J. Cox	16,700	16,700
Giulio Pontecorvo	16,000	16,000
Stuart Harbron	1	1
Nechama S. Katan (resigned 3 May 2007)	51,123	51,123

Share Options

As of 31 March 2008 there were no share options outstanding.

Directors' Responsibilities

The directors are responsible for preparing financial statements for each financial year which give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss for that year and which comply with the Gibraltar Companies Act 1930, the Gibraltar Companies (Accounts) Act 1999 and the Gibraltar Companies (Consolidated Accounts) Act 1999. In preparing the financial statements, appropriate accounting policies have been used and applied consistently, reasonable and prudent judgements and estimates have been made, and applicable accounting standards have been followed. The directors are responsible for maintaining adequate accounting records, for safeguarding the assets of the Company, and for preventing and detecting fraud and other irregularities.

Auditor

A resolution to reappoint Moore Stephens will be proposed at the Annual General Meeting.

By order of the Board on 19 June 2008



Isaiah W. Cox
Director



Rodney T. Cox
Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BOREALIS EXPLORATION LIMITED

We have audited the group and parent company financial statements of Borealis Exploration Limited for the year ended 31 March 2008 set out on pages 28 to 44. These financial statements have been prepared under the Accounting Policies set out on pages 34 and 35.

This report is made solely to the Company's members as a body, in accordance with the Companies Act 1930. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the report of the Directors, the Company's Directors and management are responsible for the preparation of financial statements in accordance with applicable law and Gibraltar Accounting Standards (Gibraltar Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with Gibraltar Law. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors remuneration and other transactions is not disclosed.

We read the Directors' Report and other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements within it or material inconsistencies with the financial statements.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland). An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

In forming our opinion, we have considered the disclosures made in Note 2 of the financial statements in connection with the application of the going concern basis and the uncertainty with regards to securing continued financial support.

BOREALIS EXPLORATION LIMITED

Gibraltar Registered No. 66632

INDEPENDENT AUDITORS' REPORT (Continued)

In connection with the other information contained in the Annual Report we also draw attention to the content of the Forward Looking Statement on page 2.

In view of the significance of these matters we consider they should be drawn to your attention but our opinion is not qualified in these respects.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group of Companies as at 31 March 2008, and of the profit for the year then ended in accordance with Gibraltar Accounting Standards and have been properly prepared in accordance with Gibraltar Companies Act 1930, the Gibraltar Companies (Accounts) Act 1999, and the Gibraltar Companies (Consolidated Accounts) Act 1999.

A handwritten signature in black ink that reads "Moore Stephens". The signature is written in a cursive, flowing style.

Gibraltar
19 June 2008

Moore Stephens
CHARTERED ACCOUNTANTS

BOREALIS EXPLORATION LIMITED

Gibraltar Registered No. 66632

CONSOLIDATED PROFIT AND LOSS ACCOUNT for the year ended 31 March 2008

	Notes	2008 \$	2007 \$
Revenue			
Recovery from Lawsuit		-	99,955
Expenditure			
		<u>(10,116,735)</u>	<u>(5,426,553)</u>
Operating loss	4	(10,116,735)	(5,326,598)
Joint venture income		12,672,742	-
Profit on disposal of fixed assets		124,188	-
Profit on disposal of marketable investments		311,800	-
Unrealised loss on devaluation of marketable securities		(669,901)	-
Financing gain		2,856,787	82,805
Interest received		3,239	40,060
Interest paid		<u>(56,544)</u>	<u>(48,086)</u>
Income (Loss) on ordinary activities before taxation		5,125,576	(5,251,819)
Taxation		<u>-</u>	<u>-</u>
Income (Loss) on ordinary activities after taxation		5,125,576	(5,251,819)
Profit (Loss) on sale of shares in subsidiary companies		(29,889)	2,182,213
Gain on decrease in stake in subsidiaries	9	5,602,761	4,812,403
Equity Minority interest	9	<u>(1,817,708)</u>	<u>(1,092,585)</u>
Profit for the year		8,880,740	650,212
Dividends paid to minority shareholders		<u>(1,172,783)</u>	<u>-</u>
Retained Profit for the financial year		<u>\$ 7,707,957</u>	<u>\$ 650,212</u>
Earnings per share			
	10	<u>\$ 1.78</u>	<u>\$ 0.13</u>

