

BOREALIS EXPLORATION LIMITED

Gibraltar Registered No. 66632

Financial Statements

for the year ended 31 March 2010

BOREALIS EXPLORATION LIMITED

Gibraltar Registered No. 66632

About Borealis

Borealis Exploration Limited, www.borealis.gi, is a technology development company. Borealis imagines, invents, develops, and licenses new industrial technologies. These include new materials, www.avtometals.gi; technologies for more efficient and lower-cost generation of electrical power, www.powerchips.gi; more powerful and effective electric motors, www.chorusmotors.gi; for use in everything from aircraft, www.wheeltug.gi, (an on-ground drive system for B-737NG's) to automobiles www.choruscars.com; and silent, more-efficient cooling and refrigeration systems, www.coolchips.gi. These technologies are fundamentally changing basic industries and are introducing 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 to changing for ever existing industrial practices.

Borealis is the majority shareholder in Roche Bay plc, which has interests in the Roche Bay Magnetite Project and owns 100% of Fraser Bay Limited, both of which have extensive Magnetite Resources on Melville Peninsula, Nunavut, Canada. The Roche Bay Magnetite Project is currently being developed. Borealis is also the majority owner of Faraway plc, which owns 100% of the Freuchen Bay Polymetallic Project, located astride an intracratonic rift, also on Melville Peninsula, Nunavut.

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 its technical advisors, or that are 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

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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

Secretary

STM Fidecs Management Limited
Montagu Pavilion
8-10 Queensway
Gibraltar

Registered Office

Suite 2F/2, Eurolife Building
P.O. Box 575
1 Corral Road
Gibraltar

Auditors

Moore Stephens Limited
Suite 5 Watergardens 4
Waterport
Gibraltar

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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 2010.

BOREALIS FAMILY OF COMPANIES' PROFILE

The Borealis Family of Companies "Family" is comprised of those companies listed in Note 9 of the financial statements.

Borealis 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 its holdings and Faraway plc. The Roche Bay Magnetite Project is now under development, and the Fraser Bay Magnetic Project of Roche Bay plc and the Freuchen Bay property of Faraway plc are seeking funding for development though several programs are now currently now underway on these properties while our ownership interest remains at 100%.

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. 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 Magnetite Project to be funded by third parties. As of this year, fiscal 2010, the relative importance of the Roche Bay Project in our consolidated financial statements has declined as our ownership interest will be reflected by a combination of cash, future cash payments, and/or royalties on production. In Fiscal 2011 we can expect that at least WheelTug plc will most likely start to generate revenues and hopefully serious profits beginning in Fiscal 2012.

On 19 October 1998, Borealis 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. Most of our companies, in any event, by this time were domiciled out of Gibraltar. These Research and Development subsidiary companies as with Borealis are expected to remain domiciled in Gibraltar.

We can expect that in the coming years we will most likely be moving the domicile of our Mineral Interests back to Canada. The Canadians are very interested in seeing mineral development and we are delighted in the Provincial and Federal interest in seeing that development and long term and stable job creation takes place.

BOREALIS EXPLORATION LIMITED

Gibraltar Registered No. 66632

DIRECTORS' REPORT (Continued)

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:

(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 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. Several programs were run in Calendar 2009 on these leases and several more programs are now in calendar 2010 currently being run, one by Faraway plc.

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DIRECTORS' REPORT (Continued)

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. We are working on getting partners or licensees to get Avto Metals to market. If necessary we will do this ourselves.

Chorus® Meshcon™: www.chorusmotors.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 start up 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 start up overload capacity of the competition. The system has significant aerospace, ship propulsion and automotive uses.

Over the past year, Chorus has been developing both its lab capabilities, as well as meeting key customer requirements.

A significant improvement to our facility this year was the delivery of all the equipment from the tow tests that had previously been stored in California. This provided us with further test motors and inverters, as well as other needed development equipment.

This past year we continued our development efforts in two major areas. The first was the testing of a toroidally wound motor (a so called "pancake design" where the motor has a large diameter and is relatively thin.)

We had two motors delivered by our sub-contractor, and we have been running tests on these motors to fully understand their capabilities. This design has potential application not just for aerospace use, but also for starter generators and marine applications.

