

BOREALIS EXPLORATION LIMITED

Gibraltar Registered Number 66632

**Unaudited Financial Statements
for the six months ending 30 September 2010
the first two quarters of Fiscal Year 2011**

BOREALIS EXPLORATION LIMITED

Registered No (Gibraltar) 66632

CONSOLIDATED PROFIT AND LOSS ACCOUNT for the six months ended 30 September 2010

	30 Sep 2010	30 Sep 2009
	\$	\$
Expenditure	<u>(1,616,910)</u>	<u>(1,535,610)</u>
Operating loss	(1,616,910)	(1,535,610)
Profit on disposal of marketable securities	-	2,289
Unrealised gain (loss) on revaluation of marketable securities	900,210	95,760
Financing gain (loss)	(93,592)	(113,390)
Interest received	-	12
Interest paid	<u>(2,943)</u>	<u>(9,722)</u>
(Loss) Income on ordinary activities before taxation	(813,235)	(1,560,661)
Taxation	<u>-</u>	<u>-</u>
(Loss) Income on ordinary activities after taxation	(813,235)	(1,560,661)
Profit (Loss) on sale of shares in subsidiary companies	2,788,385	781,582
Gain on decrease in stake in subsidiaries	228,528	356,181
Equity minority interest	(537,480)	(78,712)
Profit (Loss) for the period	<u>1,666,198</u>	<u>(501,610)</u>
Net Income/(Loss) for the period	<u>\$1,666,198</u>	<u>\$(501,610)</u>
Earnings/(Loss) per share	<u>\$0.33</u>	<u>\$(0.10)</u>

BOREALIS EXPLORATION LIMITED

Registered No (Gibraltar) 66632

CONSOLIDATED BALANCE SHEET as at 30 September 2010

	30 Sep 2010	30 Sep 2009
	\$	
Fixed Assets		
Intangible assets	534,643	532,238
Tangible assets	26,449	24,506
Mining resources	2,659,670	2,585,322
Residential property	20,500	20,500
Marketable securities	1,539,526	48,452
Deferred compensation receivable	16,982,730	17,097,084
	<u>21,763,518</u>	<u>20,308,102</u>
Current Assets		
Accounts receivable	274,998	292,501
Cash at bank and in hand	672,483	64,320
	<u>947,481</u>	<u>356,821</u>
Creditors: amounts falling due within one year	<u>(6,254,852)</u>	<u>(7,530,567)</u>
Net current liabilities	<u>(5,307,371)</u>	<u>(7,173,746)</u>
Total assets less current liabilities	16,456,147	13,134,356
Creditors:		
Amounts falling due after more than one year	<u>(1,007,913)</u>	<u>(742,462)</u>
Net Assets	<u>\$15,448,234</u>	<u>\$12,391,894</u>
Capital and Reserves		
Called up Share Capital	50,000	50,000
Share Premium Account	24,241,030	24,241,030
Non Distributable Reserve	10,235,196	10,270,965
Profit and Loss Account	<u>(33,309,303)</u>	<u>(34,932,643)</u>
Total shareholders' funds	1,216,923	(370,648)
Minority interests - equity	<u>14,231,311</u>	<u>12,762,542</u>
Total Equity	<u>\$15,448,234</u>	<u>\$12,391,894</u>

BOREALIS EXPLORATION LIMITED

Registered No (Gibraltar) 66632

COMPANY BALANCE SHEET as at 30 September 2010

	30 Sep 2010	30 Sep 2009
	\$	\$
Fixed Assets		
Intangible assets	534,643	532,238
Tangible assets	26,449	24,506
	<u>561,092</u>	<u>556,744</u>
Investments in subsidiary undertakings	83,950	83,950
	<u>645,042</u>	<u>640,694</u>
Current Assets		
Debtors	567,988	468,508
Cash at bank and in hand	595,396	10,432
	<u>1,163,384</u>	<u>478,940</u>
Creditors: amounts falling due within one year	<u>(31,380,436)</u>	<u>(32,754,623)</u>
Net current liabilities	<u>(30,217,052)</u>	<u>(32,275,683)</u>
Total assets less current liabilities	<u>(29,572,010)</u>	<u>(31,634,989)</u>
Creditors: amounts falling due after more than one year	<u>(1,007,913)</u>	<u>(742,462)</u>
Total net liabilities	<u><u>\$(30,579,923)</u></u>	<u><u>\$(32,377,451)</u></u>
Deficiency in assets		
Called up Share Capital	50,000	50,000
Share Premium Account	24,241,030	24,241,030
Profit and Loss Account	(54,870,953)	(56,668,481)
Total deficit in shareholders' funds	<u><u>\$(30,579,923)</u></u>	<u><u>\$(32,377,451)</u></u>

BOREALIS EXPLORATION LIMITED

Registered No (Gibraltar) 66632

CONSOLIDATED CASH FLOW STATEMENT for the six months ended 30 September 2010

	30 Sept 2010 \$	30 Sept 2009 \$
Net cash outflow from operating activities	<u>\$(2,469,182)</u>	<u>\$(608,485)</u>
Returns on investments and servicing of finance		
Interest paid	(2,943)	(9,710)
Net cash outflow from servicing of finance	<u>\$(2,943)</u>	<u>\$(9,710)</u>
Capital expenditure and financial investment		
Patent acquisitions	6,580	(9,873)
Expenditure on mining resources including lease costs	(66,253)	(4,530)
Proceeds on disposal of marketable securities	-	3,526
Net cash inflows (outflow) from capital expenditure and financial investment	<u>\$(59,673)</u>	<u>\$(10,877)</u>
Acquisitions and disposals		
Shares issued in subsidiaries for services	363,900	25,200
Net cash inflow from disposals	<u>\$363,900</u>	<u>\$25,200</u>
Financing activities		
Realised profits from sales of subsidiary shares	2,788,385	781,582
Funds repaid for purchase of shares advanced to directors	(93,592)	(113,390)
Net cash inflow from financing	<u>\$2,694,793</u>	<u>\$668,192</u>
Net increase in cash resources	<u>\$526,895</u>	<u>\$64,320</u>

BOREALIS EXPLORATION LIMITED

Registered No (Gibraltar) 66632

CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 September 2010

OPERATING ACTIVITIES

	30 Sept 2010	30 Sept 2009
	\$	\$
Operating loss for the year	(1,616,910)	(1,535,610)
Depreciation of fixed assets	3,700	3,000
Amortisation of patents	9,674	15,466
Decrease in accounts receivable	21,032	452,076
Increase (Decrease) in accounts payable	(886,678)	456,583
Net cash outflow from operating activities	<u>\$(2,469,182)</u>	<u>\$(608,485)</u>

MOVEMENT IN CASH AND ANALYSIS OF CASH BALANCES

	30 Sept 2010	30 Sept 2009
	\$	\$
Changes in net cash		
At 1 April 2010	145,588	33,701
Increase in cash in the year	526,895	30,619
At 30 September 2010	<u>\$672,483</u>	<u>\$64,320</u>

	30 Sept 2010	30 Sept 2009
	\$	\$
Analysis of cash balances		
Cash at bank	<u>\$672,483</u>	<u>\$64,320</u>