BOREALIS EXPLORATION LIMITED

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED 30 JUNE 2013

the first quarter of Fiscal Year 2014

BOREALIS EXPLORATION LIMITED

Registered number: 66632

FINANCIAL STATEMENTS

Three months ended 30 June 2013

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BOREALIS EXPLORATION LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Three months ended 30 June 2013

	Note	30 June 2013 $	30 June 2012 $	Year ended 31 March 2013 $
EXPENDITURE		(733,186)	(925,853)	(3,349,388)
OPERATING LOSS	6	(733,186)	(925,853)	(3,349,388)
Profit (Loss) on disposal of marketable investments		-	(6,583)	(26,160)
Unrealised (loss)/gain on revaluation of marketable securities		(221,787)	(211,185)	(987,647)
Financing gain (loss)		(305,990)	(1,728,168)	(1,334,039)
Interest received		16	15	-
Interest paid		-	-	(3,393)
Foreign exchange gain (loss)		(3,859)	-	8,718
LOSS ON ORDINARY ACTIVITIES BEFORE TAX		(1,264,806)	(2,871,774)	(5,691,909)
Tax		-	-	-
LOSS ON ORDINARY ACTIVITIES AFTER TAX		(1,264,806)	(2,871,774)	(5,691,909)
Profit on sale of shares in subsidiary companies		279,809	1,385,000	8,415,955
Loss on (increase)/decrease in stake in business		(1,013)	1,966	(28,974)
Equity non-controlling interest		(178,832)	(917,845)	(599,206)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD		$ (1,164,842)	$ (2,402,653)	$ 2,095,866
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE		($0.23)	($0.48)	$0.42

BOREALIS EXPLORATION LIMITED

Registered number: 66632

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2013

	Notes	30 June 2013 $	31 March 2013 $	30 June 2012 $
ASSETS				
NON-CURRENT ASSETS				
Intangible assets		9,735,614	9,356,165	4,170,094
Tangible assets		19,435	20,730	24,618
Mining resources		1,990,073	1,985,729	2,711,392
Property, plant and machinery		-	-	-
Marketable securities		174,790	396,577	484,989
Deferred compensation receivable		-	-	
		11,919,912	11,759,201	7,391,093
CURRENT ASSETS				
Trade and other receivables		14,720	-	276,101
Cash and cash equivalents		108,362	287,740	261,040
		123,082	287,740	537,141
TOTAL ASSETS		$ 12,042,994	$ 12,046,941	$ 7,928,234
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		-	-	-
Non-controlling interest		9,335,842	9,157,010	9,475,640
Retained earnings		(30,267,151)	(29,102,309)	(33,600,819)
		3,359,721	4,345,731	165,851
LIABILITIES				
NON-CURRENT LIABILITIES		2,090,938	1,784,948	2,189,016
CURRENT LIABILITIES				
Trade and other payables		6,592,335	5,916,262	5,573,367
		$ 12,042,994	$ 12,046,941	$ 7,928,234

BOREALIS EXPLORATION LIMITED

Registered number: 66632

COMPANY STATEMENT OF FINANCIAL POSITION

30 June 2013

	30 June 2013 $	31 March 2013 $	30 June 2012 $
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	710,002	705,775	632,023
Tangible assets	19,435	20,730	24,618
Investments in subsidiaries	83,950	83,950	83,950
	813,387	810,455	740,591
CURRENT ASSETS			
Trade and other receivables	1,374,321	1,527,796	1,677,010
Cash and cash equivalents	41,744	108,326	109,384
	1,416,065	1,636,122	1,786,394
TOTAL ASSETS	$ 2,229,452	$ 2,446,577	$ 2,526,985
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	(56,793,521)	(56,457,647)	(56,993,183)
NET ASSETS	(32,502,491)	(32,166,617)	(32,702,153)
LIABILITIES			
NON-CURRENT LIABILITIES	2,090,938	1,784,948	2,189,016
CURRENT LIABILITIES			
Trade and other payables	32,641,005	32,828,246	33,040,122
	$ 2,229,452	$ 2,446,577	$ 2,526,985

BOREALIS EXPLORATION LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
three months ended 30 June 2013