STATEMENT OF RECOGNISED GAINS AND LOSSES THROUGH RESERVES

Increase in the carrying cost of mining resources	20	<u>\$ 4,585,272</u>	<u>\$ -</u>
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BOREALIS EXPLORATION LIMITED

Gibraltar Registered No. 66632

CONSOLIDATED PROFIT AND LOSS ACCOUNT (Continued)

The Borealis Family of Companies has had no discontinued activities during the year, accordingly, the above result for the Company relates solely to continuing activities.

There is no difference between the profit on ordinary activities before taxation and the profit for the financial year stated above and their historical cost equivalents.

The notes on pages 34 to 44 form part of these Financial Statements.

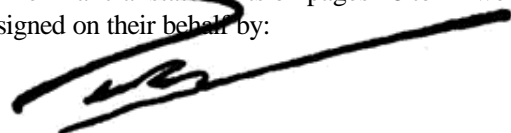
BOREALIS EXPLORATION LIMITED

Gibraltar Registered No. 66632

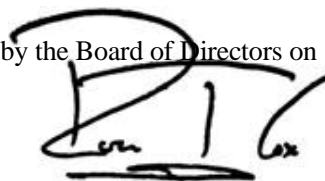
CONSOLIDATED BALANCE SHEET as at 31 March 2008

	Notes	2008 \$	2007 \$
Fixed Assets			
Intangible assets	11	563,024	498,234
Tangible assets	12	31,006	157,301
Investments mining resources	13	12,400,554	6,462,019
residential properties	13	20,500	61,435
		<u>13,015,084</u>	<u>7,178,989</u>
Marketable Securities	14	9,511,213	-
Current assets			
Cash at bank and in hand		316,964	166,454
Accounts Receivable	15	266,422	401,237
		<u>583,386</u>	<u>567,691</u>
Creditors: amounts falling due within one year	16	<u>(4,715,168)</u>	<u>(2,367,818)</u>
Net current (liabilities) / assets		<u>(4,131,782)</u>	<u>(1,800,127)</u>
Total assets less current liabilities		18,394,515	5,378,862
Creditors: amounts falling due after more than one year	17	(1,800,845)	(4,721,197)
Net Assets (Liabilities)		<u>\$ 16,593,670</u>	<u>\$ 657,665</u>
Capital and Reserves			
Called up Share Capital	18,19	50,000	50,000
Share Premium Account	18,19	24,241,030	24,241,030
Non Distributable Reserve	20	4,585,272	-
Profit and Loss Account	19	(24,958,954)	(32,666,911)
Total shareholders' funds		3,917,348	(8,375,881)
Minority interests - equity	9	12,676,322	9,033,546
Total Equity		<u>\$ 16,593,670</u>	<u>\$ 657,665</u>

The financial statements on pages 28 to 44 were approved by the Board of Directors on 19 June 2008 and signed on their behalf by:



Isaiah W. Cox
Director



Rodney T. Cox
Director

The notes on pages 34 to 44 form part of these Financial Statements.

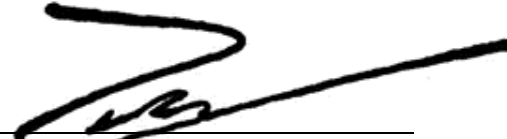
BOREALIS EXPLORATION LIMITED

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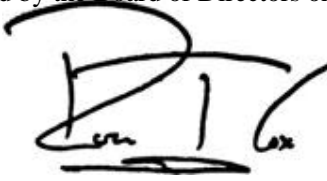
COMPANY BALANCE SHEET as at 31 March 2008