Our other development effort revolves around our continuing commitment to WheelTug. We have been testing more conventional designs to evaluate how they could best be used in a WheelTug application. Accordingly, we have been researching and developing a packaging solution which will enable the Chorus Motor and the required gear package to fit within the wheel well on aircraft.

Both of these development paths have included research into possible benefits of different materials, lamination designs, and control options. We also are working closely with Dynetic Systems, WheelTug's motor partner company, who will actually be supplying the test, development, certification, and production motors for WheelTug systems.

We continue to run these systems off a development architecture software, which allows the team in the laboratory to provide the motors with a range of different inputs so that we can continue to increase our understanding of the motors capabilities.

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DIRECTORS' REPORT (Continued)

While our control software has been largely stable over the past year, we have been extending our capabilities in terms of data evaluation software and work. As we gather more and more data, we need increasing effort spent in evaluation and analysis of this data.

We have also continued our patenting efforts. While our development work means that we have not applied for as many patents as in previous years (currently, we are focusing our work on existing efforts), we did respond to third party responses and challenges through the USPTO which resulted in our patented proprietary work being upheld. We will continue to aggressively defend and expand our patented proprietary Chorus Motor Technology.

We continue conversations with potential partners, including car makers. Growing industry awareness on the problem of rare earth supplies for competing permanent magnet (brushless DC) motors continues to make it clear that our technology is a much safer way, more profitable way in the long term to develop an electric/hybrid automobile.

As we move towards potential business relationships, we have decided to re-design our web site. In the past we have gotten a lot of interest from hobbyists and other people interested in one-off or small run motor supply. Given the design and research costs, Chorus is focusing on designing a site which will attract industry executives rather than hobbyists. We expect that this site will be up shortly.

WheelTug®: www.wheeltug.gi

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.

Development of the WheelTug system has been underway for more than five years, funded primarily by Chorus Motors plc, its Control Shareholder. WheelTug plc has already demonstrated its viability using a 95% loaded Boeing 767-200 aircraft in tests conducted with Boeing and Air Canada in 2005. (A video of that demonstration can be viewed on line at <http://www.youtube.com/watch?v=0Cbfi2wsgns>).

In the last year there have been quite a number of significant events.

Delta Air Lines (Delta) contributed operational assistance and expertise to WheelTug's development with the most significant being the successful Electrical Load Measurement conducted at Delta's Technical Operations Center in Atlanta, Georgia on January 11, 2010.

WheelTug plc and Delta entered into an agreement dated March 15, 2007 pursuant to which Delta had the right (i) to purchase the first systems for its Boeing 737NG fleet, (ii) to install and maintain WheelTug systems for all airlines flying the 737NG in North America and (iii) to purchase up to 600,000 shares of WheelTug pursuant to warrants issued to Delta under such agreement (the "Warrants"). However, on January 29, 2010, Delta served a notice on WheelTug plc which became effective on April 29, 2010 terminating such agreement.

WheelTug plc is now receiving technical information and other benefits from a number of other airlines, especially Travel Service (see below). As a result, WheelTug plc now has the access to data and aircraft that are required to ensure a rapid and smooth development and certification program.

On April 27, 2010 WheelTug plc and ICE Corporation, a leading designer and supplier of electronic controls for aviation, entered into an agreement pursuant to which ICE will design, develop and build the inverter/controller for the aircraft on-ground electric drive system being developed by WheelTug plc.

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DIRECTORS' REPORT (Continued)

Under the agreement, ICE will design, certify, and build the inverter/controller that drives the electric motors and controls the system for the first WheelTug model under development, the Boeing 737NG aircraft. ICE has designed and manufactured products ranging from ice protection systems, electro-thermal anti-icing and de-icing, to avionic systems and systems monitoring equipment to a new line of robust sensorless motor controllers for both military and civilian aircraft.

The inverter/controller is one of the WheelTug system's most complex components. It forms the nerve centre of the WheelTug system, interfacing and interacting with both personnel and aircraft systems. While WheelTug plc has had prototype controllers operating in the lab for several years, this agreement is expected to provide for a complete and certificatable system that is optimized for aerospace requirements.