	Called up Share Capital $	Share Premium Account $	Non distributable reserve $	Non-controlling interest $	Retained earnings $	Total $
Balance at 1 April 2011	50,000	24,241,030	10,318,968	14,533,085	(32,974,506)	16,168,577
Total comprehensive income for the year	-	-	-	-	(3,885,139)	(3,885,139)
Impairment	-	-	(10,318,968)	-	-	(10,318,968)
Minority interest	-	-	-	(313,811)	-	(313,811)
Post year-end adjustment	-	-	-	(5,661,470)	5,661,470	-
Balance at 1 April 2012	$50,000	$24,241,030	-	$8,557,804	$(31,198,175)	$1,650,659
Total comprehensive income for the period	-	-	-	-	2,095,866	2,095,866
Minority interest	-	-	-	599,206	-	599,206
Balance at 31 March 2013	$50,000	$24,241,030	-	$9,157,010	$(29,102,309)	$4,345,731
Total comprehensive loss for the period	-	-	-	-	(1,164,842)	(1,164,842)
Minority interest				178,832		178,832
Balance at 30 June 2013	$50,000	$24,241,030	-	$9,335,842	$(30,267,151)	$3,359,721

BOREALIS EXPLORATION LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY
three months ended 30 June 2013

	Called up Share Capital $	Share Premium Account $	Retained earnings $	Total $
Balance at 1 April 2011	50,000	24,241,030	(55,110,347)	(30,819,317)
Total comprehensive income for the year	-	-	3,084	3,084
Balance at 1 April 2012	$50,000	$24,241,030	$(55,107,263)	$(30,816,233)
Total comprehensive income/ (loss) for the period	-	-	(1,350,384)	(1,350,384)
Balance at 31 March 2013	$50,000	$24,241,030	$(56,457,647)	$(32,166,617)
Total comprehensive income/ (loss) for the period	-	-	(335,874)	(335,874)
Balance at 30 June 2013	$50,000	$24,241,030	$(56,793,521)	$(32,502,491)

BOREALIS EXPLORATION LIMITED

CONSOLIDATED STATEMENT OF CASH FLOW
three months ended 30 June 2013

	30 June 2013 $	30 June 2012 $	Year ended March 2013 $
Cash flows from operating activities			
Cash generated from operations	(29,261)	72,522	(1,694,647)
Interest received	16	15	-
Interest paid	-	-	(3,393)
Net cash generated from operating activities	(29,245)	72,537	(1,698,040)
Cash flows from investing activities			
Patent acquisitions	(16,066)	(36,708)	(143,941)
Research and development expenditure	(375,222)	(972,906)	(6,085,226)
Proceeds on disposal of marketable securities	-	45,587	378,272
Lease costs of mining resources	(4,344)	(4,809)	(21,204)
Development costs of mining resources	-	-	742,058
Net cash used in investing activities	(395,632)	(968,836)	(5,130,041)
Cash flows from financing activities			
Shares repurchased	(90,164)	(756,003)	(2,022,667)
Shares issued in subsidiaries for services	55,854	54,631	248,822
Realised profits from sales of subsidiary shares	279,809	1,385,000	8,415,955
Taxation		-	-
Net cash inflow from financing activities	245,499	683,628	6,642,110
Net decrease in cash and cash equivalents	(179,378)	(212,671)	(185,971)
Cash and cash equivalents at the beginning of the period	287,740	473,711	473,711
Cash and cash equivalents at the end of the period	$ 108,362	$ 261,040	$ 287,740

BOREALIS EXPLORATION LIMITED

CONSOLIDATED STATEMENT OF CASH FLOW (Continued)
three months ended 30 June 2013

Cash generated from operations

	30 June 2013 $	30 June 2012 $	31 March 2013 $
OPERATING LOSS	(733,186)	(925,853)	(3,349,388)
Depreciation of fixed assets	1,295	1,295	5,183
Amortisation of patents	11,837	8,612	42,094
Decrease (increase) in accounts receivable	14,720	66,422	342,523
Increase/(decrease) in accounts payable	676,073	922,046	1,264,941
Net cash outflow from operating activities	$ (29,261)	$ 72,522	$ (1,694,647)

BOREALIS EXPLORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
three months ended 30 June 2013

1. PRINCIPAL ACCOUNTING POLICIES

These financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs) issued by the International Accounting Standards Board (IASB) as adopted by the European Union ("adopted IFRSs"), the Gibraltar Companies Act, the Gibraltar (Companies Accounts) Act 1999 and the Gibraltar (Consolidated Accounts) Act 1999.

a. Basis of accounting

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied, unless otherwise stated.

