

BOREALIS EXPLORATION LIMITED

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED 30 SEPTEMBER 2015

the second quarter of Fiscal Year 2016

BOREALIS EXPLORATION LIMITED

Registered number: 66632

FINANCIAL STATEMENTS

six months ended 30 September 2015

CONTENTS	PAGE
Consolidated statement of comprehensive income	2
Consolidated statement of financial position	3
Company statement of financial position	4
Consolidated statement of changes in equity	5
Company statement of changes in equity	6
Consolidated statement of cash flows	7
Notes	9

BOREALIS EXPLORATION LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

six months ended 30 September 2015

	30 September 2015 \$	30 September 2014 \$	Year ended 31 March 2015 \$
REVENUE		-	27,000
EXPENDITURE	(1,772,253)	(977,005)	(3,161,268)
OPERATING LOSS	(1,772,253)	(977,005)	(3,134,268)
Other gains and losses			
Loss on disposal of financial assets	-	(24,287)	(44,277)
Fair value gain (loss) on financial assets	(47,376)	(134,960)	(120,323)
Foreign exchange gain (loss)	1,685	(1,845)	(6,209)
Impairment of mining resources	-	-	(2,010,973)
Impairment of investment in subsidiaries	-	-	(710,227)
Gain on write down of payables	439,364	-	1,874,675
Finance cost			
Financing gain (loss)	340,187	911,143	1,287,089
Interest received	-	6	-
Interest paid	(5,155)	(2,786)	(11,469)
LOSS ON ORDINARY ACTIVITIES BEFORE TAX	(1,043,548)	(229,734)	(2,875,982)
Tax	-	-	-
LOSS ON ORDINARY ACTIVITIES AFTER TAX	(1,043,548)	(229,734)	(2,875,982)
Profit on sale of shares in subsidiary companies	1,776,275	1,125,578	2,869,944
Gain on buyout option	-	68,213	-
Loss on (increase)/decrease in stake in business	(33,613)	125	695,186
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	\$ 699,114	\$ 964,182	\$ 689,148
Total comprehensive income (loss) for the period attributable to:			
Owners of the parent	661,435	998,886	1,559,498
Equity non-controlling interest	(37,679)	(34,704)	(870,350)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE	(\$0.21)	(\$0.05)	(\$0.58)

BOREALIS EXPLORATION LIMITED

Registered number: 66632

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 September 2015

	30 September 2015 \$	31 March 2015 \$	30 September 2014 \$
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	13,127,989	12,446,151	11,901,903
Property, plant and equipment	11,588	12,786	14,081
Mining resources	2	2	1,997,636
	13,139,579	12,458,939	13,913,620
CURRENT ASSETS			
Trade and other receivables	22,886	26,303	554,935
Financial assets at fair value	36,737	90,517	125,439
Cash and cash equivalents	147,833	75,574	60,236
	207,456	192,394	740,610
TOTAL ASSETS	\$ 13,347,035	\$ 12,651,333	\$ 14,654,230
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	(26,764,279)	(27,425,714)	(27,436,998)
	(2,473,249)	(3,134,684)	(3,145,968)
Non-controlling interest	9,215,526	9,177,847	9,464,166
Total equity	6,742,277	6,043,163	6,318,198
LIABILITIES			
NON-CURRENT LIABILITIES	1,091,013	1,431,200	1,807,146
CURRENT LIABILITIES			
Trade and other payables	5,513,745	5,176,970	6,528,886
	\$ 13,347,035	\$ 12,651,333	\$ 14,654,230

BOREALIS EXPLORATION LIMITED

Registered number: 66632

COMPANY STATEMENT OF FINANCIAL POSITION**30 September 2015**

	30 September 2015 \$	31 March 2015 \$	30 September 2014 \$
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	798,206	811,288	816,818
Property, plant and equipment	11,588	12,786	14,081
Investments in subsidiaries	117,718	83,950	83,950
	927,512	908,024	914,849
CURRENT ASSETS			
Trade and other receivables	2,063,638	1,926,528	1,975,125
Cash and cash equivalents	137,843	68,972	31,535
	2,201,481	1,995,500	2,006,660
TOTAL ASSETS	\$ 3,128,993	\$ 2,903,524	\$ 2,921,509
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	(53,529,753)	(54,309,304)	(56,559,925)
NET ASSETS	(29,238,723)	(30,018,274)	(32,268,895)
LIABILITIES			
NON-CURRENT LIABILITIES	1,091,013	1,431,200	1,807,146
CURRENT LIABILITIES			
Trade and other payables	31,276,703	31,490,598	33,383,258
	\$ 3,128,993	\$ 2,903,524	\$ 2,921,509