	Notes	2008 \$	2007 \$
Fixed Assets			
Intangible Assets	11	563,024	498,234
Tangible Assets	12	<u>31,006</u>	<u>41,482</u>
		594,030	539,716
Investments in subsidiary undertakings	9	<u>83,950</u>	<u>83,990</u>
		677,980	623,706
Marketable Securities	14	3,207,960	-
Current Assets			
Cash at bank and in hand		219,311	1,818
Debtors	15	<u>481,811</u>	<u>429,026</u>
		701,122	430,844
Creditors: amounts falling due within one year	16	<u>(29,460,339)</u>	<u>(29,128,550)</u>
Net current liabilities		<u>(28,759,217)</u>	<u>(28,697,706)</u>
Total assets less current liabilities		(24,873,277)	(28,074,000)
Creditors: amounts falling due after more than one year	17	<u>(1,800,845)</u>	<u>(4,721,197)</u>
Total net liabilities		<u><u>\$(26,674,122)</u></u>	<u><u>\$(32,795,197)</u></u>
Deficiency in assets			
Called up Share Capital	18,19	50,000	50,000
Share Premium Account	18,19	24,241,030	24,241,030
Profit and Loss Account	7	<u>(50,965,152)</u>	<u>(57,086,227)</u>
Total deficit in shareholders' funds		<u><u>\$(26,674,122)</u></u>	<u><u>\$(32,795,197)</u></u>

The financial statements on pages 28 to 44 were approved by the Board of Directors on 19 June 2008 and signed on their behalf by:



Isaiah W. Cox
Director



Rodney T. Cox
Director

The notes on pages 34 to 44 form part of these Financial Statements.

BOREALIS EXPLORATION LIMITED

Gibraltar Registered No. 66632

CONSOLIDATED CASH FLOW STATEMENT for the year ended 31 March 2008

	2008 \$	2007 \$
Net cash outflow from operating activities	<u>(6,196,348)</u>	<u>(4,962,979)</u>
Returns on investments and servicing of finance		
Interest received	3,239	40,060
Interest paid	(56,544)	(48,086)
Cash content of dividends paid	(40,538)	-
Net cash outflow from servicing of finance	<u>\$ (93,843)</u>	<u>\$ (8,026)</u>
Capital expenditure and financial investment		
Marketable securities acquired	(13,000,000)	-
Patent acquisitions	(94,269)	(76,763)
Tangible fixed assets acquisitions	(4,323)	(195,867)
Tangible fixed assets disposals	267,000	-
Proceeds of disposal of Marketable Securities	801,700	-
Warrants converted	(87,500)	-
Shares investments acquired	(134,300)	-
Development cost of mining resource	(102,440)	(1,517,244)
Lease costs of mining resources	(31,830)	(35,070)
Net cash outflow from capital expenditure and financial investment	<u>\$ (12,385,962)</u>	<u>\$ (1,824,944)</u>
Acquisitions and disposals		
Down payment received from joint venture agreement	278,818	-
Proceeds on sale of 15% share in mining leases	13,000,000	-
Shares issued for cash consideration	493,000	3,303,190
Shares issued for services	3,755,571	1,509,213
Net cash inflow from disposals	<u>\$ 17,527,389</u>	<u>\$ 4,812,403</u>
Financing activities		
Realised profits from sales of subsidiary shares	1,324,300	2,182,213
Funds repaid for purchase of shares advanced to directors	(25,026)	(94,086)
Net cash inflow from financing	<u>\$ 1,299,274</u>	<u>\$ 2,088,127</u>
Net increase (decrease) in cash resources	<u>\$ 150,510</u>	<u>\$ 104,581</u>

The notes on pages 34 to 44 form part of these Financial Statements.

BOREALIS EXPLORATION LIMITED

Gibraltar Registered No. 66632

CONSOLIDATED CASH FLOW STATEMENT (Continued)

RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2008	2007
	\$	\$
Operating loss for the year	(10,116,735)	(5,326,598)
Depreciation of fixed assets	28,742	29,116
Amortisation of patents	29,480	30,555
Bonuses paid to staff in warrants	1,380,000	-
Decrease in accounts receivable	134,815	831,867
Increase (Decrease) in accounts payable	2,347,350	(527,919)
Net cash outflow from operating activities	<u>\$ (6,196,348)</u>	<u>\$ (4,962,979)</u>

MOVEMENT IN CASH AND ANALYSIS OF CASH BALANCES

	2008	2007
	\$	\$
Changes in net cash		
At 1 April 2007	166,454	61,873
Increase in cash in the year	150,510	104,581
At 31 March 2008	<u>\$ 316,964</u>	<u>\$ 166,454</u>
Analysis of cash balances		
Cash at bank	<u>\$ 316,964</u>	<u>\$ 166,454</u>

