

# **BOREALIS EXPLORATION LIMITED**

**Gibraltar Registered Number 66632**

**Unaudited Financial Statements  
for the three months ending 30 June 2008  
the first quarter of Fiscal Year 2009**

**BOREALIS EXPLORATION LIMITED**

Registered No (Gibraltar) 66632

**CONSOLIDATED PROFIT AND LOSS ACCOUNT  
for the quarter ended 30 June 2008**

	<b>30 June 2008</b>	<b>30 June 2007</b>
	<b>\$</b>	<b>\$</b>
<b>Expenditure</b>	<u>(873,709)</u>	<u>(3,970,866)</u>
<b>Operating loss</b>	(873,709)	(3,970,866)
Joint venture income	-	233,770
Loss on disposal of marketable investments	(12,564)	-
Unrealised loss on devaluation of marketable securities	(1,354,784)	-
Financing gain	162,076	1,725,053
Interest received	205	1,694
Interest paid	<u>(1,752)</u>	<u>(10,799)</u>
<b>Income (Loss) on ordinary activities before taxation</b>	(2,080,528)	(2,021,148)
Taxation	<u>-</u>	<u>-</u>
<b>Income (Loss) on ordinary activities after taxation</b>	(2,080,528)	(2,021,148)
Profit (Loss) on sale of shares in subsidiary companies	19,990	519,894
Gain on decrease in stake in subsidiaries	2,013,813	3,266,195
Equity Minority interest	<u>(1,481,173)</u>	<u>(1,437,998)</u>
Profit for the year	(1,527,898)	326,943
<b>Retained Profit (Loss) for the financial year</b>	<u>\$ (1,527,898)</u>	<u>\$ 326,943</u>
<b>Earnings per share</b>	<u>\$ (0.31)</u>	<u>\$ 0.07</u>

**BOREALIS EXPLORATION LIMITED**

Registered No (Gibraltar) 66632

**CONSOLIDATED BALANCE SHEET**

for the quarter ended 30 June 2008

	<b>30 June 2008</b>	<b>30 June 2007</b>
	\$	\$
<b>Fixed Assets</b>		
Intangible assets	559,432	496,460
Tangible assets	27,303	210,767
Investments mining resources	12,405,066	6,497,276
residential properties	20,500	61,435
	<u>13,012,301</u>	<u>7,265,938</u>
Marketable Securities	7,737,901	-
<b>Current assets</b>		
Cash at bank and in hand	53,048	229,440
Accounts Receivable	426,665	440,376
	<u>479,713</u>	<u>669,816</u>
<b>Creditors: amounts falling due within one year</b>	<u>(4,861,909)</u>	<u>(2,517,004)</u>
<b>Net current (liabilities) / assets</b>	<u>(4,382,196)</u>	<u>(1,847,188)</u>
<b>Total assets less current liabilities</b>	16,368,006	5,418,750
<b>Creditors: amounts falling due after more than one year</b>	(1,638,769)	(2,996,144)
<b>Net Assets (Liabilities)</b>	<u>\$ 14,729,237</u>	<u>\$ 2,422,606</u>
<b>Capital and Reserves</b>		
Called up Share Capital	50,000	50,000
Share Premium Account	24,241,030	24,241,030
Non Distributable Reserve	4,585,272	-
Profit and Loss Account	(26,486,852)	(32,339,968)
<b>Total shareholders' funds</b>	2,389,450	(8,048,938)
Minority interests - equity	12,339,787	10,471,544
<b>Total Equity</b>	<u>\$ 14,729,237</u>	<u>\$ 2,422,606</u>

