BOREALIS EXPLORATION LIMITED

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED 30 SEPTEMBER 2012

the second quarter of Fiscal Year 2013

BOREALIS EXPLORATION LIMITED

Registered number: 66632

FINANCIAL STATEMENTS
Quarter ended 30 September 2012

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BOREALIS EXPLORATION LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Quarter ended 30 September 2012

	Note	30 September 2012 $	30 September 2011 $	Year ended 31 March 2012 $
EXPENDITURE		(1,568,059)	(1,569,955)	(2,293,439)
OPERATING LOSS	6	(1,568,059)	(1,569,955)	(2,293,439)
Profit (Loss) on disposal of marketable investments		(265,390)	-	277,103
Unrealised (loss)/gain on revaluation of marketable securities		(64,330)	(933,422)	(159,644)
Financing gain (loss)		(1,590,092)	(68,782)	(359,516)
Impairment of development costs		-	-	(2,345,916)
Non current asset write-off		-	-	(20,500)
Interest received		18	65	51
Interest paid		-	(881)	(8,895)
LOSS ON ORDINARY ACTIVITIES BEFORE TAX		(3,487,853)	(2,572,975)	(4,910,756)
Tax - Canada capital tax		-	(2,355)	(2,355)
LOSS ON ORDINARY ACTIVITIES AFTER TAX		(3,487,853)	(2,575,330)	(4,913,111)
Profit on sale of shares in subsidiary companies		2,424,580	1,467,226	5,115,851
(Loss)/gain on (increase)/decrease in stake in business		1,367	7,935	(213,430)
Equity non-controlling interest - current		379,553	(49,042)	(3,874,449)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		$ (682,353)	$ (1,151,566)	$ (3,887,494)
Equity non-controlling interest - prior year adjustment		$ 5,661,479	-	-
TOTAL ADJUSTED COMPREHENSIVE INCOME		$ 4,979,126	$ (1,151,566)	$ (3,887,494)
EARNING PER SHARE ATTRIBUTABLE		(0.14)	$ (0.23)	$ (0.78)

BOREALIS EXPLORATION LIMITED

Registered number: 66632

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 September 2012

	Notes	30 September 2012 $	31 March 2012 $	30 September 2011 $
ASSETS				
NON-CURRENT ASSETS				
Intangible assets		4,968,800	3,169,092	562,707
Tangible assets		23,323	25,913	30,492
Mining resources		2,714,916	2,706,583	2,690,061
Property, plant and machinery		-	-	20,500
Marketable securities		368,557	801,009	759,702
Deferred compensation receivable		-	-	16,728,392
		8,075,596	6,702,597	20,791,854
CURRENT ASSETS				
Trade and other receivables		117,869	342,523	356,068
Cash and cash equivalents		164,039	473,711	301,307
		281,908	816,234	657,375
TOTAL ASSETS		$ 8,357,504	$ 7,518,831	$ 21,449,229
EQUITY AND LIABILITIES				
CAPITAL AND RESERVES ATTRIBUTABLE TO THE OWNERS OF THE COMPANY				
Called up share capital		50,000	50,000	50,000
Share premium account		24,241,030	24,241,030	24,241,030
Non distributable reserve		-	-	10,318,968
Non-controlling interest		8,271,842	14,219,274	14,582,127
Retained earnings		(31,880,519)	(36,859,645)	(34,123,717)
		682,353	1,650,659	15,068,408
LIABILITIES				
NON-CURRENT LIABILITIES		2,050,940	1,216,851	983,717
CURRENT LIABILITIES				
Trade and other payables		5,624,211	4,651,321	5,397,104
		$ 8,357,504	$ 7,518,831	$ 21,449,229

