

BOREALIS EXPLORATION LIMITED

Gibraltar Registered Number 66632

**Unaudited Financial Statements
for the three months ending 30 June 2011
the first quarter of Fiscal Year 2012**

BOREALIS EXPLORATION LIMITED

Registered No (Gibraltar) 66632

CONSOLIDATED PROFIT AND LOSS ACCOUNT for the three months ended 30 June 2011

	30 June 2011	30 June 2010
	\$	\$
Expenditure	<u>(700,416)</u>	<u>(818,316)</u>
Operating loss	(700,416)	(818,316)
Unrealised loss on devaluation of marketable	(353,550)	(75,440)
Financing gain (loss)	51,925	14,399
Interest received	42	-
Interest paid	<u>(706)</u>	<u>(2,783)</u>
	-	-
Loss on ordinary activities before taxation	(1,002,705)	(882,140)
Taxation	<u>-</u>	<u>-</u>
Loss on ordinary activities after taxation	(1,002,705)	(882,140)
Profit on sale of shares in subsidiary companies	852,773	230,335
Gain on decrease in stake in subsidiaries	7,627	20,914
Equity Minority interest	<u>(61,130)</u>	<u>(108,011)</u>
Loss for the period	<u>(203,435)</u>	<u>(738,902)</u>
Loss per share	<u>\$ (0.04)</u>	<u>\$ (0.15)</u>

BOREALIS EXPLORATION LIMITED

Registered No (Gibraltar) 66632

CONSOLIDATED BALANCE SHEET

as at 30 June 2011

	30 June 2011	30 June 2010
	\$	\$
Fixed Assets		
Intangible assets	554,141	533,505
Tangible assets	19,392	24,006
Mining resources	2,690,061	2,597,646
Residential property	20,500	20,500
Marketable securities	1,491,058	591,557
Deferred compensation receivable	16,728,392	16,982,730
	<u>21,503,544</u>	<u>20,749,944</u>
Current Assets		
Accounts receivable	578,169	279,925
Cash at bank and in hand	261,361	123,978
	<u>839,530</u>	<u>403,903</u>
Creditors: Amounts falling due within one year	<u>(5,451,392)</u>	<u>(7,640,260)</u>
Net current liabilities	<u>(4,611,862)</u>	<u>(7,236,357)</u>
Total assets less current liabilities	16,891,682	13,513,587
Creditors: Amounts falling due after more than one year	<u>(865,410)</u>	<u>(899,922)</u>
Net Assets	<u>\$16,026,272</u>	<u>\$12,613,665</u>
Capital and Reserves		
Called up Share Capital	50,000	50,000
Share Premium Account	24,241,030	24,241,030
Non Distributable Reserve	10,318,968	10,235,196
Profit and Loss Account	(33,177,941)	(35,606,392)
Total shareholders' funds	1,432,057	(1,080,166)
Minority interests - equity	14,594,215	13,693,831
Total Equity	<u>\$16,026,272</u>	<u>\$12,613,665</u>

BOREALIS EXPLORATION LIMITED

Registered No (Gibraltar) 66632

COMPANY BALANCE SHEET

as at 30 June 2011

	30 June 2011	30 June 2010
	\$	\$
Fixed Assets		
Intangible assets	554,141	533,505
Tangible assets	19,392	24,006
	<u>573,533</u>	<u>557,511</u>
Investments in subsidiary undertakings	83,950	83,950
	<u>657,483</u>	<u>641,461</u>
Current Assets		
Debtors	1,546,436	470,170
Cash at bank and in hand	54,996	18,445
	<u>1,601,432</u>	<u>488,615</u>
Creditors: amounts falling due within one year	<u>(32,047,962)</u>	<u>(31,070,808)</u>
Net current liabilities	<u>(30,446,530)</u>	<u>(30,582,193)</u>
Total assets less current liabilities	<u>(29,789,047)</u>	<u>(29,940,732)</u>
Creditors: amounts falling due after more than one year	<u>(865,410)</u>	<u>(899,922)</u>
Total net liabilities	<u>\$ (30,654,457)</u>	<u>\$ (30,840,654)</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	<u>(54,945,487)</u>	<u>(55,131,684)</u>
Total deficit in shareholders' funds	<u>\$ (30,654,457)</u>	<u>\$ (30,840,654)</u>

BOREALIS EXPLORATION LIMITED

Registered No (Gibraltar) 66632

CONSOLIDATED CASH FLOW STATEMENT for the three months ended 30 June 2011

	30 June 2011	30 June 2010
	\$	\$
Net cash outflow from operating activities	<u>\$ (1,300,017)</u>	<u>\$ (332,774)</u>
Returns on investments and servicing of finance		
Interest received	42	-
Interest paid	<u>(706)</u>	<u>(2,783)</u>
Net cash outflow from servicing of finance	<u>\$ (664)</u>	<u>\$ (2,783)</u>
Capital expenditure and financial investment		
Patent acquisitions	(13,133)	(605)
Lease costs of mining resources	<u>(4,884)</u>	<u>(4,229)</u>
Net cash inflows (outflow) from capital expenditure and financial investment	<u>\$ (18,017)</u>	<u>\$ (4,834)</u>
Acquisitions and disposals		
Shares issued in subsidiaries for services	<u>167,720</u>	<u>88,445</u>
Net cash inflow from disposals	<u>\$ 167,720</u>	<u>\$ 88,445</u>
Financing activities		
Realised profits from sales of subsidiary shares	<u>852,773</u>	<u>230,336</u>
Net cash inflow from financing	<u>\$ 852,773</u>	<u>\$ 230,336</u>
Net (decrease) / increase in cash resources	<u>\$ (298,205)</u>	<u>\$ (21,610)</u>

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CONSOLIDATED CASH FLOW STATEMENT for the three months ended 30 June 2011

OPERATING ACTIVITIES

	30 June 2011	30 June 2010
	\$	\$
Operating loss for the year	(700,416)	(818,316)
Depreciation of fixed assets	500	1,875
Amortisation of patents	4,837	4,837
Increase in accounts receivable	(204,117)	(15,694)
Increase (Decrease) in accounts payable	(400,821)	498,725
	<u>(700,416)</u>	<u>(818,316)</u>
Net cash outflow from operating activities	<u>\$ (1,300,017)</u>	<u>\$ (328,573)</u>

MOVEMENT IN CASH AND ANALYSIS OF CASH BALANCES

	30 June 2011	30 June 2010
	\$	\$
Changes in net cash		
At 1 April 2011	559,566	145,588
(Decrease) Increase in cash in the year	<u>(298,205)</u>	<u>(21,610)</u>
At 30 June 2011	<u>\$ 261,361</u>	<u>\$ 123,978</u>
Analysis of cash balances		
Cash at bank	<u>\$ 261,361</u>	<u>\$ 123,978</u>