

BOREALIS EXPLORATION LIMITED

Gibraltar Registered No. 66632

Financial Statements

for the year ended 31 March 2009

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 aircraft (the WheelTug on-ground drive system for B-737NGs) to automobiles (as the drive motor for serial-hybrid vehicles); and silent, more-efficient 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, an extensive resource of magnetite iron ore located on a natural harbor and currently being developed; 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

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
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	Resigned 24 June 2008

Secretary

STM Fidecs Management Limited
Montagu Pavilion
8-10 Queensway
Gibraltar

Registered Office

Suite 3G, Eurolife Building
P.O. Box 575
1 Corral Road
Gibraltar

Auditors

Moore Stephens
Suite 5 Watergardens 4
Waterport
Gibraltar

BOREALIS EXPLORATION LIMITED

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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 2009.

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 significant interests in its mining properties through Roche Bay plc and Faraway plc. The Roche Bay Magnetite Project is now under development and the Freuchen Bay property of Faraway plc is seeking funding for development. Since the mid 1990s, the Family of Companies has shifted its principal focus to the business of conducting innovative industrial research and developing new industrial technologies, for which it now has well over a hundred patents either issued, approved for issue or pending. Our research and development costs for developing our industrial technologies have all been written off in the year incurred, and most R&D costs are funded by the issue of shares in subsidiary undertakings. From 1995 to 2007, most of the Borealis Family of Companies' direct expenses related to expenses incurred whilst carrying out its industrial research and development activities. From 2007 to 2009, on a consolidated basis, the development of the Roche Bay Magnetite Project has dominated our consolidated statements. However, we expect most or all future development costs of the Roche Bay Project to be funded by third parties. Starting in fiscal 2010, we expect the relative importance of the Roche Bay Project in our consolidated financial statements to decline as our ownership interest will be reflected by a combination of cash, future cash payments, and/or royalties on production; and as technologies resulting from our research and development efforts begin to generate revenues.

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, incorporated in 1997, owns major interests in two separate deposits of iron ore located in the Baffin Mining District of Nunavut, Canada, which together 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. These interests are:

DIRECTORS' REPORT (Continued)

(1) An 85% interest in the Eastern Deposits (which comprise the Roche Bay Magnetite Project and include four long-term mineral leases from the Government of Canada covering approximately 5,515 acres, plus a larger Area of Mutual Interest, located four to 15 miles from tidewater at Roche Bay on the Eastern shore of Melville Peninsula, Nunavut, Canada). The Company has made significant progress on the development of this Project in the past year, including several transactions with its joint venture partner, Advanced Explorations Inc. (AXI). The most recent Agreement grants AXI several options to increase its ownership interest in the Roche Bay Magnetite Project up to 100%, subject to various conditions, cash payments and a royalty interest. The buyout option would enable AXI to acquire 100% of Roche Bay's interest, excepting a perpetual precious metals royalty, for a single cash payment of C\$25 million until 15 March 2010 and increasing thereafter. The Directors are confident that AXI will take up this option, and have therefore accounted for the disposition as having been done. AXI has put the Roche Bay Magnetite Project on track for development and production at long last. Extensive work to develop an operating mine is underway. AXI has filed a formal mineral resource estimate under Canadian National Instrument 43-101, and is expected soon to issue a feasibility study, both of which are significant milestones on the path to an operating mine.

(2) Roche Bay plc also owns a 100% interest in the Western Roche Bay Magnetite Deposits of approximately 5,458 acres including three Government of Canada long-term mineral leases located about 110 kms from Roche Bay, on the western side of Melville Peninsula, Nunavut, Canada. The Company intends to retain its 100% interest in the Western Deposits, which are undeveloped.

Freuchen Bay Intracratonic Rift Project: www.faraway.gi

Faraway plc, incorporated 23 April 1996, 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 and power density. 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 significant aerospace, ship propulsion and automotive uses.

BOREALIS EXPLORATION LIMITED

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DIRECTORS' REPORT (Continued)

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 2007 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, which was incorporated 23 April 1996, 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 because our first sales of Cool Chips technology are expected to be delivery of products for high value applications.

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.

Power Chips plc was incorporated 11 February 1997. There is considerable industry interest in this technology.