BOREALIS EXPLORATION LIMITED

Consolidated Statements of Changes in Equity six months ended 30 September 2015

	Called up Share Capital	Share Premium Account	Other reserves	Retained earnings	Non- controlling interest	Total equity
	\$	\$	\$	\$	\$	\$
Balance at 1 April 2013	50,000	24,241,030	-	(29,102,309)	9,157,010	4,345,731
Comprehensive income for the year	-	-	-	1,008,284	-	1,008,284
Change in ownership interest of subsidiaries	-	-	-	(272,452)	272,452	-
Restatement of non controlling interest				(618,735)	618,735	
Balance at 1 April 2014	\$50,000	\$24,241,030	-	\$(28,985,212)	\$10,048,197	\$5,354,016
Comprehensive income for the year	-	-	-	689,148	-	689,148
Change in ownership interest of subsidiaries	-	-	-	870,350	(870,350)	-
Balance at 31 March 2015	\$50,000	\$24,241,030	-	\$(27,425,714)	\$9,177,847	\$6,043,163
Comprehensive income for the period				699,114		699,114
Change in ownership interest of subsidiaries				(37,679)	37,679	-
Balance at	\$50,000	\$24,241,030	\$-	\$(26,764,279)	\$9,215,526	\$6,742,277

BOREALIS EXPLORATION LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

six months ended 30 September 2015

	Called up Share Capital	Share Premium Account	Retained earnings	Total equity
	\$	\$	\$	\$
Balance at 1 April 2013	50,000	24,241,030	(56,457,647)	(32,166,617)
	-	-	(1,013,421)	(1,013,421)
Balance at 1 April 2014	\$50,000	\$24,241,030	\$(57,471,068)	\$(33,180,038)
Comprehensive income for the year	-	-	3,161,764	3,161,764
Balance at 31 March 2015	\$50,000	\$24,241,030	\$(54,309,304)	\$(30,018,274)
Comprehensive income for the period			779,551	779,551
Balance at 30 September 2015	\$50,000	\$24,241,030	\$(53,529,753)	\$(29,238,723)

BOREALIS EXPLORATION LIMITED

CONSOLIDATED STATEMENT OF CASH FLOW

six months ended 30 September 2015

	30 September 2015 \$	30 September 2014 \$	Year ended March 2015 \$
Cash flows from operating activities			
Cash generated from operations	47,295	(599,484)	(189,495)
Interest paid - net	(5,155)	(2,780)	(11,469)
Net cash generated from operating activities	42,140	(602,264)	(200,964)
Cash flows from investing activities			
Acquisition of intangible assets	(714,120)	(670,437)	(1,248,927)
Proceeds on disposal of marketable securities	6,404	122,458	142,961
Expenditure on mineral resources	-	(4,101)	(17,440)
Net cash used in investing activities	(707,716)	(552,080)	(1,123,406)
Cash flows from financing activities			
Proceeds from sale of subsidiaries shares	754,164	1,125,699	1,318,500
Repayments of borrowings	-	-	(1,880)
Shares repurchased	(16,236)	(4,005)	(9,000)
Net cash inflow from financing activities	737,928	1,121,694	1,307,620
Net decrease in cash and cash equivalents	72,352	(32,650)	(16,750)
Cash and cash equivalents at the beginning of the period	75,574	93,722	93,722
Exchange gains/losses on cash at bank	(93)	(836)	(1,398)
Cash and cash equivalents at the end of the period	\$ 147,833	\$ 60,236	\$ 75,574

