

Roche Bay

PUBLIC LIMITED COMPANY

Gibraltar Registered No. 60527

Financial Statements

for the year ended 31 March 2009

ROCHE BAY PUBLIC LIMITED COMPANY

Gibraltar Registered No. 60527

About Roche Bay

Roche Bay plc is a mineral assets holding company that owns extensive mineral leases on the Melville Peninsula in Nunavut, northeastern Canada. Roche Bay's holdings cover what is believed to be one of the largest known bodies of magnetite iron ore in the world.

The Roche Bay ore deposits lie in two groups on the Melville Peninsula. The smaller Eastern deposits are five to ten kilometers from a natural harbour on Roche Bay with 20+ meter water depths, and the larger Western deposits are some 120 kilometers away on the western side of the peninsula.

Roche Bay is currently focused on the development of its Eastern deposits through the Roche Bay Magnetite Project, which is being led by its operating and managing partner Advanced Explorations Inc. (AXI). Late in the fiscal year, Roche Bay granted AXI several options that would give AXI the 100% equity ownership of the Project, subject to future royalties. Roche Bay is now a holding company with a large economic interest in the mineral assets, but no requirement to manage their development.

The options include a staged earn-in option, which enables AXI to acquire up to 100% equity interest in the Roche Bay Magnetite Project by achieving specified milestones. Other options allow AXI to buy out Roche Bay's interest in the Project or one-half its future royalty rights, at various specified times. In all cases, Roche Bay retains a perpetual royalty on precious metals. Roche Bay also retains 100% ownership of its Western deposits, the value of which is likely to increase if an operating mine is constructed to exploit the Eastern deposits. AXI has recently completed a formal resource statement and a pre-feasibility economic study, which concluded that a mine and plant at Roche Bay producing 1 million tonnes per year of iron nuggets would have a net present value of US\$1.16 to US\$2.76 billion.

Roche Bay plc is domiciled in Gibraltar. Its shares (symbol RCHBF) trade in the United States over-the-counter market. Its majority shareholder is Borealis Exploration Limited (US OTC: BOREF).

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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.

ROCHE BAY PUBLIC LIMITED COMPANY

Gibraltar Registered No. 60527

DIRECTORS AND OFFICERS

Directors

Benjamin J. Cox
Joseph J. Cox
Peter Vanderwicken
John W. Abernethy
Moshe R. Cohen
William B. Johnston
Duncan J. Kretovich
Jonathan A. Gershlick

Appointed

1 Aug 2001
1 Aug 2001
11 Sept 2001
27 Mar 2003
26 June 2007
26 June 2007
26 June 2007
26 June 2007

Director, President and Chief Executive Officer
Director (Resigned 20 April 2009)
Director, Chairman of the Board
Director
Director and Controller
Director
Director
Director

OFFICERS

Benjamin J. Cox, President and Chief Executive Officer
Moshe R. Cohen, Controller

Registered Office

Suite 3G, Eurolife Building
1 Corral Road
Gibraltar

Secretary

STM Fidecs Management (Gibraltar) Limited
Montagu Pavilion
8-10 Queensway
Gibraltar

Corporate Counsel

Aird & Berlis LLP
BCE Place, 181 Bay Street,
Toronto, Ontario M5J 2T9
Canada

Auditors

Moore Stephens
Suite 5 Watergardens 4
Waterport
Gibraltar

ROCHE BAY PUBLIC LIMITED COMPANY

Gibraltar Registered No. 60527

Directors' Report

The directors submit their report and the audited financial statements for the year ended 31 March 2009.

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 with the yearly high price at \$9.00 per share, and the low at \$0.011 per share. The last traded price was \$7.00 per share.

Activities

At the beginning of the fiscal year the Company held 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 magnetite (Fe₃O₄) deposits.

On 23 March 2009, the Company disposed of four of the Company's leases covering the Eastern deposits. In terms of the agreement, the Company will receive a residual interest in future gross income arising from the intended mine.