As of April 30, 2010, WheelTug plc completed the preliminary power and packaging specifications for the WheelTug system on the Boeing 737NG family. This was announced on 3 May 2010.

On July 1, 2010, WheelTug plc entered into an agreement with Letiste Praha, A.S., operator of the Prague Airport ("Prague Airport") pursuant to which Prague Airport agreed to assist WheelTug in an active manner with development support during testing and certification. It is expected that such support will include necessary airport assistance, as well as facilitation of smooth co-operation between WheelTug and other organizations at the airport, including airport handling services and air navigation service providers. In addition, Prague Airport is also expected to work with WheelTug to adapt existing operating procedures, checklists and operating regulations to achieve maximum benefit from WheelTug systems at Prague and at other airports.

On July 8, 2010, WheelTug plc entered into an agreement with Endeavor Analysis, LLC, a Washington limited liability company, ("EA"), pursuant to which EA is expected to perform analysis work with respect to aircraft landing gear in order to obtain Federal Aviation Administration certification of this system. As part of the consideration to be received by EA, WheelTug plc granted EA an aggregate of 12,000 shares of WheelTug plc to be received in two separate grants subject to the fulfilment of certain conditions.

On July 21, 2010 Travel Service Airline, a Prague-based low cost and charter carrier ("Travel Service"), entered into an agreement with WheelTug plc to provide active support development for WheelTug. Specifically, Travel Service has agreed to provide WheelTug with valuable operational information, as well as access to aircraft in connection with the design, development and testing of the WheelTug system.

WheelTug on August 10, 2010 entered into a risk sharing agreement with Dynetic Systems to develop and build the motors and associated components for WheelTug's on-ground electric drive system for aircraft. [AS9100B and ISO9001:2000 Certified](#), the highest level of quality certification offered in the aerospace industry, Dynetic Systems has earned dock to stock status from some of the largest airplane manufacturers in the world.

WheelTug also has additional partnerships under discussion with companies for supplying gears and software, as well as key supply management companies to perform the kitting and MRO functions. Once developed and certified for the Boeing 737NG aircraft, WheelTug plc expects to develop and certify its systems thereafter for other aircraft models, including possibly for older 737s (the 737 Classic), the Airbus A-320 family, the Boeing 757, or any of several regional jets and military models starting with the C-130.

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DIRECTORS' REPORT (Continued)

WheelTug plc is currently focused on three near-term goals to be accomplished in the coming months:

- 1: FAA approval of the Product Specific Certification Plan to obtain the Supplemental Type Certificate for WheelTug systems on the 737NG family;
- 2: Electric tow tests to further optimize the WheelTug design and specification; and
- 3: Demonstration of the first packaged WheelTug system on the 737NG (called "M1").

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 2011.

Financial Review

Results for the Borealis Family of Companies for the year are shown in the consolidated profit and loss account on page 13.

As of 31 March 2010 the Family of Companies had accumulated losses of \$34,975,501 (2009-\$33,972,164) and a working capital deficit of \$ 6,699,917 (Deficit in 2009 - \$5,532,520). The net equity, as at 31 March 2010, amounted to \$ 13,244,556 (2009 - \$14,090,470).

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

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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 interests of the directors in the shares of the Company were as follows:

	Number of shares held at 31 March 2010	Number of shares held at 31 March 2009
Rodney T. Cox	2,549	2,549
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 2010 there were no share options outstanding.

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 Group 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.

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DIRECTORS' REPORT (Continued)

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 Limited was passed at the Annual General Meeting.

By order of the Board on 25 August 2010



Isaiah W. Cox
Director



Rodney T. Cox
Director

Independent auditors' report to the shareholders of Borealis Exploration Limited

We have audited the financial statements of Borealis Exploration Limited for the year ended 31 March 2010 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 182 of the Gibraltar Companies Act. 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.

Directors' responsibilities for the financial statements

The directors are responsible for the preparation and true and fair representation of these financial statements in accordance with applicable law and Gibraltar Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibilities

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In forming our opinion, we considered the disclosures in Note 1 of the Financial Statements in connection with the application of the going concern basis and the uncertainty with regard to securing continued financial support.