The preparation of financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires Family management to exercise judgment in applying the Family's accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in note 5.

b. Basis of consolidation

From 1 January 2010, the total comprehensive income of non-wholly owned subsidiaries is attributed to owners of the parent and to the non-controlling interests in proportion to their relative ownership interests. Before this date, unfunded losses in such subsidiaries were attributed entirely to the family. In accordance with the transitional requirements of IAS 27 (2008), the carrying value of non-controlling interests at the effective date of the amendment has not been restated.

The acquisition method of accounting is used by the Family when it undertakes a business combination. The fair value of consideration transferred at the acquisition date includes the fair value of assets transferred, liabilities incurred by the owners and equity instruments issued by the Family. Consideration can include cash, contingent consideration and options. Acquisition related costs are expensed as incurred unless they relate to the issue of financial instruments in which case they are accounted for in accordance with accounting policies relating to that specific type of financial instrument. The fair value of assets acquired and liabilities assumed are recognised at the acquisition date. At the acquisition date any equity interest held prior to the acquisition date is recognised at fair value with a resulting gain or loss recognised in profit or loss. The family has an option on a combination by combination basis on how to recognise non-controlling interest at the acquisition date either at fair value or proportionate share of net assets.

Goodwill is measured as the excess of the consideration transferred, plus any non-controlling interest and the fair value of any previously held interest in the acquiree over the fair value of assets acquired and liabilities assumed. If the goodwill is negative (bargain purchase) this is recognised immediately in the income statement. Any changes in contingent consideration after the measurement period are recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition, or up to the effective date of disposal, as appropriate. Entities which are acquired and are controlled, but which will be held for a period less than twelve months, are recorded as assets held for sale.

b. Basis of consolidation (continued)

The consolidated financial statements are based on the financial statements of the individual companies drawn up using the standard Family accounting policies. Accounting policies applied by individual subsidiaries have been revised where necessary to ensure consistency with Family policies for consolidation purposes. All companies in the Family have the same annual reporting date of 31 March.

All significant transactions and balances between Family entities are eliminated on consolidation. The Family applies a policy of treating transactions with a non-controlling interest as transactions with equity holder when control is not lost of the subsidiary, and therefore recognised in equity.

c. Segment information

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.

d. Foreign currency translation

The Family has determined the USD $ as its functional currency, as this is the currency of the economic environment in which the Family predominantly operates.

Transactions in currencies other than USD $ are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on exchange are included in profit or loss. No Family entity has an operational currency of a hyper-inflationary economy.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments, financial liabilities that are designated as hedges of the net investment in a foreign operation and qualifying cash flow hedges, each of which are recognised directly in equity within the translation reserve.

In the case of foreign entities the financial statements of the Family's overseas operations are translated as follows on consolidation: assets and liabilities, at exchange rates ruling on the reporting date, income and expense items at the average rate of exchange for the period and equity at exchange rates ruling on the dates of the transactions. Exchange differences arising are classified as equity and transferred to a separate translation reserve. Such translation differences are recognised in the statement of comprehensive income in the period in which the operation is disposed of. Foreign exchange gains and losses arising from monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely within the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in equity.

d. Foreign currency translation (continued)

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Foreign currency gains and losses are reported on a net basis.

e. Revenue

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

f. Non-controlling interests

For business combinations completed on or after 1 January 2010 the Family has the choice, on a business combination by business combination basis, to initially recognise any non-controlling interest in the acquiree at either acquisition date fair value or, as was required prior to 1 January 2010, at the non-controlling interest's proportionate share of the acquiree's net assets. The family has not elected to take the option to use fair value in acquisitions completed to date.