Results and Review of Business

The results for the year are shown in the Profit and Loss Account on page 9.

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 in the west covering 5,458 acres on the Melville Peninsula.

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 2009, the Company had consolidated net assets of \$20,836,613 (2008 - \$18,429,832).

The original joint venture agreement with Advanced Explorations, Inc., (AXI) signed in 2007, has been superceded by a buyout agreement signed in March 2009. The new Agreement grants AXI several options to increase its ownership interest in the project subject to various conditions, cash payments and a royalty interest. The buyout option would enable AXI to acquire 100% of Roche Bay's interest, excepting a perpetual precious metals royalty, for a single cash payment of C\$25 million until 15 March 2010 and increasing thereafter. The agreement commits AXI to cash payments which may provide sufficient funds to manage the company on a low cost base until the project starts production or until the buyout option is exercised - whichever comes first. The Directors are confident that AXI will take up this option, and have therefore accounted for the disposition as having been done.

ROCHE BAY PUBLIC LIMITED COMPANY

Gibraltar Registered No. 60527

Directors' Report (Continued)

Business Review

Roche Bay Magnetite Project

The Company held 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 year end exchange rates) of US\$ 8,624 for those leases expiring in 2019, and \$8,713 per year for those leases expiring in 2021. During the year a Buy Out agreement was signed which supersedes the joint venture agreement of 2007, and gives AXI has the right to acquire 100% ownership of the latter group of leases. 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

No dividends were declared during the year.

Directors and Their Interests

The directors who served during the year were as stated on page 3.

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

Director	Shares held at 31 March 2009	Shares held at 31 March 2008
Benjamin J. Cox	42,000	42,000
Joseph J. Cox	8,909	8,909
Peter Vanderwicken	10,982	10,982
John W. Abernethy	30,424	30,424
Jonathan A. Gershlick	1,636	1,636
William B. Johnston	8,136	5,136
Duncan J. Kretovich	1,636	1,636
Moshe R. Cohen	7,000	4,000

ROCHE BAY PUBLIC LIMITED COMPANY

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Directors' Report (Continued)

Directors' Meetings and Compensation

During the fiscal year the Board of Directors held 14 meetings, as well as several informal discussions; all directors were present for at least 90% of the meetings.

Each non-executive director, with the exception of the Chairman, received a monthly fee of \$1,800 for the first 8 months of the year, whereafter the monthly fee was reduced to \$1,000. The Chairman received a monthly fee of \$5,000 for the first 8 months of the year, whereafter the monthly fee was reduced to \$2,000. These fees may be received, at the option of the entire board, in either cash or shares; and none have been paid to date. The Chief Executive Officer received a monthly fee of \$18,413 for the first 8 months, and \$10,000 per month thereafter. The Controller received a fee of \$5,000 per month for the first 8 months, \$4,000 for the ninth month, and \$3,500 for the remaining 3 months. In addition, the Controller received compensation of 3,000 shares valued at \$22,500, which vests subject to fulfillment of certain conditions.

Share Options

As of 31 March 2009, there was outstanding a broker warrant to purchase 10,000 shares at £3 per share by Williams de Broe, a London banking firm.

As part of the Company's financing in April 2006, it agreed to a "ratchet fee" with two institutional investors, RAB Capital and AM². The "ratchet fee" has been provided for in the accounts.

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 Act 1930 and the Gibraltar Companies (Accounts) Act 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 19 June 2009.



Benjamin J. Cox
Director



Peter Vanderwicken
Director

ROCHE BAY PUBLIC LIMITED COMPANY

Gibraltar Registered No. 60527

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

We have audited the group and parent company financial statements of Roche Bay plc for the year ended 31 March 2009 set out on pages 9 to 23. These financial statements have been prepared under the Accounting Policies set out on page 14 and 15.

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

ROCHE BAY PUBLIC LIMITED COMPANY

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AUDITORS' REPORT (Continued)

In connection with the other information provided by the Company, we also draw attention to the content of the Forward Looking Statement on page 2.