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AUDITORS' REPORT (Continued)

Opinion

In our opinion the financial statements give a true and fair view, in accordance with Gibraltar Generally Accepted Accounting Standards, of the state of the company's affairs as at 31 March 2010 and of its loss for the year then ended.

Report on other legal and regulatory matters

In addition to reporting on the financial statements, Gibraltar legal and regulatory requirements also require us to:

- (a) Report to you our opinion as to whether the financial statements have been properly prepared in accordance with the Gibraltar Companies Act 1930, the Gibraltar Companies (Accounts) Act 1999 and other applicable legislation.
- (b) State in our report whether in our opinion the information given in the directors' report is consistent with the financial statements.
- (c) Report to you if, in our opinion, the company has not kept proper accounting records, 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.

Opinion

In our opinion the financial statements have been properly prepared in accordance with the Gibraltar Companies Act 1930, the Gibraltar Companies (Accounts) Act 1999 and other applicable legislation; and the information given in the directors' report is consistent with the financial statements.

We have nothing to report to you in respect of our responsibility set out in (c) above.



Bernard Hazell

Statutory Auditor

For and on behalf of

MOORE STEPHENS LIMITED

Suite 5

Watergardens 4

Waterport

Gibraltar

25 August 2010

BOREALIS EXPLORATION LIMITED

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CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31 March 2010

	Notes	2010 \$	2009 \$
Expenditure		<u>(3,071,220)</u>	<u>(5,694,426)</u>
Operating loss	4	(3,071,220)	(5,694,426)
Profit (Loss) on disposal of marketable investments		4,457	(8,741)
Unrealised gain (loss) on revaluation of marketable securities		191,521	(8,727,401)
Financing (loss) gain		(226,780)	1,113,304
Interest received		25	269
Interest paid		<u>(19,445)</u>	<u>(47,395)</u>
Loss on ordinary activities before taxation		(3,121,442)	(13,364,390)
Taxation		<u>-</u>	<u>-</u>
Loss on ordinary activities after taxation		(3,121,442)	(13,364,390)
Profit (Loss) on sale of shares in subsidiary companies		1,563,165	1,681,200
Gain on decrease in stake in subsidiaries	9	712,363	1,083,102
Equity Minority interest	9	<u>(157,423)</u>	<u>1,586,878</u>
Loss for the year		<u>(1,003,337)</u>	<u>(9,013,210)</u>
Result for the financial year		<u><u>\$(1,003,337)</u></u>	<u><u>\$(9,013,210)</u></u>
Loss per share	10	<u><u>\$(0.20)</u></u>	<u><u>\$(1.80)</u></u>

STATEMENT OF RECOGNISED GAINS AND LOSSES THROUGH RESERVES

Increase in the carrying cost of mining resources

13, 20	<u><u>\$-</u></u>	<u><u>\$5,685,693</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 Group has no other recognised gains or losses other than those stated above.

The notes on pages 18 to 29 form part of these Financial Statements.

BOREALIS EXPLORATION LIMITED

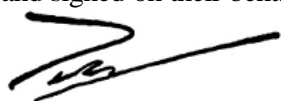
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CONSOLIDATED BALANCE SHEET

as at 31 March 2010

	Notes	2010 \$	2009 \$
Fixed Assets			
Intangible assets	11	537,738	552,289
Tangible assets	12	24,006	30,006
Mining resources	13	2,593,417	2,573,600
Residential property	13	20,500	20,500
Marketable Securities	14	696,202	37,052
Deferred compensation receivable	15	16,986,931	17,097,084
		<u>20,858,794</u>	<u>20,310,531</u>
Current assets			
Debtors	16	296,030	875,947
Cash at bank and in hand		145,588	33,701
		<u>441,618</u>	<u>909,648</u>
Creditors: amounts falling due within one year	17	<u>(7,141,535)</u>	<u>(6,442,168)</u>
Net current liabilities		<u>(6,699,917)</u>	<u>(5,532,520)</u>
Total assets less current liabilities		14,158,877	14,778,011
Creditors:			
amounts falling due after more than one year	18	<u>(914,321)</u>	<u>(687,541)</u>
Net Assets		<u><u>\$13,244,556</u></u>	<u><u>\$14,090,470</u></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	10,235,196	10,270,965
Profit and Loss Account	20	(34,975,501)	(33,972,164)
Total shareholders' funds		(449,275)	589,831
Minority interests - equity	9	13,693,831	13,500,639
Total Equity		<u><u>\$13,244,556</u></u>	<u><u>\$14,090,470</u></u>