BOREALIS EXPLORATION LIMITED

Gibraltar Registered No. 66632

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2008

1. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Gibraltar Accounting Standards and the Gibraltar Companies Act 1930, the Gibraltar (Companies Accounts) Act 1999 and the Gibraltar (Consolidated Accounts) Act 1999 (together, 'Gibraltar GAAP')

a. Basis of Accounting

These financial statements have been prepared under the Accounting Policies set out below.

b. Basis of Consolidation

The consolidated accounts include the Company and its subsidiary undertakings. Intra-“Family” balances and transactions are eliminated fully on consolidation.

c. Fixed Assets

Tangible fixed assets and intangible fixed assets are stated at their purchase cost, together with any incidental expenses of acquisition.

Depreciation is provided on all fixed assets to write off their cost less residual value over their estimated useful lives. The rates in use on a reducing balance method are as follows:

Mining and geological equipment	30%
Other equipment	20%

Patents are accounted for on the basis of the costs of registering the worldwide rights. All costs of development and legal works of the products have been written off in the year incurred. These patents are depreciated on the straight-line method at a rate of 4% per year. The carrying value of patents is reviewed annually by the Family of Companies. If, as a result of such a review, it is determined that the value has been permanently impaired, any diminution in value is taken to the profit and loss account in accordance with FRS 11. To the extent that such diminution in value is subsequently reversed, this reversal is credited to the profit and loss account.

d. Fixed Assets Investments

Fixed asset investments are stated at their historical cost less any provision for permanent diminution in value.

e. Mining properties

These are stated at cost, less any provision for diminution in value that may, in the opinion of the directors, have taken place. Under Gibraltar GAAP these costs include developing and maintaining the property. The policy on amortisation is that this will be charged on a straight-line basis over the period over which commercial mining operations are expected to continue. At present no amortisation is being charged until exploitation begins.

f. Research and Development

Research and Development costs are written off in the year they are incurred.

g. Reporting currency

The Family of Companies' financial statements are presented in US dollars, which is the functional currency for operations.

BOREALIS EXPLORATION LIMITED

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NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2008(Continued)

h. Foreign currency translation

Transactions in currencies other than US Dollar are recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in such currencies are translated at the rate of exchange ruling at the balance sheet date.

i. Going Concern

These financial statements have been prepared under the going concern concept that assumes that the Family of Companies will continue in operational existence for the foreseeable future having adequate funds to meet its obligations as they fall due. Further information is set out in the Directors' Report on pages 22 to 25 and within Note 2 below.

j. Taxation including deferred tax.

No provision is made for corporation tax, nor for deferred tax, as the Company and the majority of its subsidiaries are exempt from paying corporation tax on their profits.

k. Marketable Securities

These are carried at the closing quoted prices of securities and instruments held. Any revaluation, gains or losses are dealt with through the profit and loss account.

l. Impairment

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount is the higher of its net selling price and its value in use. For intangible assets that are not yet available for use, goodwill or intangible assets with an indefinite useful life, an impairment test is performed at each balance sheet date.

In assessing value in use, the expected future cash flows from the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised in the income statement whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. With respect to the mining properties, the cash flow estimates used for the purpose of calculating the present value of expected future mining production from the Eastern deposits is based on a conservative estimate of the iron ore resource, the current market price of iron ore, less a conservative estimate of the cost of mining the resource.

A previously recognised impairment loss is reversed if the recoverable amount increases as a result of a change in the estimates used to determine the recoverable amount, but not to an amount higher than the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior years

2. GOING CONCERN

The continued operation of the Borealis Family of Companies is dependent on its ability to receive continued financial support from its shareholders and creditors, to obtain sufficient equity financing or generate sufficient profits in the future. The directors are confident that sufficient support will be secured and accordingly the going concern basis of preparation of the financial statements is appropriate. The Company's shareholdings in its subsidiary companies, both direct and indirect, are

BOREALIS EXPLORATION LIMITED

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NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2008(Continued)

2. GOING CONCERN (Continued)

carried at nominal value, and not at market value. Six of those companies are publicly traded in the United States over-the-counter (OTC) market and quoted on the Pink Sheets at www.pinksheets.com. However, there can be no assurance that the Company or its Subsidiaries' efforts to generate further financing, profitable operations, asset sales, or product sales will be successful. The financial statements do not contain any adjustments that might be necessary if the Borealis Family of Companies is unable to continue as a going concern.