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 and Group of Companies as at 31 March 2009, 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 Act 1930 and the Gibraltar Companies (Consolidated Accounts) Act 1999.

A handwritten signature in black ink that reads "Moore Stephens". The signature is written in a cursive, flowing style.

Gibraltar
19 June 2009

Moore Stephens
CHARTERED ACCOUNTANTS

ROCHE BAY PUBLIC LIMITED COMPANY

Gibraltar Registered No. 60527

CONSOLIDATED PROFIT AND LOSS ACCOUNT For the year ended 31 March 2009

	Note	2009 \$	2008 \$
Income - interest received		269	3,239
Expenditure	12	(756,004)	(6,576,114)
Loss for the year on ordinary activities		<u>(755,735)</u>	<u>(6,572,875)</u>
Other Income (Loss)	13	<u>(5,684,672)</u>	<u>11,867,645</u>
Income (Loss) for the year		(6,440,407)	5,294,770
Dividends paid		-	(4,189,510)
Consolidated Retained Income (Loss) for the year		<u>(6,440,407)</u>	<u>1,105,260</u>
Consolidated Accumulated Loss at 1 April 2008		(2,298,289)	(3,403,549)
Consolidated Accumulated Loss 31 March 2009		<u><u>\$(8,738,696)</u></u>	<u><u>\$(2,298,289)</u></u>

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

STATEMENT OF RECOGNISED GAINS AND LOSSES THROUGH RESERVES

	Note	2009 \$	2008 \$
Increase in the carrying value of mining resources prior to disposal	2	<u>\$8,096,888</u>	<u>\$6,410,340</u>

The notes on pages 14 to 23 form part of these Financial Statements.

ROCHE BAY PUBLIC LIMITED COMPANY

Gibraltar Registered No. 60527

CONSOLIDATED BALANCE SHEET as at 31 March 2009

	Note	2009 \$	2008 \$
Fixed Assets			
Mining Resources	2	2,412,097	12,247,228
Investment Property	3	20,500	20,500
Total Fixed Assets		<u>2,432,597</u>	<u>12,267,728</u>
Deferred Compensation Receivable	5	17,097,084	-
Marketable Securities	6	26,346	6,272,343
		<u>19,556,027</u>	<u>18,540,071</u>
Current Assets			
Accounts receivable	7	2,208,874	1,492,063
Cash at Bank		4,674	97,171
Total Current Assets		<u>2,213,548</u>	<u>1,589,234</u>
Current Liabilities			
Accounts Payable	8	(932,962)	(1,699,473)
Net Current Assets (Liabilities)		<u>1,280,586</u>	<u>(110,239)</u>
Total Net Assets		<u>\$20,836,613</u>	<u>\$18,429,832</u>
Capital and Reserves			
Called up Share Capital	9	73,483	72,732
Share Premium Account	9,10	14,994,598	14,245,049
		<u>15,068,081</u>	<u>14,317,781</u>
Non Distributable Reserve	10	14,507,228	6,410,340
Consolidated Accumulated Loss	10	(8,738,696)	(2,298,289)
Total Shareholders' Funds		<u>\$20,836,613</u>	<u>\$18,429,832</u>

Signed on behalf of the Board of Directors on 19 June 2009.



Benjamin J. Cox
Director



Peter Vanderwicken
Director

The notes on pages 14 to 23 form part of these Financial Statements.