The financial statements on pages 13 to 29 were approved by the Board of Directors on 24 August 2010, and signed on their behalf by:



Isaiah W. Cox
Director



Rodney T. Cox
Director

The notes on pages 18 to 29 form part of these Financial Statements.

BOREALIS EXPLORATION LIMITED

Gibraltar Registered No. 66632

COMPANY BALANCE SHEET

as at 31 March 2010

	Notes	2010 \$	2009 \$
Fixed Assets			
Intangible Assets	11	537,738	552,289
Tangible Assets	12	24,006	30,006
Marketable Securities	14	<u>1</u>	<u>10,706</u>
		561,745	593,001
Investments in subsidiary undertakings	9	<u>83,950</u>	<u>83,950</u>
		645,695	676,951
Current Assets			
Debtors	16	695,645	511,174
Cash at bank and in hand		<u>5,379</u>	<u>28,780</u>
		701,024	539,954
Creditors: amounts falling due within one year	17	<u>(31,388,988)</u>	<u>(31,187,218)</u>
Net current liabilities		<u>(30,687,964)</u>	<u>(30,647,264)</u>
Total assets less current liabilities		(30,042,269)	(29,970,313)
Creditors: amounts falling due after more than one year	18	<u>(914,321)</u>	<u>(687,541)</u>
Total net liabilities		<u><u>\$(30,956,590)</u></u>	<u><u>\$(30,657,854)</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>(55,247,620)</u>	<u>(54,948,884)</u>
Total deficit in shareholders' funds		<u><u>\$(30,956,590)</u></u>	<u><u>\$(30,657,854)</u></u>

The financial statements on pages 13 to 29 were approved by the Board of Directors on 25 August 2010, and signed on their behalf by:



Isaiah W. Cox
Director



Rodney T. Cox
Director

The notes on pages 18 to 29 form part of these Financial Statements.

BOREALIS EXPLORATION LIMITED

Gibraltar Registered No. 66632

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 March 2010

	2010	2009
	\$	\$
Net cash outflow from operating activities	<u>(1,644,850)</u>	<u>(4,538,173)</u>
Returns on investments and servicing of finance		
Interest received	25	269
Interest paid	(19,445)	(47,395)
Net cash outflow from servicing of finance	<u>\$ (19,420)</u>	<u>\$ (47,126)</u>
Capital expenditure and financial investment		
Marketable securities acquired	(508,000)	-
Patent acquisitions	(16,382)	(20,543)
Tangible fixed assets acquisitions	-	(6,500)
Mineral resources disposals	-	847,423
Proceeds on disposal of Marketable Securities	44,828	738,019
Lease costs of mining resources	(19,817)	(20,665)
Net cash inflows (outflow) from capital expenditure and financial investment	<u>\$ (499,371)</u>	<u>\$ 1,537,734</u>
Acquisitions and disposals		
Shares issued in subsidiaries for cash consideration	-	451,500
Shares issued in subsidiaries for services	712,363	631,602
Net cash inflow from disposals	<u>\$ 712,363</u>	<u>\$ 1,083,102</u>
Financing activities		
Realised profits from sales of subsidiary shares	1,563,165	1,681,200
Net cash inflow from financing	<u>\$ 1,563,165</u>	<u>\$ 1,681,200</u>
Net (decrease) / increase in cash resources	<u>\$ 111,887</u>	<u>\$ (283,263)</u>

The notes on pages 18 to 29 form part of these Financial Statements.