**BOREALIS EXPLORATION LIMITED**  
**Registered No (Gibraltar) 66632**

**CONSOLIDATED CASH FLOW STATEMENT**  
**for the quarter ended 30 June 2008**

	<b>30 June 2008</b>	<b>30 June 2007</b>
	<b>\$</b>	<b>\$</b>
<b>Net cash outflow from operating activities</b>	<u>(878,674)</u>	<u>(3,842,092)</u>
<b>Returns on investments and servicing of finance</b>		
Interest received	205	1,694
Interest paid	(1,752)	(10,799)
Net cash outflow from servicing of finance	<u>\$ (1,547)</u>	<u>\$ (9,105)</u>
<b>Capital expenditure and financial investment</b>		
Patent acquisitions	(1,245)	(6,282)
Tangible fixed assets acquisitions	-	(2,701)
Proceeds of disposal of Marketable Securities	263,852	-
Warrants converted	(52,500)	-
Shares investments acquired	(21,456)	-
Development cost of mining resource	-	(92,576)
Lease costs of mining resources	(4,512)	(4,117)
Net cash outflow from capital expenditure and financial investment	<u>\$ 184,139</u>	<u>\$ (105,676)</u>
<b>Acquisitions and disposals</b>		
Down payment received from joint venture agreement	-	233,770
Shares issued for cash consideration and for services	250,100	1,541,142
Net cash inflow from disposals	<u>\$ 250,100</u>	<u>\$ 1,774,912</u>
<b>Financing activities</b>		
Realised profits from sales of shares in subsidiary companies	19,990	519,894
Funds repaid for purchase of shares advanced to directors	162,076	1,725,053
Net cash inflow from financing	<u>\$ 182,066</u>	<u>\$ 2,244,947</u>
Net increase (decrease) in cash resources	<u>\$ (263,916)</u>	<u>\$ 62,986</u>

**BOREALIS EXPLORATION LIMITED**

Registered No (Gibraltar) 66632

**CONSOLIDATED CASH FLOW STATEMENT (Continued)**  
for the quarter ended 30 June 2008**RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES**

	<b>30 June 2008</b>	<b>30 June 2007</b>
	<b>\$</b>	<b>\$</b>
Operating loss for the year	(873,709)	(3,970,866)
Depreciation of fixed assets	3,700	8,056
Amortisation of patents	4,837	10,671
Decrease (Increase) in accounts receivable	(160,243)	(39,139)
Increase (Decrease) in accounts payable	146,741	149,186
Net cash outflow from operating activities	<u>\$ (878,674)</u>	<u>\$ (3,842,092)</u>

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

	<b>30 June 2008</b>	<b>30 June 2007</b>
	<b>\$</b>	<b>\$</b>
<b>Changes in net cash</b>		
At 1 April 2008	316,964	166,454
Increase (Decrease) in cash in the year	(263,916)	62,986
At 30 June 2008	<u>\$ 53,048</u>	<u>\$ 229,440</u>
<b>Analysis of cash balances</b>		
	<b>30 June 2008</b>	<b>30 June 2007</b>
	<b>\$</b>	
Cash at bank	<u>\$ 53,048</u>	<u>\$ 229,440</u>

**BOREALIS EXPLORATION LIMITED**

Registered No (Gibraltar) 66632

**COMPANY BALANCE SHEET  
for the quarter ended 30 June 2008**

	<b>30 June 2008</b>	<b>30 June 2007</b>
	<b>\$</b>	<b>\$</b>
<b>Fixed Assets</b>		
Intangible Assets	559,432	496,460
Tangible Assets	27,306	40,483
	<u>586,738</u>	<u>536,943</u>
Investments in subsidiary undertakings	83,950	83,990
	<u>670,688</u>	<u>620,933</u>
Marketable Securities	2,602,986	-
<b>Current Assets</b>		
Cash at bank and in hand	13,652	29,754
Debtors	724,055	399,098
	<u>737,707</u>	<u>428,852</u>
<b>Creditors: amounts falling due within one year</b>	<u>(29,265,087)</u>	<u>(29,188,048)</u>
<b>Net current liabilities</b>	<u>(28,527,380)</u>	<u>(28,759,196)</u>
<b>Total assets less current liabilities</b>	(25,253,706)	(28,138,263)
<b>Creditors: amounts falling due after more than one year</b>	<u>(1,638,769)</u>	<u>(2,996,144)</u>
<b>Total net liabilities</b>	<u><u>\$ (26,892,475)</u></u>	<u><u>\$ (31,134,407)</u></u>
<b>Deficiency in assets</b>		
Called up Share Capital	50,000	50,000
Share Premium Account	24,241,030	24,241,030
Profit and Loss Account	(51,183,505)	(55,425,437)
<b>Total deficit in shareholders' funds</b>	<u><u>\$ (26,892,475)</u></u>	<u><u>\$ (31,134,407)</u></u>