ROCHE BAY PUBLIC LIMITED COMPANY

Gibraltar Registered No. 60527

COMPANY BALANCE SHEET as at 31 March 2009

	Note	2009 \$	2008 \$
Fixed Assets			
Mining Resources	2	2,412,097	12,247,228
Investment Property	3	20,500	20,500
Total Fixed Assets		<u>2,432,597</u>	<u>12,267,728</u>
Investments			
Subsidiary Companies	4	17,956,764	-
Marketable Securities	6	26,346	6,272,343
		<u>20,415,707</u>	<u>18,540,071</u>
Current Assets			
Accounts receivable	7	1,408,062	1,492,063
Cash at Bank		4,674	97,171
Total Current Assets		<u>1,412,736</u>	<u>1,589,234</u>
Current Liabilities			
Accounts Payable	8	<u>(994,310)</u>	<u>(1,699,473)</u>
Net Current Assets (Liabilities)		<u>418,426</u>	<u>(110,239)</u>
Total Net Assets		<u>\$20,834,133</u>	<u>\$18,429,832</u>
Capital and Reserves			
Called up Share Capital	10	73,483	72,732
Share Premium Account	10	14,994,598	14,245,049
		<u>15,068,081</u>	<u>14,317,781</u>
Non Distributable Reserve	10	14,507,228	6,410,340
Profit and Loss account		<u>(8,741,176)</u>	<u>(2,298,289)</u>
Total Shareholders' Funds		<u>\$20,834,133</u>	<u>\$18,429,832</u>

Signed on behalf of the Board of Directors on 19 June 2009.



Benjamin J. Cox
Director



Peter Vanderwicken
Director

The notes on pages 14 to 23 form part of these Financial Statements.

ROCHE BAY PUBLIC LIMITED COMPANY

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CASH FLOW STATEMENT FOR THE YEAR ENDED 31 March 2009

	2009	2008
	\$	\$
Net cash outflow from operating activities	<u>(2,052,344)</u>	<u>(4,495,179)</u>
Returns on investments and servicing of finance		
Interest received	269	3,239
Cash content of dividends paid	-	(40,538)
Net cash outflow from servicing of finance	<u>\$269</u>	<u>\$(37,299)</u>
Capital expenditure and financial investment		
Marketable securities acquired	-	(13,000,000)
Fixed assets disposals	855,600	267,000
Proceeds of disposal of Marketable Securities	374,343	356,900
Warrants converted	-	(87,500)
Development cost of mining resource	-	(102,440)
Lease costs of mining resource	(20,665)	(21,675)
Net cash inflow (outflow) from capital expenditure and financial investment	<u>\$1,209,278</u>	<u>\$(12,587,715)</u>
Acquisitions and disposals		
Down payment received from joint venture agreement	-	278,818
Proceeds on sale of 15% share in mining leases	-	13,000,000
Net cash inflow from disposals	<u>\$-</u>	<u>\$13,278,818</u>
Financing activities		
Shares issued for services	750,300	3,773,910
Net cash inflow from financing	<u>\$750,300</u>	<u>\$3,773,910</u>
Net increase (decrease) in cash resources	<u>\$(92,497)</u>	<u>\$(67,465)</u>

The notes on pages 14 to 23 form part of these Financial Statements.

ROCHE BAY PUBLIC LIMITED COMPANY

Gibraltar Registered No. 60527

CASH FLOW STATEMENT (Continued)

RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2009	2008
	\$	\$
Operating profit (loss) for the year	(6,440,407)	5,294,770
Interest received	(269)	(3,239)
Profit on sale of fixed assets	-	(124,188)
Depreciation of tangible fixed assets	-	13,942
Bonus to staff paid in warrants	-	1,380,000
Unrealised loss on marketable securities	5,881,248	1,095,284
Profit on sale of marketable securities	(9,594)	(166,000)
Profit on joint venture disposition	-	(12,672,742)
Decrease (Increase) in accounts receivable	(716,811)	(89,275)
Increase (Decrease) in accounts payable	(766,511)	776,269
Net cash outflow from operating activities	<u><u>\$(2,052,344)</u></u>	<u><u>\$(4,495,179)</u></u>

MOVEMENT IN CASH AND ANALYSIS OF CASH BALANCES

	2009	2008
	\$	\$
Changes in net cash		
At 1 April 2008	97,171	164,636
Decrease in cash in the year	92,497	67,465
At 31 March 2009	<u><u>\$4,674</u></u>	<u><u>\$97,171</u></u>
Analysis of cash balances		
Cash at bank	<u><u>\$4,674</u></u>	<u><u>\$97,171</u></u>

The notes on pages 14 to 23 form part of these Financial Statements.