BOREALIS EXPLORATION LIMITED

Gibraltar Registered No. 66632

CONSOLIDATED CASH FLOW STATEMENT (Continued)

for the year ended 31 March 2010

RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2010	2009
	\$	\$
Operating loss for the year	(3,071,220)	(5,694,426)
Depreciation of fixed assets	6,000	7,500
Amortisation of patents	30,933	31,278
(Increase) Decrease in accounts receivable	579,917	(609,525)
Increase (Decrease) in accounts payable	699,367	1,727,000
Deferred compensation decreased	110,153	-
Net cash outflow from operating activities	<u>\$(1,644,850)</u>	<u>\$(4,538,173)</u>

MOVEMENT IN CASH AND ANALYSIS OF CASH BALANCES

	2010	2009
	\$	\$
Changes in net cash		
At 1 April 2009	33,701	316,984
(Decrease) Increase in cash in the year	<u>111,887</u>	<u>(283,283)</u>
At 31 March 2010	<u>\$145,588</u>	<u>\$33,701</u>
Analysis of cash balances		
Cash at bank	<u>\$145,588</u>	<u>\$33,701</u>

The notes on pages 18 to 29 form part of these Financial Statements.

BOREALIS EXPLORATION LIMITED

Gibraltar Registered No. 66632

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2010

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. Revenue

At present all Group companies are engaged in development of various products and projects which have not yet reached the point of generation revenue. Once revenue commences, it will be accounted for on the basis of the accounting period in which the work was carried out or invoiced.

d. 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.

e. Fixed Assets Investments

Fixed asset investments are stated at their historical cost less any provision for permanent diminution in value.

f. 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.

g. Research and Development

Research and Development costs are written off in the year they are incurred.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2010 (Continued)

h. Reporting currency

The Family of Companies' financial statements are presented in US dollars, which is the functional currency for operations.

i. 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.

j. 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.

k. 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.

l. 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.

m. 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.

BOREALIS EXPLORATION LIMITED

Gibraltar Registered No. 66632

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2010 (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

	2010	2009
Operating loss is stated after charging	\$	\$
Depreciation	6,000	7,500
Amortisation	30,934	31,278
Group Audit Fees	66,000	59,752

5. DIRECTORS' EMOLUMENTS

The total amount of emoluments paid to directors during the year was \$979,100 (2009 - \$1,096,104).

In addition, rent totalling approximately \$121,200 (2009 - \$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 \$298,736, (profit 2009 - \$3,923,730) 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.

BOREALIS EXPLORATION LIMITED

Gibraltar Registered No. 66632

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2010 (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 statuses 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, Oregon USA) are registered in Gibraltar:

Directly held by the Company	Ownership		Investments	
	Interest		2010	2009
	2010	2009	2010	2009
	%	%	\$	\$
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			
	2010	2009		
	%	%		
Avto Metals Public Limited Company	96.89%	96.89%		
Chorus Motors Public Limited	78.12%	78.77%		
Cool Chips plc	63.02%	63.02%		
Faraway Holdings (Barbados) Limited	100.00%	100.00%		
Photon Power Public Limited Company	99.59%	99.59%		
Power Chips Public Limited Company	64.91%	64.94%		
Roche Bay Holdings (Barbados)	99.00%	99.00%		
Roche Bay Public Limited Company	70.55%	70.80%		
Borealis Roche Bay Limited	99.00%	99.00%		
WheelTug Public Company Limited	73.28%	74.76%		
Cool Chips Military Sales plc	63.02%	63.02%		
Faraway Public Limited Company	82.45%	82.80%		
Asamera Limited	64.91%	64.94%		
Roche Bay East Limited	70.55%	70.80%		
Fraser Bay Public Limited Company	70.55%	70.80%		

BOREALIS EXPLORATION LIMITED

Gibraltar Registered No. 66632

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2010 (Continued)

9. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS (Continued)

WheelTug plc is 93.80% owned by Chorus Motors plc, which is 78.12% 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 70.55% owned by Borealis Exploration Limited. Asamera Ltd is 100% owned by Power Chips plc which is 64.91% 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 2010, 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 \$13,693,831 (2009 - \$13,500,639) in the subsidiaries is presented on the balance sheet effective 31 March 2010. The increase of \$193,192 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 \$35,769 (see note 21), and that on the Profit and Loss result, which has increased by \$157,423 as a result of increasing net assets in some subsidiaries this year. The equity of the Borealis Family of Companies in the share premiums paid by third parties during the year of \$712,363 (2009- \$1,083,102) is shown as a gain in the profit and loss account.