3. SEGMENTAL REPORTING

The Borealis Family of Companies has two reportable operating segments. The Family's mining exploration operations are conducted on properties in Canada. The only assets utilised in this business segment are the mining and other equipment. All other assets relate to the Family's other reportable operating segment, which is the business of conducting basic industrial research with the intent to commercialise these technologies. While the technical rights and/or patents are owned by a company registered in Gibraltar, the research activities are currently mainly carried out outside Gibraltar.

4. OPERATING LOSS

	2008	2007
Operating loss is stated after charging	\$	\$
Depreciation	28,742	29,116
Amortisation	29,480	30,555
Group Audit Fees	88,912	76,441

5. DIRECTORS' EMOLUMENTS

The total amount of emoluments paid to directors during the year was \$ 4,494,211 (2007 - \$2,346,372). Included in this year's emoluments is a one off success bonus of \$ 2,709,630 paid on conclusion of the joint venture agreement with Advanced Explorations Inc..

In addition, rent totalling approximately \$121,000 (2007 - \$121,200) has been charged to the Family of Companies by certain directors, for the provision of office space.

6. EMPLOYEE INFORMATION

The Company has no employees during the current or preceding period. Services to the Company are provided by way of consultancy agreements.

7. LOSSES OF HOLDING COMPANY

Included in the profit for the financial year is a profit of \$6,121,075, (deficit 2007 - \$2,441,841) which is dealt with in the financial statements of the parent company. The directors have taken advantage of the exemption available under section 10 of the Gibraltar Companies (Consolidated Accounts) Act 1999 and not presented a profit and loss account for the Company alone.

BOREALIS EXPLORATION LIMITED

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NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2008(Continued)

8. TAXATION

The Company and the majority of its subsidiaries have been granted exempt status under the Gibraltar Companies (Taxation and Concessions) Act. Providing the Company continues to satisfy the criteria for such status, including the payment of an annual government charge of £450 it will not be subject to Gibraltar Corporation Tax until 2010, the date at which the status of all Gibraltar exempt companies will be subject to new legislation.

9. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

The Company has the following principal ownership interests and invested amounts in its subsidiaries, all of which (other than Faraway Holdings (Barbados) Limited and Roche Bay Holdings (Barbados) Limited, which are registered in Barbados, and Borealis Exploration Incorporated, which is registered in USA) are registered in Gibraltar:

Directly held by the Company	Ownership Interest		Investments	
	2008	2007	2008	2007
	%	%	\$	\$
Borealis Technical Limited	99%	99%	158	158
Borealis Exploration Incorporated	100%	100%	100	100
Credits Holdings Limited	99%	99%	160	160
Faraway Holdings Limited	100%	100%	83,372	83,412
Roche Bay Holdings Limited	99%	99%	160	160
Total investments			\$ 83,950	\$ 83,990

Indirectly held by the Company	Ownership Interest	
	2008	2007
	%	%
Avto Metals Public Limited Company	96.89%	96.93%
Chorus Motors Public Limited Company	78.79%	78.80%
Cool Chips Public Limited Company	63.03%	63.03%
Faraway Holdings (Barbados) Limited	100.00%	100.00%
Photon Power Public Limited Company	99.59%	99.59%
Power Chips Public Limited Company	64.96%	65.00%
Roche Bay Holdings (Barbados) Limited	99.00%	99.00%
Roche Bay Public Limited Company	71.53%	78.10%
Borealis Roche Bay Limited	99.00%	99.00%
Wheeltug Public Limited Company	96.12%	96.77%
Cool Chips Military Sales plc	100.00%	100.00%
Faraway Public Limited Company	82.80%	82.80%

WheelTug plc is 96.12% owned by Chorus Motors plc, which is 78.79% owned by Borealis Exploration Limited. Cool Chips Military Sales plc is owned 100% by Cool Chips plc which is 63.03% owned by Borealis Exploration Limited.