ROCHE BAY PUBLIC LIMITED COMPANY

Gibraltar Registered No. 60527

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2009

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 Accounting Policies set out below.

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. Fixed Assets

Tangible fixed assets and intangible fixed assets are stated at their purchase cost, together with any incidental expenses of acquisition.

Depreciation is provided on all fixed assets to write off their cost less residual value over their estimated useful lives. The rates in use on a reducing balance method are as follows:

Mining and geological equipment	30%
Vehicles	25%
Other equipment	20%

No depreciation is provided for Investment Property, as the Directors believe that this is an appreciating asset, and is not used for commercial purposes.

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 its obligations as they fall due. Further information is set out in the Directors' Report on pages 4 to 6.

f. Mining Resources

These are stated at cost, together with the increase in carrying value based upon the company's share of development costs incurred by the joint venture partner. 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.

g. Marketable Securities

These are carried at the closing quoted prices of securities and instruments held. Any revaluation, gains or losses are dealt with through the profit and loss account.

ROCHE BAY PUBLIC LIMITED COMPANY

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NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2009 (Continued)

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

h. Impairment

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount is the higher of its net selling price and its value in use. For intangible assets that are not yet available for use, goodwill or intangible assets with an indefinite useful life, an impairment test is performed at each balance sheet date.

In assessing value in use, the expected future cash flows from the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised in the income statement whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The cash flow estimates used for the purpose of calculating the present value of expected future mining production from the Eastern deposits is based on a conservative estimate of the iron ore resource, and by applying the various possibilities going forward as listed in the agreement with AXI, on a weighted basis, to the discounted cash flow applicable to each possibility.

A previously recognised impairment loss is reversed if the recoverable amount increases as a result of a change in the estimates used to determine the recoverable amount, but not to an amount higher than the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior years.

2. MINING RESOURCES

	East	West	Total
	\$	\$	\$
Balance 1 April 2007	3,927,031	2,391,817	6,318,848
Development Costs	102,440	-	102,440
Lease payments	11,030	10,645	21,675
	<u>4,040,501</u>	<u>2,402,462</u>	<u>6,442,963</u>
Disposals at cost	(606,075)	-	(606,075)
	<u>3,434,426</u>	<u>2,402,462</u>	<u>5,836,888</u>
Increase in carrying value	<u>6,410,340</u>	<u>-</u>	<u>6,410,340</u>
Balance 1 April 2008	9,844,766	2,402,462	12,247,228
Lease payments	11,030	9,635	20,665
	<u>9,855,796</u>	<u>2,412,097</u>	<u>12,267,893</u>
Increase in carrying value	8,096,888	-	8,096,888
Disposal at cost	(17,952,684)	-	(17,952,684)
Balance at 31 March 2009	<u>\$ -</u>	<u>\$2,412,097</u>	<u>\$2,412,097</u>

ROCHE BAY PUBLIC LIMITED COMPANY

Gibraltar Registered No. 60527

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2009 (Continued)

