Roche Bay plc

2006 Annual Report

About Roche Bay

Roche Bay plc owns one of the world's largest known undeveloped magnetite (iron ore) resources, located at Roche Bay on the Melville Peninsula, Nunavut, Canada. In two families of deposits, referred to as the Eastern and Western Deposits, Roche Bay has over 4 billion tonnes of resource and over 460 million tonnes (Mt) of drilled resource. The Eastern Deposits, which Roche Bay will develop first, have an average core grade of 27%.

The Roche Bay Eastern deposits are 5-10 km from a dock site that can accept ships of up to 225,000 DWT. That dock site is roughly 2800 nautical miles from Rotterdam. The deposits' proximity to tidewater will enable Roche Bay to mine, process and move raw ore from the Roche Bay deposits to the dock. Furthermore, Roche Bay's proximity to the European market will limit its European customers' exposure to ocean freight prices.

Roche Bay plc (US OTC: RCHBF) is a majority-owned, publicly-traded subsidiary of Borealis Exploration Limited (US OTC: BOREF).

Contents

Management's Letter to Members

15 June 2006

Fellow Members:

The past year has been an excellent one for Roche Bay plc, with several strategic milestones advanced and achieved. We signed a significant ore supply agreement with a major steel producer; we raised our first tranche of institutional investment; and we attracted a world-class management and operational team. We are well on our way to becoming a significant force in the global iron ore market.

About the Roche Bay Project

For 41 years, Roche Bay and its predecessor company have owned first the mineral claims, then the leases on 10,973 acres (4,440 hectares), or approximately 17 square miles, of land on the Melville Peninsula, just north of the Arctic Circle, in Nunavut, Canada. These lands contain one of the largest known deposits of magnetite iron ore in the world. The deposits occur on the peninsula in two large bands — the Eastern deposits, which contain an estimated 1.3 billion tonnes of ore and are conveniently located five to ten kilometers from a natural protected harbour, and the Western deposits, totaling an estimated 3 billion tonnes of ore, which are located some 120 kilometers away on the western side of the peninsula.

We are following a conservative staged strategy, with the aim of keeping Roche Bay's project capital expenses and risks low. We plan to start with a relatively small mining and ore-processing operation, then gradually build, over the next two decades, towards a major mining project producing 20-30 million tonnes a year of concentrate and pellets.

We are first working to bring the Eastern deposits into production as concentrate. With transportation logistics usually one of the most significant operating costs incurred in ore mining and processing operations, the proximity of the Eastern deposits to Roche Bay's natural harbour gives the company one of its greatest competitive cost advantages.

Over time, we plan to use the cash flows generated from our initial concentrate plant setup to expand capacity and margins by moving into the production of higher-value iron ore pellets. We will then begin to exploit our massive Western deposits. By the end of this expansion process, we want to have Roche Bay as a 20-30 million tonne producer of pellets and concentrate, supplying Europe with 20% of its seaborne ore requirements.

Developing a mining project is not an instant gratification business. It typically requires five to ten years to build a new mine and begin production. Typically, capital costs are large and the risks substantial. However, once a project begins production, the returns can be considerable — and we intend to make them so for Roche Bay's shareholders. Your management has spent the past few years seeking ways to reduce both costs and risks to the point where the balance of the remaining risks and prospective returns are attractive to both customers and institutional investors alike, enabling the project to move forward. This year, we believe we have reached that point.

Agreement with Corus

The single most significant accomplishment for this year was the signing of our agreement with the listed Anglo-Dutch company, Corus Group plc, the world's ninth-largest steelmaker. The key to this deal is the "off-take option," which allows Corus to purchase between 2 and 3.5 million tonnes a year of Roche Bay's ore. The agreement will run from 2010 for 10 years, providing our end-product meets steel mills' quality specifications. While the nature of the agreement does not oblige Corus to exercise its option, it is a clear sign of support for the viability of the Roche Bay project and its importance as an alternative strategic supply source to European steel makers. The task ahead is to prove that Roche Bay can produce the quality and quantity of ore specified, and that the project is economically feasible.

