

BOREALIS EXPLORATION LIMITED

Gibraltar Registered Number 66632

**Unaudited Financial Statements
for the six months ending 30 September 2008
the second quarter of Fiscal Year 2009**

BOREALIS EXPLORATION LIMITED

Registered No (Gibraltar) 66632

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

	30 Sept 2008	30 Sept 2007
	\$	\$
Expenditure	<u>(1,940,820)</u>	<u>(6,529,167)</u>
Operating loss	(1,940,820)	(6,529,167)
Joint venture income	186,982	12,372,142
Loss on disposal of marketable investments	(14,869)	-
Unrealised loss on devaluation of marketable securities	(8,842,648)	-
Financing gain	1,083,775	2,175,984
Interest received	269	2,430
Interest paid	(28,603)	(22,329)
Income (Loss) on ordinary activities before taxation	<u>(9,555,914)</u>	<u>7,999,060</u>
Taxation	<u>-</u>	<u>-</u>
Income (Loss) on ordinary activities after taxation	(9,555,914)	7,999,060
Profit (Loss) on sale of shares in subsidiary companies	635,824	519,894
Gain on decrease in stake in subsidiaries	2,596,244	3,266,195
Equity Minority interest	(319,383)	(4,307,799)
Profit for the year	<u>(6,643,229)</u>	<u>7,477,350</u>
Retained Profit (Loss) for the financial year	<u>\$ (6,643,229)</u>	<u>\$ 7,477,350</u>
Earnings per share	<u>\$ (1.33)</u>	<u>\$ 1.50</u>

BOREALIS EXPLORATION LIMITED

Registered No (Gibraltar) 66632

**CONSOLIDATED BALANCE SHEET
for the quarter ended 30 September 2008**

	30 Sept 2008	30 Sept 2007
	\$	\$
Fixed Assets		
Intangible assets	562,409	505,188
Tangible assets	30,105	200,096
Investments mining resources	16,491,921	7,312,274
residential properties	20,500	61,435
	<u>17,104,935</u>	<u>8,078,993</u>
Marketable Securities	125,499	12,063,325
Current assets		
Cash at bank and in hand	54,938	88,192
Accounts Receivable	49,929	310,345
	<u>104,867</u>	<u>398,537</u>
Creditors: amounts falling due within one year	<u>(4,086,147)</u>	<u>(5,887,451)</u>
Net current (liabilities) / assets	<u>(3,981,280)</u>	<u>(5,488,914)</u>
Total assets less current liabilities	13,249,154	14,653,404
Creditors: amounts falling due after more than one year	(720,338)	(2,521,213)
Net Assets (Liabilities)	<u>\$ 12,528,816</u>	<u>\$ 12,132,191</u>
Capital and Reserves		
Called up Share Capital	50,000	50,000
Share Premium Account	24,241,030	24,241,030
Non Distributable Reserve	7,424,095	794,240
Profit and Loss Account	(31,601,308)	(25,189,561)
Total shareholders' funds	113,817	(104,291)
Minority interests - equity	<u>12,414,999</u>	<u>12,236,482</u>
Total Equity	<u>\$ 12,528,816</u>	<u>\$ 12,132,191</u>

BOREALIS EXPLORATION LIMITED

Registered No (Gibraltar) 66632

CONSOLIDATED CASH FLOW STATEMENT

for the quarter ended 30 September 2008

	30 Sept 2008	30 Sept 2007
	\$	\$
Net cash outflow from operating activities	<u>(2,336,275)</u>	<u>(4,009,926)</u>
Returns on investments and servicing of finance		
Interest received	269	2,430
Interest paid	(28,603)	(22,329)
Net cash outflow from servicing of finance	<u>\$ (28,334)</u>	<u>\$ (19,899)</u>
Capital expenditure and financial investment		
Patent acquisitions	(9,060)	(23,202)
Tangible fixed assets acquisitions	-	(2,701)
Proceeds of disposal of Marketable Securities	263,852	-
Warrants converted	(52,500)	-
Shares investments acquired	(21,456)	(12,063,325)
Development cost of mining resource	-	(102,440)
Lease costs of mining resources	(15,542)	(15,010)
Net cash outflow from capital expenditure and financial investment	<u>\$ 165,294</u>	<u>\$ (12,206,678)</u>
Acquisitions and disposals		
Proceeds from joint venture agreement	186,982	12,372,142
Shares issued for cash consideration and for services	145,074	1,090,211
Net cash inflow from disposals	<u>\$ 332,056</u>	<u>\$ 13,462,353</u>
Financing activities		
Realised profits from sales of shares in subsidiary companies	521,458	519,894
Funds repaid for purchase of shares advanced to directors	1,083,775	2,175,984
Net cash inflow from financing	<u>\$ 1,605,233</u>	<u>\$ 2,695,878</u>
Net increase (decrease) in cash resources	<u>\$ (262,026)</u>	<u>\$ (78,272)</u>

BOREALIS EXPLORATION LIMITED

Registered No (Gibraltar) 66632

CONSOLIDATED CASH FLOW STATEMENT (Continued)

for the quarter ended 30 September 2008

RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	30 Sept 2008	30 Sept 2007
	\$	\$
Operating loss for the year	(1,940,820)	(6,529,167)
Depreciation of fixed assets	7,400	21,342
Amortisation of patents	9,674	16,248
Decrease (Increase) in accounts receivable	216,493	90,892
Increase (Decrease) in accounts payable	(629,022)	2,390,759
Net cash outflow from operating activities	<u>\$ (2,336,275)</u>	<u>\$ (4,009,926)</u>

MOVEMENT IN CASH AND ANALYSIS OF CASH BALANCES

	30 Sept 2008	30 Sept 2007
	\$	\$
Changes in net cash		
At 1 April 2008	316,964	166,454
Increase (Decrease) in cash in the year	(262,026)	(78,272)
At 30 September 2008	<u>\$ 54,938</u>	<u>\$ 88,182</u>

	30 Sept 2008	30 Sept 2007
	\$	\$
Analysis of cash balances		
Cash at bank	<u>\$ 54,938</u>	<u>\$ 88,182</u>

BOREALIS EXPLORATION LIMITED

Registered No (Gibraltar) 66632

COMPANY BALANCE SHEET

for the quarter ended 30 September 2008

	30 Sept 2008	30 Sept 2007
	\$	\$
Fixed Assets		
Intangible Assets	562,409	505,188
Tangible Assets	30,105	36,783
	<u>592,514</u>	<u>541,971</u>
Investments in subsidiary undertakings	83,950	83,990
	<u>676,464</u>	<u>625,961</u>
Marketable Securities	34,119	-
Current Assets		
Cash at bank and in hand	870	37,345
Debtors	417,319	3,342,460
	418,189	3,379,805
Creditors: amounts falling due within one year	<u>(28,954,364)</u>	<u>(29,256,535)</u>
Net current liabilities	<u>(28,536,175)</u>	<u>(25,876,730)</u>
Total assets less current liabilities	(27,825,592)	(25,250,769)
Creditors: amounts falling due after more than one year	<u>(720,338)</u>	<u>(2,521,213)</u>
Total net liabilities	<u>\$ (28,545,930)</u>	<u>\$ (27,771,982)</u>
Deficiency in assets		
Called up Share Capital	50,000	50,000
Share Premium Account	24,241,030	24,241,030
Profit and Loss Account	(52,836,960)	(52,063,012)
Total deficit in shareholders' funds	<u>\$ (28,545,930)</u>	<u>\$ (27,771,982)</u>