2. MINING RESOURCES (Continued)

On 23 March 2009, the company concluded an agreement, which superseded its 2007 Option and Farm-Out Agreement with Advanced Explorations Inc. (as later amended). Under the terms of the new agreement, the company has granted AXI several options to increase its current 15% equity interest in the Eastern deposit leases and the Roche Bay Magnetite Project to 100%. The Earn-In Option provides for milestones by which AXI can increase its ownership interest, up to 100% upon public announcement of a decision to place the Project into production. The Buy-Out Option enables AXI to acquire 100% of Roche Bay's royalty interest in the Project, subject to a perpetual precious metals royalty, for certain interim payments and a final payment of C\$25,000,000 before March 15, 2010, or C\$30,000,000 before March 15, 2011. The Half Buy-Out Option enables AXI to purchase one-half of Roche Bay's royalty interest in the Project for C\$35,000,000 anytime prior to March 31, 2020, subject to Roche Bay retaining one-half the iron-products royalty and the entire precious metals royalty, and certain other conditions. In addition the company received certain warrants to acquire shares in AXI. Should AXI not take up the buyout option, Roche Bay will have the right to receive in perpetuity, royalties on gross proceeds of mineral products, at the rate of 6% for product < 90% iron weight, and 4% for product > 90% iron weight. AXI have at their fiscal year end incurred approximately \$29.1 million of exploration and development costs and in accordance with the agreement have achieved milestones that entitle them to a 15% interest in the resource. The Company has increased the carrying value of its investments in the Eastern deposits by \$14,507,228, being 49.9% of the AXI development expenditure. Other development costs and lease payments by the Company have been capitalised.

3. INVESTMENT PROPERTY

Investment Residential Property	2009	2008
	\$	\$
At Cost - Acquired May 2006	20,500	34,173
Improvements	-	27,262
	<u>20,500</u>	<u>61,435</u>
Less - cost of house sold	-	40,935
	<u>\$20,500</u>	<u>\$20,500</u>
 House at Hall Beach		
Directors' estimate of market value at 31 March	<u>\$75,000</u>	<u>\$75,000</u>

Two bedroomed house built in 1990 is situated 75 sea kilometres from the mining property. It is maintained by Advanced Explorations, Inc. to house their staff. No rent has been charged.

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NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2009 (Continued)

4. INVESTMENT IN SUBSIDIARY COMPANIES

	Ownership Interest		Investments	
	2009 %	2008 %	2009 \$	2008 \$
Roche Bay East Limited	100%	0%	17,952,764	-
Fraser Bay PLC	100%	0%	4,000	-
Total Investments			<u>\$17,956,764</u>	<u>\$-</u>

5. DEFERRED COMPENSATION RECEIVABLE

	2009 \$	2008 \$
Receivable in royalties	<u>\$16,445,334</u>	<u>\$-</u>
Receivable in cash and marketable securities	1,448,100	-
Less: receivable within the year	<u>796,350</u>	<u>-</u>
	<u>\$651,750</u>	<u>\$-</u>
	<u>\$17,097,084</u>	<u>\$-</u>

Deferred compensation arises from the Buy Out agreement between Roche Bay and AXI, whereby AXI has the right to acquire 100% of the eastern leases (refer note 2). Full effect has been given to the buyout in this report whereby the carrying value of the eastern leases has been removed and replaced by the right to receive deferred compensation from AXI. No profit has been recognised on the transaction.

Of the \$1,448,100 receivable, an amount of \$508,000 is in marketable securities, namely 4,000,000 shares in AXI, 50% receivable on approval of the agreement by the Toronto Venture Exchange, and 50% receivable on 30 September 2009. The balance of \$940,100 is receivable in cash. Of this amount \$27,750 has since been received, and the balance is due as follows: \$71,000 on 30 June 2009, \$189,600 on 15 December 2009, and 3 payments of \$217,250 on 15 December 2010, 2011 and 2012 respectively.

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NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2009 (Continued)

6. MARKETABLE SECURITIES

	2009	2008
	\$	\$
Shares and warrants in Advanced Explorations Inc.		
237,100 Common Shares	26,345	420,000
2,505,198 (2,776,198) Series A 1 Warrants	1	3,692,343
2,000,000 Series B 1 Warrants 2008 only	-	2,160,000
	<u>\$26,346</u>	<u>\$6,272,343</u>

The closing price of AXI at year end was approximately \$0.128 (2008 - \$1.68). This is the major contributing factor to the decline in the value of Marketable Securities.

