

# **BOREALIS EXPLORATION LIMITED**

**Gibraltar Registered Number 66632**

**Unaudited Financial Statements  
for the six months ending 30 September 2011  
the second quarter of Fiscal Year 2012**

# BOREALIS EXPLORATION LIMITED

Registered No (Gibraltar) 66632

## CONSOLIDATED PROFIT AND LOSS ACCOUNT for the six months ended 30 September 2011

|   | 30 September 2011<br>\$   | 30 September 2010<br>\$ |
|---|---------------------------|-------------------------|
| <b>Expenditure</b>  | <u>(1,569,955)</u>        | <u>(1,616,910)</u>      |
| <b>Operating loss</b>   | (1,569,955)               | (1,616,910)             |
| Unrealised profit (loss) on devaluation<br>of marketable securities | (933,422)                 | 900,210                 |
| Financing gain (loss)   | (68,782)                  | (93,592)                |
| Interest received   | 65                        | -                       |
| Interest paid   | <u>(881)</u>              | <u>(2,943)</u>          |
| <b>Loss on ordinary activities before<br/>taxation</b>              | (2,572,975)               | (813,235)               |
| Taxation  | <u>(2,355)</u>            | <u>-</u>                |
| <b>Loss on ordinary activities after<br/>taxation</b>               | (2,575,330)               | (813,235)               |
| Profit on sale of shares in subsidiary<br>companies                 | 1,467,226                 | 2,788,385               |
| Gain on decrease in stake in subsidiaries                           | 7,935                     | 228,528                 |
| Equity Minority interest  | <u>(49,042)</u>           | <u>(537,480)</u>        |
| <b>Loss for the period</b>  | <u><u>(1,149,211)</u></u> | <u><u>1,666,198</u></u> |
| <b>Loss per share</b>   | <u><u>\$(0.23)</u></u>    | <u><u>\$0.33</u></u>    |

# BOREALIS EXPLORATION LIMITED

Registered No (Gibraltar) 66632

## CONSOLIDATED BALANCE SHEET at 30 September 2011

|   | 30 September 2011   | 30 September 2010   |
|---|---------------------|---------------------|
|   | \$                  | \$                  |
| <b>Fixed Assets</b>                                   |                     |                     |
| Intangible assets                                     | 562,707             | 534,643             |
| Tangible assets                                       | 30,492              | 26,449              |
| Mining resources                                      | 2,690,061           | 2,659,670           |
| Residential property                                  | 20,500              | 20,500              |
| Marketable securities                                 | 759,702             | 1,539,526           |
| Deferred compensation receivable                      | 16,728,392          | 16,982,730          |
|   | <u>20,791,854</u>   | <u>21,763,518</u>   |
| <b>Current Assets</b>                                 |                     |                     |
| Accounts receivable                                   | 356,068             | 274,998             |
| Cash at bank and in hand                              | 301,307             | 672,483             |
|   | <u>657,375</u>      | <u>947,481</u>      |
| <b>Creditors: amounts falling due within one year</b> | <u>(5,397,104)</u>  | <u>(6,254,852)</u>  |
| <b>Net current liabilities</b>                        | <u>(4,739,729)</u>  | <u>(5,307,371)</u>  |
| <b>Total assets less current liabilities</b>          | 16,052,125          | 16,456,147          |
| <b>Creditors:</b>                                     |                     |                     |
| <b>Amounts falling due after more than one year</b>   | <u>(983,717)</u>    | <u>(1,007,913)</u>  |
| <b>Net Assets</b>                                     | <u>\$15,068,408</u> | <u>\$15,448,234</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                             | 10,318,968          | 10,235,196          |
| Profit and Loss Account                               | <u>(34,123,717)</u> | <u>(33,309,303)</u> |
| <b>Total shareholders' funds</b>                      | 486,281             | 1,216,923           |
| Minority interests - equity                           | <u>14,582,127</u>   | <u>14,231,311</u>   |
| <b>Total Equity</b>                                   | <u>\$15,068,408</u> | <u>\$15,448,234</u> |