One key provision of the Corus agreement is that 1.5 million tonnes of the off-take can potentially be delivered as higher-value iron ore pellets. We plan to have our pellet plant operational by 2013. So the agreement with Corus gives us the flexibility to start as a small concentrate mine, then grow over time into a larger pellet-producing operation, generating a higher level of cash flows.

In the second part of the agreement, Corus has acquired an option to take an ownership stake in the Eastern deposits, in return for investing capital to finance development of the first stage 8-million-tonne a year concentrate mine until it begins production. Under the agreement, a joint-venture entity will be created to manage the development of, and assume the ownership of, the Eastern deposits.

The Corus agreements give us a cornerstone investor in the project, reduce our capital requirements, and lower our marketing risks. The Corus contracts provide us with both a core customer and several new strategic options. Iron mines have always been built around their customers, and we believe, even in this day and age, this remains a valid business model.

The Corus options can be exercised once we complete our pre-feasibility work. This we are currently undertaking. Over the next nine months, we aim to define a 300-million-tonne inferred resource, create a product specification, and develop a process for concentrating the ore and improving its grade, as well as further expand our project team.

Capital-raising activities

Building this business will still require additional capital. This year we are seeking to raise £5 million. We have started that effort and have raised several million pounds to date — including attracting the first participation of large institutional investors in Roche Bay. We also plan to move investment in our shares to a more active trading exchange — most probably the London Stock Exchange's AIM.

At some point in the next year, we plan to make an initial public offering (IPO) of Roche Bay shares in that market. We will end up raising about £70 million over the next two to three years to fund our part of Roche Bay's development costs. We may secure another strategic partner into the Eastern deposits joint venture; this would still allow us to control 51% of the Eastern ore bodies and 100% of the Western ore reserves. Overall we expect the project's total development costs to be somewhere less than $500 million.

Building the Roche Bay management team

Another significant milestone this year is our attraction of a world-class team. We have brought three key executives on board. Each brings broad experience and strong industry expertise. Together, they will form the core management team that will transform Roche Bay into an operating business.

Daniel M. Botes joins the Company as Chief Operating Officer and will have day-to-day responsibility for mine engineering, construction, ore processing and all other on-site operations. He also joins the Board. Daniel has wide experience in mine engineering and product quality, as well as ore marketing and business strategy. Having completed a degree in Industrial Engineering in 1997 at the University of Pretoria, Daniel was employed by Iscor Ltd in the Mining Division in South Africa, which later became Kumba Resources. During his employment, he held the positions of Senior Industrial Engineer, Head of Quality Assurance, Technical Manager (Kumba Hong Kong), Marketing Manager and Manager, Strategic Projects.

Melinda K. Moore joins Roche Bay as Chief Financial Officer and will also join the Board. As well as having responsibility for financial management of the project, Melinda will lead Roche Bay's fund-raising initiatives. She joins Roche Bay from Steel Business Briefing, a widely-read industry information provider, where she was Chief Representative for China, based in Shanghai. This role provided her with an enviable understanding of the industry and the Asia-Pacific market in particular. As well as being a Post-Graduate Finance lecturer at the Securities Institute of Australia, she held a number of advisory roles at Truegrip Corporation, Intersuisse, Bell Securities and Hambros Equities in Australia.

Dirk P. Swartz joins Roche Bay as Vice President of Engineering. Dirk has gained wide experience in coal and iron ore metallurgy, as well as other minerals processing, particularly crushing, screening and dense medium separation in South Africa. Most recently, he has been an engineering project manager on behalf of South African mine engineering firm, LSL Consulting. Apart from project managing various feasibilities studies for coal and iron ore projects, he also acted as Project Engineer for Kumba's 9 million tonne a year iron ore project, Sishen South. Previously, he held roles at Joest Ltd as Senior Process Engineer, at Schenck as Sales Manager for process equipment and at Kumba's Sishen Iron Ore mine in senior operational management roles.