BOREALIS EXPLORATION LIMITED

Registered number: 66632

COMPANY STATEMENT OF FINANCIAL POSITION
30 September 2012

	30 September 2012 $	31 March 2012 $	30 September 2011 $
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	668,934	603,928	562,707
Tangible assets	23,323	25,913	30,492
Marketable securities	-	-	-
Investments in subsidiaries	83,950	83,950	83,950
	776,207	713,791	677,149
CURRENT ASSETS			
Trade and other receivables	1,574,795	1,359,923	1,232,536
Cash and cash equivalents	64,161	234,883	41,568
	1,638,956	1,594,806	1,274,104
TOTAL ASSETS	$ 2,415,163	$ 2,308,597	$ 1,951,253
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES ATTRIBUTABLE TO THE OWNERS OF THE COMPANY			
Called up share capital	50,000	50,000	50,000
Share premium account	24,241,030	24,241,030	24,241,030
Retained earnings	(56,804,783)	(55,107,263)	(54,973,464)
NET ASSETS	(32,513,753)	(30,816,233)	(30,682,434)
LIABILITIES			
NON-CURRENT LIABILITIES	2,050,940	1,216,851	983,717
CURRENT LIABILITIES			
Trade and other payables	32,877,976	31,907,979	31,649,970
	$ 2,415,163	$ 2,308,597	$ 1,951,253

BOREALIS EXPLORATION LIMITED

CONSOLIDATED STATEMENT OF CASH FLOW
Quarter ended 30 September 2012

	30 September 2012 $	30 September 2011 $	Year ended March 2012 $
Net cash outflow from operating activities	(349,476)	(1,931,678)	(3,424,128)
Returns on investments and servicing of finance			
Interest received	18	65	51
Interest paid	-	(881)	(8,895)
Net cash outflow from servicing of finance	18	(816)	(8,844)
Capital expenditure and financial investment			
Marketable securities acquired	-	-	-
Patent acquisitions	(83,456)	(26,536)	(94,420)
Research and development expenditure	(1,734,701)	-	(2,565,164)
Non-current asset acquisitions		(12,000)	(12,000)
Proceeds on disposal of marketable securities	148,697	-	1,200,041
Lease costs of mining resources	(8,333)	(4,885)	(21,406)
Development costs of mining resources	-	-	
Net cash inflows/(outflow) from capital expenditure and financial investment	(1,677,793)	(43,421)	(1,492,949)
Acquisitions and disposals			
Shares repurchased	(1,099,173)	-	(60,000)
Shares issued in subsidiaries for services	392,172	252,785	(213,430)
Net cash inflow from disposals	(707,001)	252,785	(273,430)
Financing activities and taxation			
Realised profits from sales of subsidiary shares	2,424,580	1,467,226	5,115,851
Taxation	-	(2,355)	(2,355)
Net cash inflow from financing	2,424,580	1,464,871	5,113,496
Net increase in cash resources	$ -309,672	$ -258,259	$ -85,855

BOREALIS EXPLORATION LIMITED

CONSOLIDATED STATEMENT OF CASH FLOW (Continued)
Quarter ended 30 September 2012

Reconciliation of operating loss to net cash outflow from operating activities

	30 September 2012 $	30 September 2011 $	Year ended 31 March 2012 $
Operating loss for the year	(1,568,059)	(1,569,955)	(2,293,439)
Deferred compensation adjustment	-	-	(407,810)
Depreciation of fixed assets	2,590	1,400	5,979
Amortisation of patents	18,449	9,674	36,337
(Increase)/decrease in accounts receivable	224,654	41,984	31,429
Increase/(decrease) in accounts payable	972,890	(414,781)	(1,079,782)
Decrease in deferred compensation	-	-	283,058
Net cash outflow from operating activities	$ (349,476)	$ (1,931,678)	$ (3,424,228)

Movement in cash and analysis of cash balances

	30 September 2012 $	30 September 2011 $	31 March 2012 $
Changes in net cash			
At 1 April 2012	473,711	559,566	559,566
Increase (Decrease) in cash during the year	(309,672)	(258,259)	(85,855)
At 30 September 2012	$ 164,039	$ 301,307	$ 473,711
Analysis of cash balances			
Cash at Bank	$ 164,039	$ 261,361	$ 473,711