

FARAWAY

PUBLIC LIMITED COMPANY

Gibraltar Registered No. 57887

Financial Statements

for the year ended 31 March 2012

FARAWAY PUBLIC LIMITED COMPANY

Gibraltar Registered No. 57887

About Faraway plc

Faraway plc owns 100% of 10,350 acres of Government of Canada long-term renewable leases near Freuchen Bay, Melville Peninsula, Nunavut, Canada, and is working on arranging for their future development. Faraway plc is a majority-owned subsidiary of Borealis Exploration Limited (BOREF OTC-US).

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.

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FARAWAY PUBLIC LIMITED COMPANY

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DIRECTORS AND OFFICERS

Directors	Appointed	
Rodney T. Cox	21 Dec 1999	Director, Chairman of the Board, and Chief Executive Officer
Isaiah W. Cox	28 Apr 2003	Director, President, and Chief Operating Officer
Wayne S. Marshall	28 Apr 2003	Director
Nechama J. Cox	05 Oct 2004	Director
Iris Cox	21 Dec 1999	Director (resigned 12 Jun 2011)

Secretary

STM Fidecs Management Limited
Montagu Pavilion
8-10 Queensway
P.O. Box 575
Gibraltar

Registered Office

Suite 2F/2, Eurolife Building
1 Corral Road
P.O. Box 575
Gibraltar

Auditors

Moore Stephens Limited
Suite 5 Watergardens 4
Waterport
Gibraltar

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DIRECTORS' REPORT

The directors submit their report and the audited financial statements for the year ended 31 March 2012.

Corporate Profile

The Company was incorporated on 23 April 1996 in Gibraltar. Since 3 May 2005, the Company's shares have been listed for public trading in the United States over-the-counter (OTC: FWYPF) market. No public share trades on the market have taken place to date.

Activities

The Company owns 100% of 10,350 acres of Government of Canada long-term renewable leases near Freuchen Bay, Melville Peninsula, Nunavut, Canada, and is working on arranging for their future development.

Results and Review of Business

The results for the year are shown in the Profit and Loss Account on page 8.

Borealis Exploration Limited ("Borealis"), the ultimate parent company, transferred certain mineral rights in the form of mining claims 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 GBP.

The Company owns 100% of 10,350 acres of Government of Canada long-term renewable leases near Freuchen Bay, Melville Peninsula, Nunavut, Canada. These leases cover a series of geophysical /geochemical anomalies that our consultants tell us sit astride an intracratonic rift. This type of structure, as far as your management knows and our geological consultants tell us, exists in a total of 9 locations worldwide, and 8 of these locations have been in production for many years, in some cases over 100 years. We have been unable to attract outside investment in this acreage position to date. To get terms satisfactory to your management it appears that the control shareholder will have to invest probably the next CAD\$10 million into the property. When the parent company has the funds available Faraway has been told that under current conditions and given our current state of knowledge that these funds will be forthcoming from our parent company under more favourable terms to Faraway plc than any outside third party has offered to date. These leases run for 21 years from 27 December 2001, and are expected to be renewed on the renewal dates, and will require annual payments of US\$10,653 at current exchange rates. The Company intends to retain its interest in the mineral properties for future development and please note the position of the majority shareholder as stated above.

The Company, if it can secure the necessary funding, aims to complete additional exploration activity in the coming year.

These financial statements have been prepared in accordance with Gibraltar Generally Accepted Accounting Principles (GAAP) 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 at 31 March 2012, the Company had a net asset deficit of US\$875,262 (2011 - net asset deficit US\$710,262) and to date has relied on the support of Borealis, which is also in the development stage. The Company's only assets are the investment in the mining property, which is illiquid, although, because it is now a long-term renewable Government of Canada lease, probably saleable. The continued operation of the Company is dependent on its ability to receive continued

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DIRECTORS' REPORT (Continued)

financial support from shareholders, complete 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. The financial statements do not contain any adjustments that might be necessary if the Company is unable to continue as a going concern.

Business Review

Freuchen Bay Project

The Company owns 100% interest in six Government of Canada 21-year renewable mineral leases located near Freuchen Bay, Nunavut, Canada. These leases require annual lease payments of US\$10,653 per year at current exchange rates. All leases are renewable, and are expected to be renewed upon expiry.