With these three key executives and their support team, we have almost completed building the core management team required to progress the early stages of Roche Bay's project.

One more change this year should be noted. Dr. Rodney T. Cox, who has been Chairman of Roche Bay and its predecessor since 1978, and was also Chief Executive Officer until 2003, has been succeeded as Chairman by Peter Vanderwicken, who has been a Director since 2001.

We owe a profound debt of gratitude to Dr. Cox for his foresight, as well for as his determination and persistence over the decades in retaining ownership of the Roche Bay magnetite deposits, taking them to the point at which economic and market conditions have made their development possible. Dr. Cox has always believed these deposits hold huge value, and we now are working to unlock that value.

Fiscal 2006 marked an enormous turning point for Roche Bay. We found our first, and likely core, customer; we obtained our first institutional investment; we attracted a new management team; and we began the intensive work necessary to build a mine at Roche Bay and begin the production of iron. In the coming year, we will be advancing our pre-feasibility work and our IPO.

The seaborne iron ore market is buoyant; our key competitors hold a dominant market share. We feel the time is ideal for a niche ore supplier to begin operations, offering a wider choice to European steel customers in particular.

The future for Roche Bay is bright.

Peter Vanderwicken	Benjamin J. Cox
Chairman	President and Chief Executive Officer

Management's Discussion and Analysis of Financial Results

Our retained loss for the year was $1,021,629 compared to $64,800 for 2005. This begins to reflect the gearing up to place Roche Bay into production. This includes the costs associated with ore sales and the sales of interests in the property along with the costs of working on obtaining an AIM listing for our shares with pre-IPO private placement costs and the costs of preparing for an AIM underwriting. These expenses will grow substantially for fiscal 2007. Our retained loss carried forward is $1,764,249 compared to last year's $742,620. Both of these figures, given the gearing up for production and the very large costs associated with the endeavour, will be almost totally dependent upon the accounting treatment given to the development costs of the project. Our shareholder funds declined to $3,741,721 compared to $4,692,590 in 2005. This figure will grow substantially in fiscal 2007.

Until fiscal 2006, all of Roche Bay's expenses had been paid by our parent company. Roche Bay plc is now operating as a stand-alone company, responsible for and paying its own costs of operation.

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 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.

DIRECTORS AND OFFICERS

Directors	Appointed	
Rodney T. Cox	02 June 1997	(resigned 16 February 2006)
Wayne S. Marshall	02 June 1997	(resigned 16 February 2006)
Iris Oren Cox	24 July 2001	(resigned 21 February 2006)
Benjamin J. Cox	01 Aug 2001	Director, President and Chief Executive Officer
Joseph J. Cox	01 Aug 2001	Director
Peter Vanderwicken	11 Sept 2001	Director, Chairman of the Board
John W. Abernethy	27 Mar 2003	Director
Pelagie Sharp	27 Mar 2003	Director

OFFICERS

Benjamin J. Cox, President and Chief Executive Officer
Daniel M. Botes, Chief Operating Officer
Melinda K. Moore, Finance Director and Chief Financial Officer
Dirk P. Swartz, Vice President – Engineering
Candace Ramcharan, Vice President – Business Development
Moshe Cohen, Controller

Secretary

Fidecs Management Limited

Registered Office

Suite 3G, Eurolife Building
1 Corral Road
Gibraltar

Corporate Counsel

Clyde & Co.
51 Eastcheap
London EC3M 1JP

Auditors

Moore Stephens
Suite 5 Watergardens 4
Waterport
Gibraltar

ROCHE BAY

PUBLIC LIMITED COMPANY

Gibraltar Registered No. 60527

Financial Statements

for the year ended 31 March 2006

DIRECTORS' REPORT

The directors submit their report and the audited financial statements for the year ended 31 March 2006.

Corporate Profile

The Company was incorporated in Gibraltar on 11 February 1997. The Company's shares are publicly traded in the United States over-the-counter (OTC) market and quoted as RCHBF on www.pinksheets.com. As of 31 March 2006 the last reported trade was at $8.50 per share, with the yearly high at $9.00 per share, and the low at $1.00 per share.