BOREALIS EXPLORATION LIMITED

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NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2008 (Continued)

9. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS (Continued)

Of the above companies, shares of Avto Metals plc, Cool Chips plc, Chorus Motors plc, Faraway plc, Power Chips plc and Roche Bay plc are publicly traded in the United States over-the-counter (OTC) market and quoted on the Pink Sheets at www.pinksheets.com.

The investment in quoted subsidiary undertakings has been valued at historical cost taking no account of unrealised gains based on market value.

The Family of Companies has in the past 7 years principally funded itself with the proceeds of the issue of shares in its subsidiaries, which has resulted in the dilution of the Company's holdings in these subsidiaries though the transactions were anti-dilutive in absolute terms. The issue of these shares is either for a cash consideration or payment for goods and services received by agreement with the creditor.

In 2008, further funds were raised by the issue of shares at a premium by Roche Bay plc. A minority interest of \$12,676,322 (2007 - \$9,033,546) in the subsidiaries is presented on the balance sheet effective 31 March 2008. The increase of \$3,642,776 is due to a higher percentage of the net assets of the subsidiaries being attributable to outside shareholders as a result of the dilution. The Equity of the Borealis Family of Companies in the share premiums paid by third parties during the year of \$5,602,761 (2007 - \$4,812,403) is shown as a gain in the profit and loss account.

10. EARNINGS PER SHARE

Earnings/(losses) per share is calculated by dividing the earnings/(losses) attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year.

	2008			2007		
	Earnings	Weighted Average Number of Shares	Per Share Amount	Earnings	Weighted Average Number of Shares	Per Share Amount
	\$		\$	\$		\$
Basic EPS						
Earnings attributable to Ordinary Shareholders	8,880,640	5,000,000	1.78	650,212	5,000,000	0.13

11. INTANGIBLE FIXED ASSETS – PATENT FILING FEE

	Cost	Amortisation	Total
	\$	\$	\$
At 1 April 2007	642,150	143,916	498,234
Additions / Charge in year	94,270	29,480	64,790
At 31 March 2008	\$ 736,420	\$ 173,396	\$ 563,024

BOREALIS EXPLORATION LIMITED

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NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2008(Continued)

12. TANGIBLE FIXED ASSETS

Family	Mining, Drilling and Camp Equipment \$	Moveable Fixed Assets \$	Total \$
Cost			
At 1 April 2007	655,808	252,765	908,573
Additions	-	4,323	4,323
	<u>655,808</u>	<u>257,088</u>	<u>912,896</u>
Disposals	-	(134,432)	(134,432)
	<u>655,808</u>	<u>122,656</u>	<u>778,464</u>
Depreciation			
At 1 April 2007	655,808	95,464	751,272
Charge for year	-	28,742	28,742
	<u>655,808</u>	<u>124,206</u>	<u>780,014</u>
Accumulated depreciation on		(32,556)	(32,556)
At 31 March 2008	<u>655,808</u>	<u>91,650</u>	<u>747,458</u>
Net book value			
At 31 March 2008	<u>\$ -</u>	<u>\$ 31,006</u>	<u>\$ 31,006</u>
At 31 March 2007	<u>\$ -</u>	<u>\$ 157,301</u>	<u>\$ 157,301</u>

13. INVESTMENT – MINING PROPERTIES

	2008 \$	2007 \$
Roche Bay plc Government of Canada		
21 year renewable mining leases	6,318,848	4,775,676
Development costs	102,440	1,517,244
Lease payments	<u>21,675</u>	<u>25,928</u>
	6,442,963	6,318,848
Disposals at cost	<u>(606,075)</u>	<u>-</u>
	5,836,888	6,318,848
Increase in carrying value	<u>6,410,340</u>	<u>-</u>
	12,247,228	6,318,848
Faraway plc Government of Canada		
21 year renewable mining leases	<u>153,326</u>	<u>143,171</u>
Total Government of Canada		
21 year renewable mining leases	<u>\$ 12,400,554</u>	<u>\$ 6,462,019</u>

BOREALIS EXPLORATION LIMITED

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NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2008(Continued)