10. LOSS PER SHARE

		2010			2009	
	Loss	Weighted	Per	Earnings	Weighted	Per
	\$	Average	Share	\$	Average	Share
		Number of	Amount		Number of	Amount
		Shares	\$		Shares	\$
Basic EPS						
Loss						
Attributable						
To Ordinary	(1,003,337)	5,000,000	(0.20)	(9,013,210)	5,000,000	(1.80)
Shareholders						

BOREALIS EXPLORATION LIMITED

Gibraltar Registered No. 66632

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2010 (Continued)

Losses per share is calculated by dividing the losses attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year.

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

	Cost	Amortisation	Total
	\$	\$	\$
At 1 April 2009	756,962	204,673	552,289
Additions / Charge in year	<u>16,382</u>	<u>30,933</u>	<u>(14,551)</u>
At 31 March 2010	<u>\$773,344</u>	<u>\$235,606</u>	<u>\$537,738</u>

12. GROUP AND COMPANY - TANGIBLE FIXED ASSETS

Family	Mining, Drilling and Camp Equipment	Moveable Fixed Assets	Total
	\$	\$	\$
Cost			
At 1 April 2009	655,808	129,156	784,964
Additions	<u>-</u>	<u>-</u>	<u>-</u>
	<u>655,808</u>	<u>129,156</u>	<u>784,964</u>
Depreciation			
At 1 April 2009	655,808	99,150	754,958
Charge for year	<u>-</u>	<u>6,000</u>	<u>6,000</u>
At 31 March 2010	<u>655,808</u>	<u>105,150</u>	<u>760,958</u>
Net book value			
At 31 March 2010	<u>\$-</u>	<u>\$24,006</u>	<u>\$24,006</u>
At 31 March 2009	<u>\$-</u>	<u>\$30,006</u>	<u>\$30,006</u>

BOREALIS EXPLORATION LIMITED

Gibraltar Registered No. 66632

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2010 (Continued)

13. GROUP'S INVESTMENT – MINING PROPERTIES

	2010	2009
	\$	\$
Roche Bay plc Government of Canada		
21 year renewable mining leases		
Balance 1 April 2009	2,412,097	12,247,228
Lease payments	10,193	20,665
	<u>2,422,290</u>	<u>12,267,893</u>
Increase in carrying value	-	8,096,888
	<u>2,422,290</u>	<u>20,364,781</u>
Disposals at cost	-	(17,952,684)
	<u>2,422,290</u>	<u>2,412,097</u>
Faraway plc Government of Canada		
21 year renewable mining leases	161,503	153,326
Lease payments	9,624	8,177
	<u>171,127</u>	<u>161,503</u>
Total Government of Canada		
21 year renewable mining leases	<u>\$ 2,593,417</u>	<u>\$ 2,573,600</u>

On 23 March, 2009 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, Roche Bay 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\$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 any time 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. . Up to the present date, the agreement referred to above has been fully honoured in all respects by AXI.

BOREALIS EXPLORATION LIMITED

Gibraltar Registered No. 66632

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2010 (Continued)

13. GROUP'S INVESTMENT – RESIDENTIAL PROPERTY

Investment Residential Property	2010	2009
	\$	\$
At Cost - Acquired May 2006	<u>\$20,500</u>	<u>\$20,500</u>
Directors estimate of market value on 31 March 2010	<u>\$80,000</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	2010	2009
Shares and warrants in Advanced Explorations Inc	\$	\$
Common Shares	696,201	37,051
Series A 1 Warrants	1	1
	<u>\$696,202</u>	<u>\$37,052</u>
 Company		
Common Shares	-	10,705
Series A 1 Warrants	1	1
	<u>\$1</u>	<u>\$10,706</u>

The closing price of AXI at year end was approximately \$0.172 (2009 - \$0.128).