Borealis Technical Limited, incorporated 1993, is a 98% owned subsidiary of the Company, manages the above operations, along with other research that 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. It is anticipated that the research and development activities will significantly increase in fiscal year 2010.

Financial Review

Results for the Borealis Family of Companies for the year are shown in the consolidated profit and loss account on page 10.

As of 31 March 2009 the Family of Companies had accumulated losses of \$33,972,164 (2008-\$24,958,954) and a working capital deficit of \$ 5,532,520 (Deficit in 2008 - \$4,131,782). The net equity, as at 31 March 2009 amounted to \$ 14,090,470 (2008 - \$16,593,670).

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

BOREALIS EXPLORATION LIMITED

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DIRECTORS' REPORT (Continued)

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.

Directors and their Interests

The directors who served during the year were as stated on page 2.
The interest of the directors in the shares of the Company were as follows:

	Number of shares held at 31 March 2009	Number of shares held at 31 March 2008
Rodney T. Cox	2,549	20,549
Wayne S. Marshall	98,904	98,904
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

Share Options

As of 31 March 2009 there were no share options outstanding.

BOREALIS EXPLORATION LIMITED

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DIRECTORS' REPORT (Continued)

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 was passed at the Annual General Meeting.

By order of the Board on 22 December
2009



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 2009 set out on pages 10 to 26. These financial statements have been prepared under the Accounting Policies set out on pages 15 to 16.

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 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.

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INDEPENDENT AUDITORS' REPORT (Continued)

In connection with the other information provided by the Company, we also draw attention to the content of the Forward-Looking Statement on page 1.

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 2009, and of the group's loss for the year 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.



Gibraltar
22 December 2009

Moore Stephens
CHARTERED ACCOUNTANTS

BOREALIS EXPLORATION LIMITED

Gibraltar Registered No. 66632

CONSOLIDATED PROFIT AND LOSS ACCOUNT for the year ended 31 March 2009

	Notes	2009 \$	2008 \$
Expenditure		<u>(5,694,426)</u>	<u>(10,116,735)</u>
Operating loss	4	(5,694,426)	(10,116,735)
Joint venture income		-	12,672,742
Profit on disposal of fixed assets		-	124,188
(Loss) Profit on disposal of marketable investments		(8,741)	311,800
Unrealised loss on devaluation of marketable securities		(8,727,401)	(669,901)
Financing gain		1,113,304	2,856,787
Interest received		269	3,239
Interest paid		<u>(47,395)</u>	<u>(56,544)</u>
		-	
(Loss) Income on ordinary activities before taxation		(13,364,390)	5,125,576
Taxation		<u>-</u>	<u>-</u>
(Loss) Income on ordinary activities after taxation		(13,364,390)	5,125,576
Profit (Loss) on sale of shares in subsidiary companies		1,681,200	(29,889)
Gain on decrease in stake in subsidiaries	9	1,083,102	5,602,761
Equity Minority interest	9	<u>1,586,878</u>	<u>(1,817,708)</u>
(Loss) Profit for the year		(9,013,210)	8,880,740
Dividends paid to minority shareholders		<u>-</u>	<u>(1,172,783)</u>
Result for the financial year		<u><u>\$(9,013,210)</u></u>	<u><u>\$7,707,957</u></u>
(Loss) / Earnings per share	10	<u><u>\$(1.80)</u></u>	<u><u>\$1.78</u></u>

STATEMENT OF RECOGNISED GAINS AND LOSSES THROUGH RESERVES

Increase in the carrying cost of mining resources	13, 20	<u><u>\$5,685,693</u></u>	<u><u>\$4,585,272</u></u>
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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 loss on ordinary activities before taxation and the loss for the financial year stated above and their historical cost equivalents.

The notes on pages 15 to 26 form part of these Financial Statements.