Activities

The Company holds 100% interest in seven 21-year renewable Government of Canada Mineral Leases on 10,973 acres located near Roche Bay, on Melville Peninsula, in the Baffin Mining District of Nunavut, Canada, which contain one of the world's largest undeveloped deposits of magnetite (Fe_3O_4). The deposits are in two large groups -- the Eastern deposits, which total an estimated 1.3 billion tonnes of ore and are five to ten kilometers from a natural harbour, and the Western deposits, totaling an estimated 3 billion tonnes of ore, which are some 120 kilometers away on the western side of the peninsula. We are currently working to put the Eastern deposits into production. Our initial plans include a 5-8 million tonne per year mine supplying iron concentrate to steel mills in Europe and possibly also in Asia. During fiscal 2006, we concluded an agreement with Corus Group plc, the world's eighth-largest steelmaker. This agreement includes an "off-take option," or an option by Corus to purchase between 2 and 3.5 million tonnes of our ore each year for 10 years beginning in 2010. It also includes a joint-development provision whereby Corus has acquired an option to take an ownership stake in the Eastern Deposits in return for investing some capital to finance development of the first-stage 8-million-tonne-per-year concentrate mine until it begins production.

Results and Review of Business

The results for the year are shown in the Profit and Loss Account on page 13.

Borealis Exploration Limited ("Borealis"), the ultimate parent company, transferred in 1997 certain mineral rights to the Company pursuant to the terms of a Mining Rights Transfer Agreement. In exchange for acquiring these rights, the Company issued 5,200,000 shares valued at $52,000 to a subsidiary of Borealis, assumed various existing encumbrances on the mineral properties, and assumed a contingent obligation valued at $1,874,675. This contingent obligation has now been assumed by Borealis Exploration Limited. The Company intends to retain its interest in the 21-year renewable Government of Canada Mineral Leases covering 10,973 acres at Roche Bay.

These financial statements have been prepared in accordance with Gibraltar GAAP (generally accepted accounting principles), with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. As of 31 March 2006, the Company had net assets of $3,741,721 (2005 - $4,692,590) and to 31 March 2006 has relied on the support of Borealis, which is also in the development stage. The Company's only assets at year-end were the investment in the Mineral Leases and its agreement with Corus Group plc. Since year-end, Roche Bay has obtained separate financing from issuing and selling additional shares. It appears that Roche Bay will be able to finance itself through the sale of rights to product, the sale of direct interests in the Mineral Leases and the issue and sale of additional shares. The continued operation of the Company is dependent on its ability to receive continued financial support from joint venture partners, from iron ore buyers or to muster sufficient equity financing or generate profitable operations in the future. However, there can be no assurance that the Company's efforts to generate profitable operations will be successful although given current prices in the metal markets, this looks very likely. The financial statements do not contain any adjustments that might be necessary if the Company is unable to continue as a going concern.

DIRECTORS' REPORT (Continued)

Subsequent Events

As discussed above, subsequent to its fiscal year-end, the Company concluded a financing with two investment funds which raised a total of $3.06 million for 567,000 shares of the Company. As part of its preparation for a planned initial public offering, the Company has spent approximately $360,000 on due diligence and other expenses to prepare the company for an initial public offering, which is expected to be completed in the current fiscal year. Approximately $150,000 of these expenses were incurred during fiscal 2006, and are reflected in the accounts. The balance of these expenses were incurred subsequent to the fiscal year-end with the raising of the above mentioned funds, and include legal and other expenses.

The Company also entered into a Mining Rights Amendment Deed in revising its 1997 mineral transfer agreement with Borealis Exploration Limited; concluded a Relationship Agreement with Borealis, which defines the relationship between the Company's majority shareholder and between the Company's management and Board of Directors.