In subsequent years, the Company anticipates that significant expenditures will be incurred on development as work progresses on putting its mineral resources into production if we can establish a sufficient resource to justify the necessary costs. Finance in this case will be provided by the controlling shareholder, the issuance of further shares at not less than US\$10/share, or by conducting a joint venture with other companies under more favourable terms than the above, or by the sale of rights to the products from production which can happen after the controlling shareholder has invested the next \$10 million if the results of the exploration on the property prove encouraging. Faraway plc and its predecessor companies have held these properties for many decades attempting to get them developed. Various proposals for development and/or sale of the mineral properties continue under discussion. In the meantime, all of the Company's expenses are paid by Borealis Exploration Limited and the proceeds from all share deposits are advanced to Borealis in exchange for an accounts receivable and all bills being paid by the ultimate parent company. This current arrangement is expected to continue for the foreseeable future though all options and all future activities are completely open for further discussion.

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 2.

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

	Shares held at 31 March 2012	Shares held at 31 March 2021
Rodney T. Cox	100,001	100,001
Isaiah W. Cox	24,951	24,951
Wayne S. Marshall	26,901	24,901
Nechama J. Cox	5,001	5,001

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DIRECTORS' REPORT (Continued)

Directors Responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year which meet the requirements of the Gibraltar Companies (Accounts) Act 1999 and Gibraltar Companies Act 1930. In addition the Directors have elected to prepare the financial statements in accordance with Gibraltar Accounting Standards.

The financial statements are required by law to give a true and fair view of the state of affairs of the company and the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable Gibraltar Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Gibraltar Companies (Accounts) Act 1999 and Gibraltar Companies Act 1930. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditor

A resolution to reappoint Moore Stephens Limited was passed at the Annual General Meeting.

By order of the Board on 26 June 2012.

Faraway PLC
Wayne S. Marshall
~~Isiah W. Cox~~ *Wayne S. Marshall*
Director

Faraway plc
Rodney T. Cox
Director

Independent auditors' report to the shareholders of Faraway Public Limited Company

We have audited the financial statements of Faraway plc for the year ended 31 March 2012 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 182 of the Gibraltar Companies Act. 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.

Directors' responsibilities for the financial statements

The directors are responsible for the preparation and true and fair representation of these financial statements in accordance with applicable law and Gibraltar Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibilities

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In forming our opinion, we considered the disclosures in Note 1 of the Financial Statements in connection with the application of the going concern basis and the uncertainty with regard to securing continued financial support.

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AUDITORS' REPORT (Continued)

Opinion

In our opinion the financial statements give a true and fair view, in accordance with Gibraltar Generally Accepted Accounting Standards, of the state of the company's affairs as at 31 March 2012 and of its loss for the year then ended.

Report on other legal and regulatory matters

In addition to reporting on the financial statements, Gibraltar legal and regulatory requirements also require us to:

- (a) Report to you our opinion as to whether the financial statements have been properly prepared in accordance with the Gibraltar Companies Act 1930, the Gibraltar Companies (Accounts) Act 1999 and other applicable legislation.
- (b) State in our report whether in our opinion the information given in the directors' report is consistent with the financial statements.
- (c) Report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

Opinion

In our opinion the financial statements have been properly prepared in accordance with the Gibraltar Companies Act 1930, the Gibraltar Companies (Accounts) Act 1999 and other applicable legislation; and the information given in the directors' report is consistent with the financial statements.

We have nothing to report to you in respect of our responsibility set out in (c) above.



Kieran Power

Statutory Auditor
For and on behalf of
MOORE STEPHENS LIMITED

Suite 5
Watergardens 4
Waterport
Gibraltar

26 June 2011

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PROFIT AND LOSS ACCOUNT

for the year ended 31 March 2012

	Notes	2012 \$	2011 \$
Expenditure			
Administrative fees	6	<u>(165,000)</u>	<u>(280,000)</u>
Loss for the year		<u><u>\$ (165,000)</u></u>	<u><u>\$ (280,000)</u></u>

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 10 to 12 form part of these Financial Statements.

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BALANCE SHEET as at 31 March 2012

	Notes	2012 \$	2011 \$
Investments – Mining Properties	2	193,488	183,137
Current Liabilities			
Creditor	3	<u>(1,068,750)</u>	<u>(893,399)</u>
Total Net (Liabilities)/Assets		<u>\$ (875,262)</u>	<u>\$ (710,262)</u>
Capital and Reserves			
Called up Share Capital	4,5	105,214	105,214
Share Premium Account	4,5	364,712	364,712
Profit and Loss Account	5	<u>(1,345,188)</u>	<u>(1,180,188)</u>
Total Shareholders' Funds		<u>\$ (875,262)</u>	<u>\$ (710,262)</u>

Signed on behalf of the Board of Directors on 26 June 2012

Faraway PLC

Faraway plc

Wayne S. Marshall
~~Isiah W. Cox~~ Wayne S. Marshall
Director

Rodney T. Cox
Director

The notes on pages 10 to 12 form part of these Financial Statements.