# BOREALIS EXPLORATION LIMITED

Registered No (Gibraltar) 66632

## COMPANY BALANCE SHEET

at 30 September 2011

|  | 30 September 2011            | 30 September 2010            |
|--|------------------------------|------------------------------|
|  | \$                           | \$                           |
| <b>Fixed Assets</b>  |                              |                              |
| Intangible assets  | 562,707                      | 534,643                      |
| Tangible assets  | 30,492                       | 26,449                       |
|  | <u>593,199</u>               | <u>561,092</u>               |
| Investments in subsidiary undertakings                         | 83,950                       | 83,950                       |
|  | <u>677,149</u>               | <u>645,042</u>               |
| <b>Current Assets</b>  |                              |                              |
| Debtors  | 1,232,536                    | 567,988                      |
| Cash at bank and in hand                                       | 41,568                       | 595,396                      |
|  | <u>1,274,104</u>             | <u>1,163,384</u>             |
| <b>Creditors: amounts falling due within one year</b>          | <u>(31,649,970)</u>          | <u>(31,380,436)</u>          |
| <b>Net current liabilities</b>                                 | <u>(30,375,866)</u>          | <u>(30,217,052)</u>          |
| <b>Total assets less current liabilities</b>                   | (29,698,717)                 | (29,572,010)                 |
| <b>Creditors: amounts falling due after more than one year</b> | <u>(983,717)</u>             | <u>(1,007,913)</u>           |
| <b>Total net liabilities</b>                                   | <u><u>\$(30,682,434)</u></u> | <u><u>\$(30,579,923)</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  | (54,973,464)                 | (54,870,953)                 |
| <b>Total deficit in shareholders' funds</b>                    | <u><u>\$(30,682,434)</u></u> | <u><u>\$(30,579,923)</u></u> |

# BOREALIS EXPLORATION LIMITED

Registered No (Gibraltar) 66632

## CONSOLIDATED CASH FLOW STATEMENT for the six months ended 30 September 2011

|  | 30 September 2011           | 30 September 2010           |
|--|-----------------------------|-----------------------------|
|  | \$                          | \$                          |
| <b>Net cash outflow from operating activities</b>                            | <u><u>\$(1,955,678)</u></u> | <u><u>\$(2,549,614)</u></u> |
| <b>Returns on investments and servicing of finance</b>                       |                             |                             |
| Interest received  | 65                          | -                           |
| Interest paid  | (881)                       | (2,943)                     |
| Net cash outflow from servicing of finance                                   | <u><u>\$(816)</u></u>       | <u><u>\$(2,943)</u></u>     |
| <b>Capital expenditure and financial investment</b>                          |                             |                             |
| Patent acquisitions  | (26,536)                    | (6,580)                     |
| Fixed Asset acquisitions   | 12,000                      | -                           |
| Lease costs of mining resources  | (4,885)                     | (66,253)                    |
| Net cash inflows (outflow) from capital expenditure and financial investment | <u><u>\$(19,421)</u></u>    | <u><u>\$(72,833)</u></u>    |
| <b>Acquisitions and disposals</b>  |                             |                             |
| Shares issued in subsidiaries for services                                   | 252,785                     | 363,900                     |
| Net cash inflow from disposals   | <u><u>\$252,785</u></u>     | <u><u>\$363,900</u></u>     |
| <b>Financing activities</b>  |                             |                             |
| Realised profits from sales of subsidiary shares                             | 1,467,226                   | 2,788,385                   |
| Taxation   | (2,355)                     | -                           |
| Net cash inflow (outflow) from financing                                     | <u><u>\$1,464,871</u></u>   | <u><u>\$2,788,385</u></u>   |
| Net (decrease) / increase in cash resources                                  | <u><u>\$(258,259)</u></u>   | <u><u>\$526,895</u></u>     |

# BOREALIS EXPLORATION LIMITED

Registered No (Gibraltar) 66632

## CONSOLIDATED CASH FLOW STATEMENT for the six months ended 30 September 2011

### OPERATING ACTIVITIES

|  | 30 September 2011           | 30 September 2010           |
|--|-----------------------------|-----------------------------|
|  | \$                          | \$                          |
| Operating loss for the year                | (1,569,955)                 | (1,616,910)                 |
| Depreciation of fixed assets               | 1,400                       | 3,700                       |
| Amortisation of patents                    | 9,674                       | 9,674                       |
| Decrease (Increase) in accounts receivable | 17,984                      | 21,032                      |
| Increase (Decrease) in accounts payable    | (414,781)                   | (967,110)                   |
| Net cash outflow from operating activities | <u><u>\$(1,955,678)</u></u> | <u><u>\$(2,549,614)</u></u> |

### MOVEMENT IN CASH AND ANALYSIS OF CASH BALANCES

|   | 30 September 2011       | 30 September 2010       |
|---|-------------------------|-------------------------|
|   | \$                      | \$                      |
| <b>Changes in net cash</b>              |                         |                         |
| At 1 April 2011                         | 559,566                 | 145,588                 |
| (Decrease) Increase in cash in the year | <u>(258,259)</u>        | <u>526,895</u>          |
| At 30 September 2011                    | <u><u>\$301,307</u></u> | <u><u>\$672,483</u></u> |

|                                  | 30 September 2011       | 30 September 2010       |
|----------------------------------|-------------------------|-------------------------|
|                                  | \$                      | \$                      |
| <b>Analysis of cash balances</b> |                         |                         |
| Cash at bank                     | <u><u>\$301,307</u></u> | <u><u>\$672,483</u></u> |