The Company has also entered into employment agreements with certain key executives, and into contracts for environmental consulting, mine site construction and management, and drilling, all related to its fiscal 2007 pre-feasibility drilling and evaluation program at the Roche Bay site. In addition, the Company has applied for numerous governmental permits required to construct a mine camp and site and conduct drilling.

Roche Bay plc has also acquired two houses in Hall Beach, Nunavut, Canada to house crews transitioning from the South to Roche Bay and to serve as the Nunavut operational headquarters for Roche Bay's mining activities.

Business Review

Roche Bay Magnetite Project

The Company holds 100% interest in seven 21-year renewable Government of Canada Mineral Leases on 10,973 acres located near Roche Bay, on Melville Peninsula, in the Baffin Mining District of Nunavut, Canada. These leases require annual lease payments (at current exchange rates) of US$ 9,496 –for those leases expiring in 2019, and $ 9,596 per year for those leases expiring in 2021. All leases are renewable, and are expected to be renewed.

By agreement dated 1 March 1979, the previous leaseholder granted a royalty interest to a third party based on 5% of the crown royalty interest on the 10,973 acres of mining leases currently held. On 6 March 1979, the previous leaseholder granted royalties to third parties based on 18.75% of the crown royalty. There is also a 1/48 net profits interest royalty outstanding as of 1 January 1969.

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 6.

DIRECTORS' REPORT (Continued)

The interests of the directors in the shares of the Company in the year were as follows.

	Shares held at 31 March 2006	Shares held at 31 March 2005
Rodney T. Cox (resigned 16 Feb 06)	10,000	10,000
Wayne Marshall (resigned 16/02/06)	28,417	28,417
Iris Oren Cox (resigned 21 Feb 2006)	8,426	4,826
Benjamin J. Cox	3,094	3,101
Joseph J. Cox	4,003	4,007
Peter Vanderwicken	4,826	4,826
John W. Abernethy	7,500	7,500
Pelagie Sharp	100	100

The company signed an agreement December 23 2005 to compensate Benjamin Cox for his work on the project over the last 5 years. The terms of compensation were set at $120,000 a year in cash, $264,300 in the form of 88,100 shares, and 480,000 restricted shares. The restricted share grant vests at the rate of 5,000 shares per quarter, and will entirely vest upon the occurrence of any of several material events. At the fiscal year-end, the said 88,100 shares, and restricted 20,000 shares were owed under this agreement.

Share Options

As of 31 March 2006, 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 Company at the end of the financial year and of the profit or loss for that year and which comply with the Gibraltar Companies Ordinance 1930 and the Gibraltar Companies (Accounts) Ordinance 1999. 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 will be proposed at the Annual General Meeting.

By order of the Board on 15 June 2006

Benjamin J. Cox	Peter Vanderwicken
Director	Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ROCHE BAY PUBLIC LIMITED COMPANY

We have audited the financial statements of Roche Bay plc for the year ended 31 March 2006 set out on pages 13 to 18. These financial statements have been prepared under the historical cost convention and the accounting policies set out on page 15.

This report is made solely to the Company's members as a body, in accordance with the Companies Ordinance 1930. 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.

Respective responsibilities of directors and auditors

As described in the report of the Directors, the Company's Directors are responsible for the preparation of financial statements in accordance with applicable law and Gibraltar Accounting Standards (Gibraltar Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant Gibraltar legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the relevant financial reporting framework and are properly prepared in accordance with Gibraltar Law. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the Directors' Report and other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements within it or material inconsistencies with the financial statements.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland). An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

In forming our opinion, we have considered the disclosures made in Note 1 of the financial statements in connection with the application of the going concern basis and the uncertainty with regards to securing continued financial support.

AUDITORS' REPORT (Continued)

In connection with the other information contained in the Annual Report we also draw attention to the content of the Forward-Looking Statement on page 5.

In view of the significance of these matters we consider they should be drawn to your attention but our opinion is not qualified in these respects.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company as at 31 March 2006, and of the loss for the year then ended in accordance with Gibraltar Accounting Standards and have been properly prepared in accordance with Gibraltar Companies Ordinance 1930 and the Gibraltar Companies (Accounts) Ordinance 1999.