BOREALIS EXPLORATION LIMITED

Gibraltar Registered No. 66632

CONSOLIDATED BALANCE SHEET as at 31 March 2009

	Notes	2009 \$	2008 \$
Fixed Assets			
Intangible assets	11	552,289	563,024
Tangible assets	12	30,006	31,006
Mining resources	13	2,573,600	12,400,554
Residential property	13	20,500	20,500
Marketable Securities	14	37,052	9,511,213
Deferred compensation receivable	15	17,097,084	-
		<u>20,310,531</u>	<u>22,526,297</u>
Current assets			
Accounts Receivable	16	875,947	266,422
Cash at bank and in hand		<u>33,701</u>	<u>316,964</u>
		909,648	583,386
Creditors: amounts falling due within one year	17	<u>(6,442,168)</u>	<u>(4,715,168)</u>
Net current liabilities		<u>(5,532,520)</u>	<u>(4,131,782)</u>
Total assets less current liabilities		14,778,011	18,394,515
Creditors:			
amounts falling due after more than one year	18	<u>(687,541)</u>	<u>(1,800,845)</u>
Net Assets		<u>\$14,090,470</u>	<u>\$16,593,670</u>
Capital and Reserves			
Called up Share Capital	19,20	50,000	50,000
Share Premium Account	19,20	24,241,030	24,241,030
Non Distributable Reserve	21	10,270,965	4,585,272
Profit and Loss Account	20	<u>(33,972,164)</u>	<u>(24,958,954)</u>
Total shareholders' funds		589,831	3,917,348
Minority interests - equity	9	<u>13,500,639</u>	<u>12,676,322</u>
Total Equity		<u>\$14,090,470</u>	<u>\$16,593,670</u>

The financial statements on pages 10 to 26 were approved by the Board of Directors on 22 December 2009, and signed on their behalf by:



Isaiah W. Cox
Director



Rodney T. Cox
Director

The notes on pages 15 to 26 form part of these Financial Statements.

BOREALIS EXPLORATION LIMITED

Gibraltar Registered No. 66632

COMPANY BALANCE SHEET as at 31 March 2009

	Notes	2009 \$	2008 \$
Fixed Assets			
Intangible Assets	11	552,289	563,024
Tangible Assets	12	30,006	31,006
Marketable Securities	14	<u>10,706</u>	<u>3,207,960</u>
		593,001	3,801,990
Investments in subsidiary undertakings	9	<u>83,950</u>	<u>83,950</u>
		676,951	677,980
Current Assets			
Debtors	16	511,174	481,811
Cash at bank and in hand		<u>28,780</u>	<u>219,311</u>
		539,954	701,122
Creditors: amounts falling due within one year	17	<u>(31,187,218)</u>	<u>(29,460,339)</u>
Net current liabilities		<u>(30,647,264)</u>	<u>(28,759,217)</u>
Total assets less current liabilities		(29,970,313)	(24,873,277)
Creditors: amounts falling due after more than one year	18	<u>(687,541)</u>	<u>(1,800,845)</u>
Total net liabilities		<u><u>\$(30,657,854)</u></u>	<u><u>\$(26,674,122)</u></u>
Deficiency in assets			
Called up Share Capital	19,20	50,000	50,000
Share Premium Account	19,20	24,241,030	24,241,030
Profit and Loss Account	7	<u>(54,948,884)</u>	<u>(50,965,152)</u>
Total deficit in shareholders' funds		<u><u>\$(30,657,854)</u></u>	<u><u>\$(26,674,122)</u></u>

The financial statements on pages 10 to 26 were approved by the Board of Directors on 22 December 2009, and signed on their behalf by:



Isaiah W. Cox
Director



Rodney T. Cox
Director

The notes on pages 15 to 26 form part of these Financial Statements.

BOREALIS EXPLORATION LIMITED

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CONSOLIDATED CASH FLOW STATEMENT for the year ended 31 March 2009