7. ACCOUNTS RECEIVABLE

	2009	2008
	\$	\$
GROUP		
Proceeds of transfer of mining resource	796,350	-
Prepayments	4,462	12,000
Due from Holding Company	53,872	125,873
Due from fellow subsidiary	1,354,190	1,354,190
	<u>\$2,208,874</u>	<u>\$1,492,063</u>
COMPANY		
Prepayments	-	12,000
Due from Holding Company	53,872	125,873
Due from fellow subsidiary	1,354,190	1,354,190
	<u>\$1,408,062</u>	<u>\$1,492,063</u>

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NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2009 (Continued)

8. ACCOUNTS PAYABLE

	2009	2008
	\$	\$
GROUP		
Trade Creditors	108,319	301,295
Former Directors and Staff	126,652	235,652
Amounts due to Directors – no fixed date of repayment	521,731	477,526
Provisions	-	585,000
Shares accrued in terms of Ratchet Agreement	158,760	-
Staff Bonus Shares Accrued	17,500	100,000
	<u>\$932,962</u>	<u>\$1,699,473</u>
COMPANY		
Trade Creditors	108,319	301,295
Former Directors and Staff	126,652	235,652
Amounts due to Directors – no fixed date of repayment	583,079	477,526
Provisions	-	585,000
Shares accrued in terms of Ratchet Agreement	158,760	-
Staff Bonus Shares Accrued	17,500	100,000
	<u>\$994,310</u>	<u>\$1,699,473</u>

Amounts due to Directors Amounts due to Directors arise from fees for which the payment has been deferred. Terms are interest free with no terms of repayment.

Ratchet Agreement

As part of the Company's financing in April 2006, it agreed to a "ratchet fee" with two institutional investors, RAB Capital and AM², as detailed below.

In the event that the Company did not obtain a major stock market listing by 31 July 2007, the Company undertook to pay the investors a fee equivalent to 1% of money invested per calendar month, for a maximum of 18 months, such fee to be paid in newly-issued shares valued at 300 U.K. pence per share. The ratchet fee shall cease to accrue and shall not be payable in the event that each investor sells any shares.

Under this agreement every month that the company does not complete an I.P.O. after July 31st 2007 the company owes RAB Capital 5,000 shares of Roche Bay and AM² 670 shares. The Company's remaining maximum liability under this agreement is 50,000 shares to RAB Capital, and 6,700 shares to AM². It is highly unlikely that a listing or similar event will take place and thereby avoid 'ratchet fees' for the remaining period. The balance of ratchet fees remaining, not yet satisfied by share issues is included separately in note 8 above.

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NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2009 (Continued)

9. CALLED UP SHARE CAPITAL

			2009 \$	2008 \$
Authorised share capital 10,000,00 ordinary shares @ \$0.01 each			<u>\$100,000</u>	<u>\$100,000</u>
	Number of Shares	Share Capital \$	Share Premium Account \$	Total \$
At 31 March 2007	6,791,460	67,914	9,121,767	9,189,681
Shares Issued during the year	<u>481,783</u>	<u>4,818</u>	<u>5,123,282</u>	<u>5,128,100</u>
At 31 March 2008	7,273,243	72,732	14,245,049	14,317,781
Shares Issued during the year	<u>75,030</u>	<u>751</u>	<u>749,549</u>	<u>750,300</u>
At 31 March 2009	<u>7,348,273</u>	<u>\$73,483</u>	<u>\$14,994,598</u>	<u>\$15,068,081</u>

In fiscal 2005, 200,000 shares were issued at par to Borealis Technical Limited [Technical] on the understanding that, should these be sold, the proceeds would be for the benefit of the Company. In fiscal 2006, 12,227 shares were sold and the proceeds received. As part of the terms of an agreement between the Company and Borealis Exploration Limited [Technical's parent company] the number of shares held under the arrangement was reduced to 178,000. Since then 135,419 shares have been sold by Technical at various prices. The proceeds of these sales have not yet been passed on to the Company. It has been agreed that the latest market price of the shares will be used to quantify the amount due by Technical to the Company. The sum of \$1,354,190 applying the latest market price of \$10 has been credited to share premium account and 42,581 shares remain subject to this agreement.