Moore Stephens

Gibraltar
15 June 2006

Moore Stephens
CHARTERED ACCOUNTANTS

PROFIT AND LOSS ACCOUNT
for the year ended 31 March 2006

	Notes	2006 $	2005 $
Expenditure			
Administrative fees	6	1,021,629	64,800
Retained loss for the year		(1,021,629)	(64,800)
Retained losses brought forward		(742,620)	(677,820)
Retained losses carried forward		$(1,764,249)	$(742,620)

The Company has had no discontinued activities during the year, accordingly, the above result for the Company relates solely to continuing activities.

No statement of recognised gains and losses has been produced as the only recognised gains and losses occurring in the year are those disclosed in the Profit and Loss Account.

The notes on pages 15 to 18 form part of these Financial Statements.

BALANCE SHEET
as at 31 March 2006

	Notes	2006 $	2005 $
Investments – Mining Properties	2	4,775,676	4,757,270
Creditors: amounts falling due within one year	3	571,462	–
Total assets less current liabilities		4,204,214	4,757,270
Creditors: amounts falling due after more than one year	3	462,493	64,680
Total Net Assets		$ 3,741,721	$ 4,692,590
Capital and Reserves			
Called up Share Capital	4,5	61,016	61,016
Share Premium Account	4,5	5,444,954	5,374,194
Profit and Loss Account	5	(1,764,249)	(742,620)
Total Shareholders' Funds		$ 3,741,721	$ 4,692,590

Signed on behalf of the Board of Directors on 15 June 2006.

Benjamin J. Cox
Director

Peter Vanderwicken
Director

The notes on pages 15 to 18 form part of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2006

1. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Gibraltar Accounting Standards and the Gibraltar Companies Ordinance 1930 and the Gibraltar (Companies Accounts) Ordinance 1999 (together, 'Gibraltar GAAP').

a. Basis of accounting
The financial statements are prepared in accordance with the historical cost convention.

b. Reporting currency
The Company's financial statements are presented in US dollars, which is the functional currency for operations.

c. Foreign currency translation
Transactions in foreign currency are recorded at the rate at the date of the transaction. Any monetary assets or liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

d. Going Concern
These financial statements have been prepared under the going concern concept, which assumes that the Company 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 8 to 10.

e. Cash Flow Statements
The Company meets the size criteria for a small company set by the Companies Act 1985, and therefore, in accordance with FRS1: Cash Flow Statements, it has not prepared a cash flow statement.

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 expect to continue. At present no amortisation is being charged until exploitation begins.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2006 (Continued)

2. INVESTMENT – MINING PROPERTIES

	2006 $	2005 $
Mining Properties	$ 4,775,676	$ 4,757,270

The investment in the Mining Properties, located at Roche Bay is related to leases granted by the Government of Canada for the exploitation of these sites with regard to their mineral reserves. To date, costs for the maintenance of these leases, along with costs in preliminary studies of the properties have been capitalised. The directors are confident that a mineral resource has been established in the properties and it is their intention to commence production, as explained in the shareholders letter and directors report beginning on pages 2 and 8, respectively.

3. CREDITORS:

Amounts falling due within one year:	2006 $	2005 $
Accrued expenses	$ 571,462	-

Amounts falling due after one year:	2006 $	2005 $
Loan from family companies	$ 462,493	$ 64,680

Amounts due to the family companies are non-interest bearing, unsecured, and with no fixed terms of repayment.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2006 (Continued)

4. CALLED UP SHARE CAPITAL

	2006 $	2005 $
Authorised share capital		
10,000,000 ordinary shares @ $0.01 each	$ 100,000	$ 100,000

	Number of Shares	Share Capital $	Share Premium Account $	Total $
At 31 March 2004	5,853,497	58,535	5,072,942	5,131,477
Shares issued at par	200,000	2,000	–	2,000
Shares issued at a premium	48,113	481	301,252	301,733
At 31 March 2005	6,101,610	61,016	5,374,194	5,435,210
Shares issued during the year	–	–	70,760	70,760
At 31 March 2006	6,101,610	$ 61,016	$ 5,444,954	$ 5,505,970

The 200,000 shares issued at par were issued in fiscal year 2005 to Borealis Technical Limited on the understanding that all proceeds from the sale of these shares are for the benefit of the Company, and that proceeds will be remitted to the Company or held for the benefit of the Company, or may be loaned to parent company. In the year ended 31 March 2006, the proceeds of the sale of 12,227 shares have been credited to share premium account.

5. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

	Share Capital $	Share Premium Account $	Profit & Loss Account $	Total $
At 31 March 2004	58,535	5,072,942	(677,820)	4,453,657
Shares issued during the year	2,481	301,252	–	303,733
Loss for the year	–	–	(64,800)	(64,800)
At 31 March 2005	61,016	5,374,194	(742,620)	4,692,590
Shares issued during the year	–	–	–	–
Loss/ Gain for the year	–	70,760	(1,021,629)	(950,869)
At 31 March 2006	$ 61,016	$ 5,444,954	$ (1,764,249)	$ 3,741,721

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2006 (Continued)

6. RELATED PARTY TRANSACTIONS

In addition to related party transactions disclosed elsewhere in these financial statements, during the year ended 31 March 2006, the Company was charged $ 150,000 (2005 - $64,800) in fees for administrative services provided by the ultimate parent company.

7. CONTINGENT LIABILITIES

Royalty payment

In 1993, Borealis renegotiated its loan with Mr. G. Gillet, which had been assigned to Boston Safe Deposit & Trust Company (Boston Safe). Under the agreement with Boston Safe, the loan was converted into 10,000 common shares of Borealis and a $ 1,874,675 royalty. The royalty, which is a contingent liability, is to be paid from 25% of the net proceeds from the lease, sale or other disposition, or production on or from its mineral properties. To date, $ 2,625 has been paid to Boston Safe. In 1995, Boston Safe assigned its interest to its nominee, Mitlock Limited Partnership.

The liability only becomes payable if the Company sells, disposes or commences production of the mineral properties. Consequently under Gibraltar GAAP this liability has been reported as a contingent liability.

As security for payment of the royalty, the group gave an assignment of all receivables derived from its mineral properties. Borealis has reassumed 100% of this contingent liability.

8. SUBSEQUENT EVENTS

As discussed above, subsequent to its fiscal year-end, the Company concluded a financing with two investment funds which raised a total of $3.06 million for 567,000 shares of the Company. As part of its preparation for a planned initial public offering, the Company has spent approximately $360,000 on due diligence and other expenses to prepare the company for an initial public offering, which is expected to be completed in the current fiscal year. Approximately $150,000 of these expenses were incurred during fiscal 2006, and are reflected in the accounts. The balance of these expenses were incurred subsequent to the fiscal year-end with the raising of the above mentioned funds, and include legal and other expenses.

The Company also entered into a Mining Rights Amendment Deed in revising its 1997 mineral transfer agreement with Borealis Exploration Limited; concluded a Relationship Agreement with Borealis, which defines the relationship between the Company's majority shareholder and between the Company’s management and Board of Directors.

The Company has also entered into employment agreements with certain key executives, and into contracts for environmental consulting, mine site construction and management, and drilling, all related to its fiscal 2007 pre-feasibility drilling and evaluation program at the Roche Bay site. In addition, the Company has applied for numerous governmental permits required to construct a mine camp and site and conduct drilling.

Roche Bay plc has also acquired two houses in Hall Beach, Nunavut, Canada to house crews transitioning from the South to Roche Bay and to serve as the Nunavut operational headquarters for Roche Bay’s mining activities.

9. ULTIMATE PARENT COMPANY

The ultimate parent company is Borealis Exploration Limited, a company incorporated in Gibraltar whose registered office is at Suite 3G, Eurolife Building, 1 Corral Road, Gibraltar.