	2009 \$	2008 \$
Net cash outflow from operating activities	<u>(4,538,173)</u>	<u>(6,196,348)</u>
Returns on investments and servicing of finance		
Interest received	269	3,239
Interest paid	(47,395)	(56,544)
Cash content of dividends paid	-	(40,538)
Net cash outflow from servicing of finance	<u><u>\$(47,126)</u></u>	<u><u>\$(93,843)</u></u>
Capital expenditure and financial investment		
Marketable securities acquired	-	(13,000,000)
Patent acquisitions	(20,543)	(94,269)
Tangible fixed assets acquisitions	(6,500)	(4,323)
Mineral resources disposals	847,423	267,000
Proceeds on disposal of Marketable Securities	738,019	801,700
Warrants converted	-	(87,500)
Shares investments acquired	-	(134,300)
Development cost of mining resource	-	(102,440)
Lease costs of mining resources	(20,665)	(31,830)
Net cash inflows (outflow) from capital expenditure and financial investment	<u><u>\$1,537,734</u></u>	<u><u>\$(12,385,962)</u></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 in subsidiaries for cash consideration	451,500	493,000
Shares issued in subsidiaries for services	631,602	3,755,571
Net cash inflow from disposals	<u><u>\$1,083,102</u></u>	<u><u>\$17,527,389</u></u>
Financing activities		
Realised profits from sales of subsidiary shares	1,681,200	1,324,300
Funds repaid for purchase of shares advanced to directors	-	(25,026)
Net cash inflow from financing	<u><u>\$1,681,200</u></u>	<u><u>\$1,299,274</u></u>
Net (decrease) / increase in cash resources	<u><u>\$(283,263)</u></u>	<u><u>\$150,510</u></u>

The notes on pages 15 to 26 form part of these Financial Statements.

BOREALIS EXPLORATION LIMITED

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CONSOLIDATED CASH FLOW STATEMENT (Continued)

RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2009	2008
	\$	\$
Operating loss for the year	(5,694,426)	(10,116,735)
Depreciation of fixed assets	7,500	28,742
Amortisation of patents	31,278	29,480
Bonuses paid to staff in warrants	-	1,380,000
(Increase) Decrease in accounts receivable	(609,525)	134,815
Increase (Decrease) in accounts payable	1,727,000	2,347,350
Net cash outflow from operating activities	<u><u>\$ (4,538,173)</u></u>	<u><u>\$ (6,196,348)</u></u>

MOVEMENT IN CASH AND ANALYSIS OF CASH BALANCES

	2009	2008
	\$	\$
Changes in net cash		
At 1 April 2008	316,964	166,454
(Decrease) Increase in cash in the year	<u>(283,263)</u>	<u>150,510</u>
At 31 March 2009	<u><u>\$33,701</u></u>	<u><u>\$316,964</u></u>
Analysis of cash balances	2009	2008
	\$	\$
Cash at bank	<u><u>\$33,701</u></u>	<u><u>\$316,964</u></u>

The notes on pages 15 to 26 form part of these Financial Statements.

BOREALIS EXPLORATION LIMITED

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NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2009

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 2009 (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 3 to 7 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. The cash flow estimates used for the purpose of calculating the present value of expected future mining production from Roche Bay's Eastern deposits is based on a conservative estimate of the iron ore resource, and by applying the various possibilities going forward as listed in the agreement with AXI, on a weighted basis, to the discounted cash flow applicable to each possibility.

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.

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NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2009 (Continued)

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 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

	2009	2008
Operating loss is stated after charging	\$	\$
Depreciation	7,500	28,742
Amortisation	31,278	29,480
Group Audit Fees	59,752	88,912

5. DIRECTORS' EMOLUMENTS

The total amount of emoluments paid to directors during the year was \$1,096,104 (2008 - \$4,494,211). Included in last 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 \$121,200 (2008 - \$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 loss for the financial year is a loss of \$3,923,730, (profit 2008 - \$6,121,075) 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.

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NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2009 (Continued)

8. TAXATION

The Company and some 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	
	2009	2008	2009	2008
	%	%	\$	\$
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	83,372
Roche Bay Holdings Limited	99%	99%	160	160
Total investments			\$83,950	\$83,950

Indirectly held by the Company	Ownership Interest	
	2009	2008
	%	%
Avto Metals Public Limited Company	96.89%	96.89%
Chorus Motors Public Limited Company	78.77%	78.79%
Cool Chips plc	63.02%	63.03%
Faraway Holdings (Barbados) Limited	82.80%	100.00%
Photon Power Public Limited Company	99.59%	99.59%
Power Chips Public Limited Company	64.94%	64.96%
Roche Bay Holdings (Barbados) Limited	99.00%	99.00%
Roche Bay Public Limited Company	70.80%	71.53%
Borealis Roche Bay Limited	99.00%	99.00%
Wheeltug Public Limited Company	94.91%	96.12%
Cool Chips Military Sales plc	63.02%	63.03%
Faraway Public Limited Company	82.80%	82.80%
Asamera Limited	64.94%	0.00%

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NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2009 (Continued)

9. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS (Continued)

WheelTug plc is 94.91% owned by Chorus Motors plc, which is 78.77% owned by Borealis Exploration Limited. Cool Chips Military Sales plc is owned 100% by Cool Chips plc which is 63.02% owned by Borealis Exploration Limited. Roche Bay East Ltd, and Fraser Bay plc are both 100% owned by Roche Bay plc, which is 70.80% owned by Borealis Exploration Limited. Asamera Ltd is 100% owned by Power Chips plc which is 64.94% owned by Borealis Exploration Limited.