BOREALIS EXPLORATION LIMITED

CONSOLIDATED STATEMENT OF CASH FLOW (Continued)

six months ended 30 September 2015

Cash generated from operations

	30 September 2015 \$	30 September 2014 \$	31 March 2015 \$
Total comprehensive income (loss) for the year	699,114	964,182	689,148
Adjustments for:			
Depreciation	1,198	2,103	3,398
Amortisation	32,282	29,762	64,002
Share based payments - equity settled	1,022,334	4,730	1,552,730
Fair value (gains)/losses on financial assets	47,376	134,960	120,828
Finance costs	5,155	2,780	11,469
Foreign exchange losses/(gains) on operating activities	(1,685)	2,681	6,209
Loss on sale of financial assets	-	24,287	44,277
Non cash proceeds from buy out options	-	(5,455)	-
Non cash financing loss (gain)	(340,187)	(911,143)	(1,287,089)
Profit on sale of shares in subsidiary companies	(1,776,275)	(1,125,578)	(2,869,944)
Gain/(loss) on change of stake in business	33,613	(125)	(694,206)
Gain on write off of payables	(439,364)	-	(1,874,675)
Impairment of mining resources	-	-	2,010,973
Impairment of investment in subsidiaries	-	-	710,227
Changes in working capital:			
Decrease/(Increase) in trade and other receivables	3,417	(187,584)	341,048
Increase/(Decrease) in trade and other payables	760,317	464,916	982,110
Net cash outflow from operating activities	\$ 47,295	\$ (599,484)	\$ (189,495)

BOREALIS EXPLORATION LIMITED

Notes to the Consolidated Financial Statements *six months ended 30 September 2015*

1. Significant 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 Companies (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 management to exercise judgment in applying the accounting policies to the family, hereafter after referred to as the 'Family'. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in note 4.

These consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value.

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.

BOREALIS EXPLORATION LIMITED

Notes to the Financial Statements (Continued) six months ended 30 September 2015

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 reporting dates.

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 holders 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 operations of 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 items 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.

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.

BOREALIS EXPLORATION LIMITED

Notes to the Financial Statements (Continued) six months ended 30 September 2015

e. 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.

f. Property, plant and equipment

Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss. The residual values and useful lives of property, plant and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period. The carrying amount of an asset is written down immediately to its recoverable amount if the asset's carrying amount is assessed as greater than its estimated recoverable amount.

Depreciation is charged on other assets so as to write off the cost or valuation of assets, over their estimated useful lives, less estimated residual value, using the straight-line method on the following bases:

Mining and geological equipment	30%
Other equipment	20%

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

g. 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.

BOREALIS EXPLORATION LIMITED

Notes to the Financial Statements (Continued) six months ended 30 September 2015

g. Intangible assets - Research and development expenditure (continued)

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 year useful estimated life once the asset is available for use.

Patents are accounted for on the basis of the costs of registering the worldwide rights. All costs for legal works of the products have been written off in the year incurred. These patents are amortised on the straight-line basis over their twenty year estimated useful life.

h. Mineral resources

Mineral resources are recognised at the cost of acquiring licences, including the costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. All costs are capitalised once the company has obtained the legal right to explore. Mineral resources are amortised when technical feasibility and commercial viability of the property can be demonstrated.

i. Impairment of non-financial assets

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.

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.

j. Taxation

Income tax expense represents the sum of the current tax and deferred tax.

The charge for current tax is based on the result for the year adjusted for items which are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Current and deferred tax is recognised in the income statement unless the item to which the tax relates was recognised outside the income statement being other comprehensive income or equity. The tax associated with such an item is also recognised in other comprehensive income or equity respectively.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method.

BOREALIS EXPLORATION LIMITED

Notes to the Financial Statements (Continued) **six months ended 30 September 2015**

j. Taxation (continued)

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates, and interests in joint ventures, except where the Family is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amounts of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. For land and revalued investment property deferred tax is calculated on the presumption that recovery is through sale. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

A change in deferred tax assets and liabilities as a result of a change in the tax rates or laws are recognised in profit and loss or other comprehensive income to the extent that it relates to items previously recognised in other comprehensive income.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Family intends to settle its current tax assets and liabilities on a net basis.

k. 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.

l. 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.

m. 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.