13. INVESTMENT – MINING PROPERTIES (Continued)

During the year the company concluded an Option and Farm-Out agreement with Advanced Explorations Inc.. (AXI). Under the terms of the agreement, AXI can earn up to 50.1% interest in the Eastern deposit leases in return for assuming the exploration and development costs, completing certain milestones and ultimately obtaining a permit to build a mine. In addition the company received certain warrants to acquire shares in AXI. AXI have at the fiscal year end incurred approximately \$12.8 million of exploration and development costs and in accordance with the agreement have achieved milestones that entitles them to a 15% interest in the resource. The Company has increased the carrying value of its investments in the Eastern deposits by \$6,410,340 being 49.9% of the AXI development expenditure. Other development costs and lease payments by the Company have been capitalised.

INVESTMENTS – RESIDENTIAL PROPERTIES

Investment Residential Property	2008	2007
At Cost - Acquired May 2006	34,173	34,173
Improvements	27,262	27,262
	<u>\$ 61,435</u>	<u>\$ 61,435</u>
Less - cost of house sold	40,935	-
	<u>\$ 20,500</u>	<u>\$ 61,435</u>

The houses are situated 75 sea kilometres from the mining property and were purchased for use by company staff. They comprise one three-bedroom house built in 1974, and one two-bedroom house built in 1990. The three-bedroom house was sold in November 2007 to Advanced Explorations Inc. for \$187,500.

	2008	2007
Directors' estimate of combined market value at 31 March	<u>\$ 150,000</u>	<u>\$ 260,000</u>

14. MARKETABLE SECURITIES

Family	2008	2007
Shares and warrants in Advanced Explorations Inc		
307,000 Common Shares	515,760	-
5,139,438 Series A 1 Warrants	6,835,453	-
2,000,000 Series B 1 Warrants	2,160,000	-
	<u>\$ 9,511,213</u>	<u>\$ -</u>
Company		
57,000 Common Shares	95,760	-
2,340,000 Series A 1 Warrants	3,112,200	-
	<u>\$ 3,207,960</u>	<u>\$ -</u>

BOREALIS EXPLORATION LIMITED

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NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2008(Continued)

15. ACCOUNTS RECEIVABLE

	Family		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Advances to suppliers and consultants	266,422	346,137	254,421	321,926
Other amounts receivable	-	55,100	-	55,100
Amounts due from Family undertakings	-	-	227,390	52,000
	<u>266,422</u>	<u>401,237</u>	<u>227,390</u>	<u>52,000</u>
Total accounts receivable	<u>\$ 266,422</u>	<u>\$ 401,237</u>	<u>\$ 481,811</u>	<u>\$ 429,026</u>

Amounts due to Family undertakings are unsecured, interest free and repayable on demand.

Of the amounts shown as advances to suppliers and consultants, there are included a total amount of \$235,253 (2007 - \$277,780) which are owed from directors and related parties.

16. ACCOUNTS PAYABLE

Creditors falling due within one year	Family		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Trade creditors	4,715,168	2,367,818	3,015,695	1,444,611
Accruals	-	-	-	-
Amounts due to Family undertakings	-	-	26,444,644	27,683,939
	<u>4,715,168</u>	<u>2,367,818</u>	<u>29,460,339</u>	<u>29,128,550</u>

Amounts due to Family undertakings are unsecured, interest free and repayable on demand. Of the amount included under trade creditors, there are outstanding trade balances with directors and related parties of \$1,240,466 (2007 - \$104,044)

17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Family		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Other creditors	<u>\$ 1,800,845</u>	<u>\$ 4,721,197</u>	<u>\$ 1,800,845</u>	<u>\$ 4,721,197</u>

BOREALIS EXPLORATION LIMITED

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NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2008(Continued)

17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (Continued)

Other Creditors represent loans made to the Company by certain directors with regards to helping to finance the operations of the Company in previous years. In order to be in a position to make these loans the directors sold on the market (net of returns to date) 120,490 (2007 – 123,490) of Borealis Exploration Limited. The Family is obliged to return the loan once it is in a position to do so, by repaying to the directors sufficient funds to allow the directors to re-purchase 120,490 shares on the open market. The amount due to directors is determined at each year-end. In 2008 there were 3,000 shares repurchased but not yet transferred to them. In addition, 239,679 options were exercised in previous years and the shares were not delivered to the purchasers as the exercise exceeded the number of shares that the Company is authorized to issue. The total amount is considered due to other creditors and carried at a value that approximates to the market value of the shares and options.