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 2009, further funds were raised by issue of shares at a premium by Chorus Motors plc, Faraway plc, and Roche Bay plc. A minority interest of \$13,500,639 (2008 - \$12,676,322) in the subsidiaries is presented on the balance sheet effective 31 March 2009. The increase of \$824,317 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 minority interest is divided into two elements, being that on the Non Distributable Reserve, which has increased by \$2,411,195 (see note 21), and that on the Profit and Loss result, which has decreased by \$1,586,878 as a result of group losses this year. The equity of the Borealis Family of Companies in the share premiums paid by third parties during the year of \$1,083,102 (2008- \$5,602,761) is shown as a gain in the profit and loss account.

10. EARNINGS PER SHARE

	2009		2008		
	Weighted	Per	Weighted	Per	
Earnings	Average	Share	Average	Share	
\$	Number of	Amount	Number of	Amount	
	Shares	\$	Shares	\$	
Basic EPS					
(Loss) Earnings attributable					
To Ordinary	5,000,000	(1.80)	8,880,740	5,000,000	1.78

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.

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NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2009 (Continued)

11. GROUP AND COMPANY - INTANGIBLE FIXED ASSETS – PATENT FILING FEE

	Cost \$	Amortisation \$	Total \$
At 1 April 2008	736,420	173,396	563,024
Additions / Charge in year	<u>20,542</u>	<u>31,277</u>	<u>(10,735)</u>
At 31 March 2009	<u>\$756,962</u>	<u>\$204,673</u>	<u>\$552,289</u>

12. GROUP AND COMPANY - TANGIBLE FIXED ASSETS

Family	Mining, Drilling and Camp Equipment \$	Moveable Fixed Assets \$	Total \$
Cost			
At 1 April 2008	655,808	122,656	778,464
Additions	<u>-</u>	<u>6,500</u>	<u>6,500</u>
	<u>655,808</u>	<u>129,156</u>	<u>784,964</u>
Depreciation			
At 1 April 2008	655,808	91,650	747,458
Charge for year	<u>-</u>	<u>7,500</u>	<u>7,500</u>
At 31 March 2009	<u>655,808</u>	<u>99,150</u>	<u>754,958</u>
Net book value			
At 31 March 2009	<u>\$-</u>	<u>\$30,006</u>	<u>\$30,006</u>
At 31 March 2008	<u>\$-</u>	<u>\$31,006</u>	<u>\$31,006</u>

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NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2009 (Continued)

13. GROUP'S INVESTMENT – MINING PROPERTIES

	2009	2008
	\$	\$
Roche Bay plc Government of Canada		
21 year renewable mining leases		
Balance 1 April 2008	12,247,228	6,421,288
Lease payments	20,665	21,675
	<u>12,267,893</u>	<u>6,442,963</u>
Increase in carrying value	8,096,888	6,410,340
	<u>20,364,781</u>	<u>12,853,303</u>
Disposals at cost	(17,952,684)	(606,075)
	<u>2,412,097</u>	<u>12,247,228</u>
Faraway plc Government of Canada		
21 year renewable mining leases	153,326	143,171
Lease payments	8,177	10,155
	<u>161,503</u>	<u>153,326</u>
Total Government of Canada		
21 year renewable mining leases	<u>\$2,573,600</u>	<u>\$12,400,554</u>