BOREALIS EXPLORATION LIMITED

Notes to the Financial Statements (Continued) six months ended 30 September 2015

n. 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 other comprehensive income.

o. 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.

p. Revenue recognition

Revenue from the sale of fuel slots is recognised when the agreements are executed.

(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) Financial assets at fair value through profit or loss ('FVTPL')

If a financial asset is held for trading, or is designated as such on initial recognition, it is classified as held at fair value through profit or loss. Assets other than held for trading are designated at fair value through profit and loss when the Family manages the holdings and makes purchase and sale decisions based on fair value assessments and documented risk management and investment strategies. Attributable transaction costs and changes in fair value are recognised in profit or loss. The company has designated its marketable securities as FVTPL 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 subsequently carried at amortised cost.

The Company's subsidiaries are listed in note 9 to the consolidated financial statements and are held at cost less provision for any impairment.

Financial hierarchy

Financial instruments recorded at fair value on the consolidated statements of financial position are classified using the fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1: valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

BOREALIS EXPLORATION LIMITED

Notes to the Financial Statements (Continued) ***six months ended 30 September 2015***

o. Financial instruments (continued)

Financial hierarchy (continued)

Level 2: valuation techniques based on inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e as prices) or indirectly (i.e derived from prices); and

Level 3: valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

p. Share capital

Ordinary shares are classified as equity. Costs directly attributable to the issue of the shares are recognised as a deduction from the proceeds.

q. 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.

r. Restatement

The comparative figure for non controlling interest has been restated, due to the incorrect percentage for non controlling interest being applied in previous years. This restatement is disclosed in the consolidated statement of changes in equity.

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 endorsed by the European Union (EU)) as of 1 April 2014. There are other amendments to standards not listed in this note as they do not have a material effect on the Family.

- IAS 32 (amendment), 'Offsetting Financial Assets and Financial Liabilities'. The IAS 32 amendment clarifies the existing offsetting requirements and therefore is unlikely to have any impact on the Family. The amendment is effective for annual periods beginning on or after 1 January 2014.

In addition, a number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 March 2015, and have not been applied in preparing these consolidated financial statements. These are not expected to have an effect on the consolidated financial statements.

BOREALIS EXPLORATION LIMITED

Notes to the Financial Statements (Continued) six months ended 30 September 2015

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. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period.

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 to the carrying values of assets and liabilities that would be necessary if the Borealis Family of Companies is unable to achieve profitable operations or secure continued financing.

4. 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) *Mineral resources*

The recoverability of the capitalised mineral resources are subject to significant assumptions about the future made by management at the end of the year. The recoverability is dependent upon the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in mineral resources, the ability of the Family to secure continued financial support to develop its mineral resources, and upon future profitable production.

i) *Intangible Assets*

The recoverability of the capitalised technology development costs are subject to significant assumptions about the future made by management at the end of the year. The recoverability is dependent upon the successful development of a commercially viable product, securing and maintaining patents in relation to these, the ability of the Family to secure continued financial support to develop, and upon future profitable production.

iii) *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.

BOREALIS EXPLORATION LIMITED

Notes to the Financial Statements (Continued) six months ended 30 September 2015

5. Operating loss	September 2015	September 2014	March 2015
<i>Operating loss is stated after charging</i>		\$	\$
Depreciation	1,198	2,103	3,398
Amortisation	32,282	29,762	64,002
Family audit fees	14,514	14,210	102,506

6. Directors' emoluments

The total amount of emoluments credited to directors, who are also the key management personnel, during the period was \$821,501 (September 2014: \$902,550).

The emoluments relate to directors fees of \$66,601, accounting fee of \$16,000 and development expenditure of \$650,400, approximately half of which has been capitalised as development expenditure.

In addition, amounts totalling approximately \$111,000 (September 2014: \$95,400) has been charged to the Family of Companies by certain directors, for the provision of office space.

7. Employee information

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

8. Results of the holding company

Included in the profits for the financial quarter is a profit of \$799,551 (2014 - \$911,143) 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.

9. Taxation

The Gibraltar Tax Act (2010) which requires companies with businesses managed and controlled in Gibraltar, to pay 10% Gibraltar Corporation Tax on profits. No provision has however been made for this tax, nor for deferred tax, as no taxable revenue was earned by the Family.