FARAWAY PUBLIC LIMITED COMPANY

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NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2012

1. PRINCIPAL ACCOUNTING POLICIES

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

a. Basis of accounting

These financial statements have been prepared under the historical cost convention and applying the Accounting Policies set out below.

b. Revenue

At present the Company is engaged in development of projects which have not yet reached the point of generation revenue. Once revenue commences, it will be accounted for on the basis of the accounting period in which the work was carried out or invoiced.

c. Reporting currency

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

d. 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.

e. 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 their obligations as they fall due. Further information is set out in the Directors' Report on pages 3 to 5.

f. Cash Flow Statements

The Company meets the size criteria for a small company set by the Gibraltar (Companies Accounts) Act 1999, and therefore, in accordance with the Gibraltar Financial Reporting Standard 1: Cash Flow Statements, it has not prepared a cash flow statement.

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

h. Taxation

The company is subject to the Gibraltar Tax Act 2010 which requires companies with businesses managed and controlled in Gibraltar, to pay 10% Gibraltar Corporation Tax on profits to the extent that these accrue in or derive from Gibraltar.

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NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2012 (Continued)

2. INVESTMENT – MINING PROPERTIES

Mining Properties	<u>\$ 193,488</u>	<u>\$ 183,137</u>
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The investment in the Mining Properties, located near Freuchen Bay, Melville Peninsula, Nunavut, Canada, 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. Once a mineral resource has been established on the properties, it is the company's intention to begin the necessary and time consuming task to start the work to place the property into production.

3. CREDITORS

	2012	2011
	\$	\$
Loan from parent company	1,068,750	893,399
	<u>\$ 1,068,750</u>	<u>\$ 613,389</u>

Amounts due to the Company's parent company are non-interest bearing, unsecured, and with no fixed terms of repayment.

4. CALLED UP SHARE CAPITAL

	2012	2011
	\$	\$
Authorised share capital 10,000,000 ordinary shares @ £0.01 each	<u>\$160,000</u>	<u>\$160,000</u>

	Number of Shares	Share Capital \$	Share Premium Account \$	Total \$
At 31 March 2010	6,310,474	105,180	352,746	457,926
Shares issued during the year	<u>2,400</u>	<u>34</u>	<u>11,966</u>	<u>12,000</u>
At 31 March 2011	6,312,874	105,214	364,712	469,926
Shares issued during the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 31 March 2012	<u>6,312,874</u>	<u>\$105,214</u>	<u>\$364,712</u>	<u>\$469,926</u>

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NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2012 (Continued)

5. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

	Share Capital \$	Share Premium Account \$	Profit & Loss Account \$	Total \$
At 31 March 2010	105,180	352,746	(900,188)	(442,262)
Share issued during the year	34	11,966	-	12,000
Loss for the year			(280,000)	(280,000)
At 31 March 2011	105,214	364,712	(1,180,188)	(710,262)
Shares issued during the year	-	-	-	-
Loss for the year			(165,000)	(165,000)
At 31 March 2012	<u>\$105,214</u>	<u>\$364,712</u>	<u>\$(1,345,188)</u>	<u>\$(875,262)</u>

6. SHARE OPTIONS

During the year ended 31 March 2011, the company issued 10,000 share options. Conversion prices of these options are \$5 for 5,000 and \$10 for the remaining 5,000. These options expire on 1 June 2013. It is most unlikely that these options will be exercised prior to their expiry s their fair value is negligible. As such, no adjustment has been made in the Financial Statements

7. RELATED PARTY TRANSACTIONS

In addition to related party transactions disclosed elsewhere in these financial statements, during the period ended 31 March 2012, the Company was charged US\$165,000 (2011 - US\$280,000) in fees for administrative services and development fees provided by the ultimate Parent Company.

8. ULTIMATE PARENT COMPANY

The ultimate parent company is Borealis Exploration Limited, a company incorporated in Gibraltar whose registered office is at Suite 2F/2, Eurolife Building, 1 Corral Road, Box 575, Gibraltar.