From 1 January 2010, the total comprehensive income of non-wholly owned subsidiaries is attributed to owners of the parent and to the non-controlling interests in proportion to their relative ownership interests. Before this date, unfunded losses in such subsidiaries were attributed entirely to the family. In accordance with the transitional requirements of IAS 27 (2008), the carrying value of non-controlling interests at the effective date of the amendment has not been restated.

g. Non-current assets

Non-current assets are stated in the statement of financial position at their revalued amounts, being the fair value on the basis of their existing use at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the reporting date.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Family and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Any revaluation increase arising on the revaluation of such non-current assets are credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such non-current assets are charged as an expense to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

g. Non-current assets (continued)

When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

Tangible non-current assets and intangible non-current 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 Geoup 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 statement of comprehensive income account in accordance with IAS 36. To the extent that such diminution in value is subsequently reversed, this reversal is credited to the statement of comprehensive income.

h. Intangible assets - Research and development expenditure

Research costs are expensed in the year in which they are incurred. Development costs are reviewed annually and are expensed if they do not qualify for capitalisation. Development costs that are directly attributable to the design and testing of identifiable and unique products controlled by the Family are capitalised as intangible assets only when the following criteria are met:

(i) it is technically feasible to complete the product so that it will be available for use;

(ii) management intends to complete the product and use or sell it;

(iii) there is an ability to use or sell the product;

(iv) it can be demonstrated how the product will generate probable future economic benefits;

(v) adequate technical, financial and other resources to complete the development and to use or sell the product are available; and

(vi) the expenditure attributable to the product during its development can be measured reliably.

The depreciable amount of an intangible asset with a finite useful life, will be distributed on a systematic basis over its useful life. Capitalised development costs are amortised on a straight line basis over their twenty five year useful estimated life once the asset is available for use.

i. Financial instruments

Financial instruments, other than derivative financial instruments, are recognised on the Family's statement of financial position when the Family becomes a party to the contractual provisions of the instrument. Financial instruments are initially measured at fair value, which generally equates to acquisition cost, which includes transaction costs for financial instruments not subsequently measured at fair value. Subsequent to initial recognition, they are measured as set out below.

j. Non-current asset investments

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

k. 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. 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.

l. 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 4 to 11 and within Note 3.

m. Taxation including deferred tax

From January 2011, all Gibraltar companies are subject to the Gibraltar Tax Act 2010 whereby companies with businesses managed and controlled in Gibraltar, are required to pay 10% Gibraltar Corporation Tax on revenue profits provided these are accrued in or derived from Gibraltar. No provision has however been made for this tax, nor for deferred tax, as no taxable revenue was earned by the Family.

n. 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.

o. Impairment

At each reporting date, the Family reviews the carrying amounts of its tangible and intangible assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Family estimates the recoverable amount of the cash-generating unit to which the asset belongs.

o. Impairment (continued)

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. Where an impairment loss subsequently reverses (except for goodwill), the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

p. Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. Trade receivables are stated at their amortised cost less any allowances for doubtful receivables. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

q. Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks, and investments in money market instruments which are readily convertible, being those with original maturities of three months or less. Cash and cash equivalents are measured at fair value, based on the relevant exchange rates at the reporting date.

r. Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

s. Provisions

Provisions are recognised when the Family has a present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the obligation.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

t. Share-based payments

Equity instruments granted for services received

When the Family issues equity instruments for goods or services received, the fair value of the goods or services received is recognised as the cost of the goods or services received with a corresponding increase in equity. However, if the fair value of the equity instrument granted is greater than the fair value of the goods or services received the difference is recognised in the income statement as unidentified consideration.

u. Comparative figures

Where necessary, previously reported make ups of comparative figures are changed to allow for a more meaningful comparison.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

New and amended standards adopted by the Family

The Family has adopted the following new and amended IFRSs as of 1 April 2012. There are other amendments to standards not listed in this note as they do not have a material effect on the Family

- IAS 12 (amendment), 'Deferred Tax: Recovery of Underlying Assets', is effective from 1 January 2012.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Family

The following standards and amendments to existing standards have been published and are mandatory for accounting periods of the Family beginning after 1 April 2011, but which have not been adopted early by the Family:

- IFRS 9, 'Financial Instruments', is effective for accounting periods beginning on or after 1 January 2015.
- IFRS 7 (amendment), 'Financial Instruments: Disclosures'. The amendment addresses the disclosures surrounding the derecognition of financial assets.
- IFRS 7 (amendment), 'Disclosures – Offsetting Financial Assets and Financial Liabilities' and IAS 32 'Offsetting Financial Assets and Financial Liabilities'.
- IFRS 10, 'Consolidated Financial Statements', is effective for accounting periods beginning on or after 1 January 2013.
- IFRS 11, 'Joint Arrangements', is effective for accounting periods beginning on or after 1 January 2013.
- IFRS 12, 'Disclosures of Interests in Other Entities', is effective for accounting periods beginning on or after 1 January 2013.
- IFRS 13, 'Fair Value Measurement', is effective for accounting periods beginning on or after 1 January 2013.
- IAS 1 (amendment), 'Presentation of Items of Other Comprehensive Income', is effective for accounting periods beginning on or after 1 July 2012.
- IAS 16 (amendment), 'Property, Plant and Equipment', is effective for accounting periods beginning on or after 1 January 2013.
- IAS 19 (revised), 'Employee Benefits', is effective for accounting periods beginning on or after 1 January 2013.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
three months ended 30 June 2013

3. 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.

4. FINANCIAL INSTRUMENTS

Financial instruments, other than derivative financial instruments, are recognised on the Family's statement of financial position when the Family becomes a party to the contractual provisions of the instrument. Financial instruments are initially measured at fair value, which generally equates to acquisition cost, which includes transaction costs for financial instruments not subsequently measured at fair value Subsequent to initial recognition, they are measured as set out below.

i) Loans and receivables
Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise trade and other receivables and are recognised initially at fair value and subsequently at amortised cost. Generally, this results in their recognition at nominal value less any allowance for any doubtful debts.

ii) Available for sale financial assets
Family investments in strategic investments in entities not qualifying as subsidiaries, associates or jointly controlled entities are classified as available-for-sale financial assets

iii) Other financial liabilities
Other financial liabilities include trade payables, related party loans and other short-term monetary liabilities, which are initially recognised at fair value and the carried at amortised cost.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign exchange gains and losses on available-for-sale monetary items that are recognised in profit or loss, are recognised as part of other comprehensive income. When an investment is derecognised, the cumulative gain or loss previously recognised as other comprehensive income is transferred to profit or loss.

iv) Cash and cash equivalents
Cash and cash equivalents in the balance sheet comprise cash at banks and in hand with an original maturity of three months or less.

4. FINANCIAL INSTRUMENTS (continued)

v) Share capital
Ordinary shares are classified as equity. Costs directly attributable to the issue of the shares are recognised as a deduction from equity.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing the financial statements, management is required to make estimates and assumptions which affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and application of judgement are inherent in the formation of estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed as follows:

i) *Taxation*

The Family is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain; such determination being made by the relevant taxing authorities. The Family recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be found to be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. Where considered necessary estimates are developed by management based on external specialist advice.

There are no other judgemental areas identified by management that could have a material effect on the provisions made at the reporting date.

ii) *Fair value of derivatives and other financial instruments*

The fair value of financial instruments that are not traded in an active market (e.g. unquoted debt instrument) is determined by using valuation techniques. Family management uses its judgement to select a variety of methods, and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

6. OPERATING LOSS

Operating loss is stated after charging	30 June 2013 $	30 June 2012 $	31 March 2013 $
Depreciation	1,295	1,295	5,183
Amortisation	11,837	8,614	42,094
Family audit fees	17,721	12,000	118,310

NOTES TO THE FINANCIAL STATEMENTS (Continued)
three months ended 30 June 2013

7. DIRECTORS' EMOLUMENTS

The total amount of emoluments paid to directors during the period was $454,575.

In addition, rent totalling approximately $27,787 has been charged to the Family of Companies by certain directors, for the provision of office space.

8. EMPLOYEE INFORMATION

The Company employed a number of clerical staff during the current period. All other services to the Company are provided by way of consultancy agreements.

9. PROFITS OF HOLDING COMPANY

Included in the profits for the financial year is a loss of $335,874 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.

10. TAXATION

From January 2011, all Gibraltar companies is subject to the Gibraltar Tax Act which requires companies with businesses managed and controlled in Gibraltar, to pay 10% Gibraltar Corporation Tax on profits provided they are accrued in or derived from Gibraltar. No provision has however been made for this tax, nor for deferred tax, as no taxable revenue was earned by the Family