During the year the Roche Bay plc concluded an agreement which superseded its 2007 Option and Farm-Out Agreement with Advanced Explorations Inc. (as later amended). Under the terms of the new agreement, the company has granted AXI several options to increase its current 15% equity interest in the Eastern deposit leases and the Roche Bay Magnetite Project to 100%. The Earn-In Option provides for milestones by which AXI can increase its ownership interest, up to 100% upon public announcement of a decision to place the Project into production. The Buy-Out Option enables AXI to acquire 100% of Roche Bay's interest in the Eastern leases and the Project, subject to a perpetual precious metals royalty, certain interim payments and a final payment of C\$25,000,000 before March 15, 2010, or C\$30,000,000 before March 15, 2011. The Half Buy-Out Option enables AXI to purchase one-half of Roche Bay's royalty interest in the Project for C\$35,000,000 anytime prior to March 31, 2020, subject to Roche Bay retaining one-half the iron-products royalty and the entire precious metals royalty, and certain other conditions. In addition the company received certain warrants to acquire shares in AXI. Should AXI not take up the buyout option, Roche Bay will have the right to receive in perpetuity, royalties on gross proceeds of mineral products, at the rate of 6% for product < 90% iron weight, and 4% for product > 90% iron weight.

AXI have at their fiscal year end incurred approximately \$29.1 million of exploration and development costs and in accordance with the agreement have achieved milestones that entitle them to a 15% interest in the resource. The Company has increased the carrying value of its investments in the Eastern deposits by \$14,507,228 (see note 21) being 49.9% of the AXI development expenditure. Other development costs and lease payments by the Company have been capitalised. Since the joint venture is in respect of the Eastern deposits only, it has been necessary to split the total amount carried in the books for the two mining resources. All project costs capitalized in and after fiscal year 2007 were in respect of the Eastern deposits and have been allocated appropriately. Costs incurred prior to fiscal 2007 have been allocated on the basis of acreage since there is insufficient historical information available to identify exactly on which resource costs were actually incurred.

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NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2009 (Continued)

13. GROUP'S INVESTMENT – RESIDENTIAL PROPERTY

Investment Residential Property	2009	2008
	\$	\$
At Cost - Acquired May 2006	20,500	34,173
Improvements	-	27,262
	<u>20,500</u>	<u>61,435</u>
Less - cost of house sold	-	40,935
	<u>\$20,500</u>	<u>\$20,500</u>
Directors estimate of market value on 31 March	<u>\$75,000</u>	<u>\$75,000</u>

Two bedroomed house built in 1990 is situated 75 sea kilometres from the mining property. It is maintained by Advanced Explorations, Inc. to house their staff. No rent has been charged.

14. MARKETABLE SECURITIES

Family	2009	2008
Shares and warrants in Advanced Explorations Inc	\$	\$
Common Shares	37,051	515,760
Series A 1 Warrants	1	6,835,453
Series B 1 Warrants	-	2,160,000
	<u>\$37,052</u>	<u>\$9,511,213</u>
Company		
Common Shares	10,705	95,760
Series A 1 Warrants	1	3,112,200
	<u>\$10,706</u>	<u>\$3,207,960</u>

The closing price of AXI at year end was approximately \$0.128 (2008 - \$1.68). This is the major contributing factor to the decline in the value of Marketable Securities, and the consequent unrealised loss of \$ 8,727,401 in respect of the devaluation of marketable securities as shown on the Consolidated Profit and Loss Account.

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NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2009(Continued)

15. DEFERRED COMPENSATION RECEIVABLE

	2009 \$	2008 \$
Receivable in royalties	<u>\$16,445,334</u>	<u>\$-</u>
Receivable in cash and marketable securities	1,448,100	-
Less: receivable within the year	<u>796,350</u>	<u>-</u>
	<u>\$651,750</u>	<u>\$-</u>
	<u>\$17,097,084</u>	<u>\$-</u>

Deferred compensation arises from the Buy Out agreement between Roche Bay and AXI, whereby AXI has the right to acquire 100% of the eastern leases. Full effect has been given to this buyout in this report whereby the carrying value of Roche Bay's eastern leases has been removed and replaced by the right to receive deferred compensation from AXI. Further details of the Buy Out agreement can be found in note 13. No profit has been recognised on the transaction.

Of the \$1,448,100 receivable, an amount of \$508,000 is in marketable securities, namely 4,000,000 shares in AXI, 50% receivable on approval of the agreement by the Toronto Venture Exchange, and 50% receivable on 30 September 2009. The balance of \$940,100 is receivable in cash. Of this amount \$27,750 has since been received, and the balance is due as follows: \$71,000 on 30 June 2009, \$189,600 on 15 December 2009, and 3 payments of \$217,250 on 15 December 2010, 2011 and 2012 respectively.