18. CALLED UP SHARE CAPITAL

	2008 \$	2007 \$
Authorised share capital		
5,000,000 ordinary shares @ \$0.01 each	\$ 50,000	\$ 50,000

	Number of Shares	Share Capital \$	Share Premium Account \$	Total \$
At 31 March 2006	5,000,000	50,000	24,241,030	24,291,030
Shares issued during the year	-	-	-	-
At 31 March 2007	5,000,000	50,000	24,241,030	24,291,030
Shares issued during the year	-	-	-	-
At 31 March 2008	5,000,000	\$ 50,000	\$24,241,030	\$24,291,030

BOREALIS EXPLORATION LIMITED

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NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2008 (Continued)

19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

	Share	Share	Non	Consolidated	
	Share	Premium	Distributable	Profit &	Total
	\$	Account	Reserve	Loss	\$
		\$	\$	Account	
				\$	
At 31 March 2007	50,000	24,241,030	-	(32,666,911)	(8,375,881)
Shares issued during the year	-	-	-	-	-
Non Distributable Reserve	-	-	4,585,272	-	4,585,272
Profit for the year	-	-	-	7,707,957	7,707,957
At 31 March 2008	<u>\$ 50,000</u>	<u>\$ 24,241,030</u>	<u>\$ 4,585,272</u>	<u>\$(24,958,954)</u>	<u>\$ 3,917,348</u>

20. NON DISTRIBUTABLE RESERVE

	2008	2007
	\$	\$
Development costs borne by joint venture partner	6,410,340	-
Minority interest therein	(1,825,068)	-
	<u>\$ 4,585,272</u>	<u>-</u>

This represents the increase in carrying value of the company's investment in the Eastern deposits mining resource of Roche Bay plc as a result of exploration and development expenditure incurred by Advanced Explorations Inc.

21. RELATED PARTY TRANSACTIONS

The Borealis Family of Companies is party to an agreement with Shiloh Limited International, Inc. ('Shiloh') dated 10 May 1999, the terms of which provide for Shiloh to receive 4 percent of gross revenues earned by Borealis, including funds raised by way of shares issue, in return for Borealis assigning responsibility for the payment of fees and other obligations in connection with the earning of such Revenues. During the year ended 31 March 2008 \$16,120 (2007 - \$5,800) was paid by Borealis to Shiloh in accordance with the terms of this agreement. The agreement is binding upon the parties for a period of 18 years and may be automatically renewed. The CEO is an agent for Shiloh, and Shiloh is owned by the Jeremiah Toyam Cox Foundation Limited of which the CEO is a member of the Council.

BOREALIS EXPLORATION LIMITED

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NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2008 (Continued)

21. RELATED PARTY TRANSACTIONS (Continued)

The Parmenides Group received fees of \$432,000 for management services in 2008. The Parmenides Group is owned by the Jeremiah Toyam Cox Foundation Limited of which the CEO is a member of the Council. During Fiscal Year 2008, The Parmenides Group was transferred 187,559 shares of Roche Bay plc in order to sell on behalf of Borealis Technical Limited. It was agreed that all proceeds of such sales would be credited to Roche Bay according to the terms of a previous agreement.

22. CONTINGENT LIABILITIES

Royalty payment

In 1993, Borealis renegotiated its loan with Mr. G. Gillet, which had been assigned to Boston Safe Deposit & Trust Company (Boston Safe). Under the agreement with Boston Safe, the loan was converted into 10,000 common shares of Borealis and a \$1,874,675 royalty. The royalty is to be paid from 25% of the net proceeds, as and when they are received, from the lease, sale or other disposition, or production on or from its mining properties. To date, \$2,625 has been paid to Boston Safe. In 1995, Boston Safe assigned its interest to its nominee, Mitlock Limited Partnership. This liability only becomes payable if the Company sells, disposes of, or commences production on, the mining properties. Consequently under Gibraltar GAAP, this liability has been reported as a contingent liability.