BOREALIS EXPLORATION LIMITED

Gibraltar Registered No. 66632

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2010(Continued)

15. DEFERRED COMPENSATION RECEIVABLE

	2010 \$	2009 \$
Receivable in royalties	<u>\$16,445,334</u>	<u>\$16,445,334</u>
Receivable in cash and marketable securities	812,396	1,448,100
Less: receivable within the year	<u>270,799</u>	<u>796,350</u>
	<u>\$541,597</u>	<u>\$651,750</u>
	<u>\$16,986,931</u>	<u>\$17,097,084</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. The cash portion is receivable in three equal annual tranches of \$270,799 on 15 December 2010, 2011 and 2012 respectively.

16. DEBTORS

	Family		Company	
	2010 \$	2009 \$	2010 \$	2009 \$
Advances to suppliers and consultants	25,231	79,597	20,306	65,787
Current portion of deferred compensation receivable	270,799	796,350	-	-
Amounts due from Family undertakings	<u>-</u>	<u>-</u>	<u>675,339</u>	<u>445,387</u>
Total accounts receivable	<u>\$296,030</u>	<u>\$875,947</u>	<u>\$695,645</u>	<u>\$511,174</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 \$ Nil (2009- \$13,041) which are owed from directors and related parties.

BOREALIS EXPLORATION LIMITED

Gibraltar Registered No. 66632

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2010(Continued)

17. CREDITORS

Creditors falling due within one year

	Family		Company	
	2010	2009	2010	2009
	\$	\$	\$	\$
Trade creditors	7,141,535	6,442,168	6,302,724	5,439,679
Amounts due to Family undertakings	-	-	25,086,264	25,747,539
	<u>\$7,141,535</u>	<u>\$6,442,168</u>	<u>\$31,388,988</u>	<u>\$31,187,218</u>

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 \$1,491,030 (2009 - \$1,392,934)

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

	Family		Company	
	2010	2009	2010	2009
	\$	\$	\$	\$
Other creditors	<u>\$914,321</u>	<u>\$687,541</u>	<u>\$914,321</u>	<u>\$687,541</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 (2009 – 120,290) 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 2010 there were 120,290 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.

BOREALIS EXPLORATION LIMITED

Gibraltar Registered No. 66632

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2010 (Continued)

19. CALLED UP SHARE CAPITAL

		2010	2009
		\$	\$
Authorised share capital 5,000,000 ordinary shares @ \$0.01 each		<u>\$50,000</u>	<u>\$50,000</u>
Called up share capital 5,000,000 ordinary shares @ \$0.01 each		<u>\$50,000</u>	<u>\$50,000</u>
		Share	
	Number of	Premium	Total
	Shares	Account	\$
		\$	
At 31 March 2008	5,000,000	50,000	24,241,030
Shares issued during the year	-	-	-
At 31 March 2009	5,000,000	50,000	24,241,030
Shares issued during the year	-	-	-
At 31 March 2010	<u>5,000,000</u>	<u>\$50,000</u>	<u>\$24,241,030</u>

20. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

	Share	Share	Non	Consolidated	
	Capital	Premium	Distributable	Profit and	Total
	\$	Account	Reserve	Loss	
		\$	\$	Account	
At 31 March 2009	50,000	24,241,030	10,270,965	(33,972,164)	589,831
Shares issued during the year	-	-	-	-	-
Non Distributable Reserve	-	-	(35,769)	-	(35,769)
Loss for the year	-	-	-	(1,003,337)	(1,003,337)
At 31 March 2010	<u>\$50,000</u>	<u>\$24,241,030</u>	<u>\$10,235,196</u>	<u>\$(34,975,501)</u>	<u>\$(449,275)</u>

BOREALIS EXPLORATION LIMITED

Gibraltar Registered No. 66632

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2010(Continued)

21. GROUP'S NON DISTRIBUTABLE RESERVE

	2010	2009
	\$	\$
Development costs borne by joint venture partner	14,507,228	14,507,228
Minority interest therein	(4,272,032)	(4,236,263)
	<u>\$10,235,196</u>	<u>\$10,270,965</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. in past years.

22. RELATED PARTY TRANSACTIONS

The Parmenides Group received fees of \$432,000 for management services in 2010, 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.