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NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2009 (Continued)

10. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

	Share Capital \$	Share Premium Account \$	Non Distributable Reserve \$	Profit & Loss Account \$	Total
At 31 March 2007	67,914	9,121,767	-	(3,403,549)	5,786,132
Shares issued during the year	4,818	3,769,092	-	-	3,773,910
Shares sold by Borealis					
Technical (explained in note 8)	-	1,354,190	-	-	1,354,190
Non Distributable Reserve	-	-	6,410,340	-	6,410,340
Profit for the year	-	-	-	1,105,260	1,105,260
At 31 March 2008	<u>72,732</u>	<u>14,245,049</u>	<u>6,410,340</u>	<u>(2,298,289)</u>	<u>18,429,832</u>
Shares issued during the year	751	749,549	-	-	750,300
Non Distributable Reserve	-	-	8,096,888	-	8,096,888
Loss for the year	-	-	-	(6,440,407)	(6,440,407)
At 31 March 2009	<u>\$73,483</u>	<u>\$14,994,598</u>	<u>\$14,507,228</u>	<u>\$(8,738,696)</u>	<u>\$20,836,613</u>

11. NON DISTRIBUTABLE RESERVE

	2009 \$	2008 \$
Share of development costs borne by joint venture partner	<u>\$14,507,228</u>	<u>\$6,410,340</u>

This represents the increase in carrying value of the company's investment in the Eastern deposits mining resource as a result of exploration and development expenditure incurred by Advanced Explorations Inc.

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NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2009 (Continued)

12. EXPENDITURE

	2009	2008
	\$	\$
Administrative Expenditure		
Audit fees	26,314	25,478
Borealis Provided Services	72,000	125,000
Conferences	-	-
Consultants	176,183	1,486,359
Directors Fees		
Executive Directors	264,304	3,094,511
Non Executive Directors	140,000	297,100
General Administrative Expenses	20,313	41,114
Professional Fees, Public Relations and Commissions	71,708	408,195
Ratchet Fees	(68,040)	1,020,599
Telephone and Communication	18,581	15,636
Travel and Entertainment	34,641	62,122
	<u>\$756,004</u>	<u>\$6,576,114</u>

13. OTHER (LOSS) INCOME

	2009	2008
	\$	\$
Profit on joint venture earn in agreement	-	12,672,742
Proceeds of accelerated Joint Venture earn in option granted	186,982	-
Profit on disposal of Marketable Securities	9,594	166,000
Profit on disposal of Fixed Assets	-	124,187
	<u>196,576</u>	<u>12,962,929</u>
Unrealised loss on devaluation of marketable securities	(5,881,248)	(1,095,284)
	<u>\$(5,684,672)</u>	<u>\$11,867,645</u>

The profit on the joint venture agreement in the comparatives represents the market value of the 8,000,000 series A1 warrants and 2,000,000 B1 warrants received from AXI in connection with the disposal of the 15% interest in the Eastern deposits.

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NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2009 (Continued)

14. RELATED PARTY TRANSACTIONS

In addition to related party transactions disclosed elsewhere in these financial statements, during the year ended 31 March 2009, the Company was charged \$72,000 (2007 - \$125,000) in fees for administrative services provided by the ultimate parent company.

During the year the Company entered into an agreement with Benjamin Cox and Associates LLC, a company owned by CEO Benjamin Cox. In terms of this agreement, services provided by Benjamin Cox as an officer of the Company are now channeled through Benjamin Cox and Associates LLC. The Company was charged \$ 187,304 (2008 \$ 127,338) for these services.

15. CANADIAN REAL PROPERTY

Roche Bay's shares could be considered Canadian Real Property, so investors should seek tax advice before trading them.

16. 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.