16. ACCOUNTS RECEIVABLE

	Family		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
Advances to suppliers and consultants	79,597	266,422	65,787	254,421
Current portion of deferred compensation receivable	796,350	-	-	-
Amounts due from Family undertakings	<u>-</u>	<u>-</u>	<u>445,387</u>	<u>227,390</u>
Total accounts receivable	<u>\$875,947</u>	<u>\$266,422</u>	<u>\$511,174</u>	<u>\$481,811</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 \$13,041 (2008- \$235,253) which are owed from directors and related parties.

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NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2009(Continued)

17. ACCOUNTS PAYABLE

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 \$1,392,934 (2008 - \$1,240,446)

Creditors falling due within one year

	Family		Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
Trade creditors	6,442,168	4,715,168	5,439,679	3,015,695
Amounts due to Family undertakings	-	-	25,747,539	26,444,644
	<u>\$6,442,168</u>	<u>\$4,715,168</u>	<u>\$31,187,218</u>	<u>\$29,460,339</u>

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

	Family		Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
Other creditors	<u>\$687,541</u>	<u>\$1,800,845</u>	<u>\$687,541</u>	<u>\$1,800,845</u>

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) 120,290 shares (2008 – 120,490) 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 120,290 shares on the open market. The amount due to directors is determined at each year-end. In 2009 there were 200 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.

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NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2009 (Continued)

19. CALLED UP SHARE CAPITAL

			2009	2008
			\$	\$
Authorised share capital				
5,000,00 ordinary shares @ \$0.01 each			<u>\$50,000</u>	<u>\$50,000</u>
	Number of	Share	Share	
	Shares	Capital	Premium	Total
		\$	Account	\$
			\$	\$
At 31 March 2007	5,000,000	50,000	24,241,030	24,291,030
Profit (Loss) for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 31 March 2008	5,000,000	50,000	24,241,030	24,291,030
Profit (Loss) for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 31 March 2009	<u>5,000,000</u>	<u>\$50,000</u>	<u>\$24,241,030</u>	<u>\$24,291,030</u>

20. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

	Share	Share	Non	Consolidated	
	Capital	Premium	Distributable	Profit & Loss	Total
	\$	\$	Reserve	Account	
			\$		
At 31 March 2008	50,000	24,241,030	4,585,272	(24,958,954)	3,917,348
Shares issued					
during the year	-	-	-	-	-
Non Distributable Reserve	-	-	5,685,693	-	5,685,693
Profit for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>(9,013,210)</u>	<u>(9,013,210)</u>
At 31 March 2009	<u>\$50,000</u>	<u>\$24,241,030</u>	<u>\$10,270,965</u>	<u>\$(33,972,164)</u>	<u>\$589,831</u>

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NOTES TO THE FINANCIAL STATEMENTS 1.04 for the year ended 31 March 2009 (Continued)

21. GROUP'S NON DISTRIBUTABLE RESERVE

	2009	2008
	\$	\$
Development costs borne by joint venture partner	14,507,228	6,410,340
Minority interest therein	<u>(4,236,263)</u>	<u>(1,825,068)</u>
	<u>\$10,270,965</u>	<u>\$4,585,272</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.

22. RELATED PARTY TRANSACTIONS

The Borealis Family of Companies is party to an agreement with a fee-paying company, 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 to Shiloh for the payment of fees and other obligations in connection with the earning of such Revenues. During the year ended 31 March 2009, \$17,880 (2008 - \$16,120) was paid by Borealis to Shiloh in accordance with the terms of the agreement.

The Parmenides Group received fees of \$432,000 for management services in 2009, including compensation to key members of the executive team, as well as general office services.

The Parmenides Group is owned by Shiloh Limited International, Inc., ('Shiloh'), of which three of its Directors, Rodney T. Cox, Isaiah W. Cox and Wayne S. Marshall, are also directors of the Company. Shiloh is owned by The Jeremiah Toyam Cox Foundation Limited, ('Foundation'), whose Council Members include Rodney T. Cox, Isaiah W. Cox and Nechama J. Cox, who are also directors of the Company. The Council Members have no direct or indirect beneficial interest in the Foundation.