

Roche Bay

PUBLIC LIMITED COMPANY

Gibraltar Registered No. 60527

Annual Report and Financial Statements

for the year ended 31 March 2011

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 interests on the Melville Peninsula in Nunavut, northeastern Canada.

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

Eastern Deposits

- In 2007 Roche Bay plc signed a joint venture agreement with Advanced Explorations Inc. (AXI) to develop the Eastern properties. The agreement covers Roche Bay's leases near Roche Bay harbour and additional land within an Area of Mutual Interest, including the recently-discovered Tuktu deposits and several other unexplored targets.
- Roche Bay currently owns 50.1% of the joint venture with AXI, but in April granted AXI a new option to complete a full buyout by August 5, 2011.
- Terms of the buyout option include a C\$22.5 million cash payment and a gross overriding royalty (GOR) to Roche Bay of 1.875% on iron products and 3.9% on precious metals.
- If AXI does not exercise the buyout option, AXI must advance the development of the property to achieve specified milestones and pay increasing rent each year to Roche Bay.
- Roche Bay is fully carried to production with no requirement to manage development of the mineral assets or to repay AXI for advancing development of the property.
- AXI signed a strategic agreement with XinXing Pipes Group Co., Ltd. (XXP), a Chinese state-owned enterprise, on 27 September 2010. XXP is committed to funding the Roche Bay Magnetite Project through the full feasibility stage.

Western Deposits (Fraser Bay)

- On 24 May 2011, Roche Bay signed a joint venture agreement with West Melville Iron Company Ltd., a Discovery Group company, to explore the Fraser Bay 1-3 deposits.
- It is a 70/30 joint venture agreement where West Melville can earn a 70% interest in the project by delivering a full feasibility study.
- Roche Bay retains a 100% interest in the Fraser Bay 4 and 5 deposits for future development.

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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Management's Report to Members

To the Members:

This has been a year of significant progress for Roche Bay. At our Eastern deposits, our joint venture partner Advanced Explorations Inc. (AXI) concluded two major funding and product offtake agreements. Roche Bay congratulates AXI on its agreements with XinXing Pipes Group Co., Ltd. (XXP) and Shandong Fulun Steel Company. Together, these agreements will provide significant capital to further develop the Roche Bay Magnetite Project.

We recognize that the project would benefit from a simpler capital structure, which would also help AXI to speed the project through its engineering and construction phases and into an operating mine that would generate revenues and royalties for its investors. To advance this objective, we negotiated and shortly after the fiscal year-end signed an agreement that gives AXI an option to buy out our current 50.1% interest in the Roche Bay Magnetite Project under terms that include a cash payment of C\$22.5 million and a residual royalty of 1.875% on all iron products extracted.

The agreement covers our Area of Mutual Interest with AXI in the eastern Melville Peninsula surrounding Roche Bay harbour. The option, if exercised by AXI, would entitle our company to a royalty on all mineral revenues generated from those lands by AXI, including the Tuktu deposits to the north of the Roche Bay Magnetite Project and other mineral claims and leases in the area. Those royalties could be significant in years to come.

There has also been major progress at our Western, or Fraser Bay, deposits. Roche Bay and its predecessor have held these properties for more than 40 years. In 2009, the Geological Survey of Canada conducted extensive aeromagnetic surveys, which showed possible large deposits of magnetite ore in and around our three Western leases. Last summer we retained a leading geological consulting firm, Apex Geoscience, to conduct further ground-based exploration and to produce a technical report compliant with Canadian National Instrument 43-101, which defines standards for geological reports.

The Apex report concluded in part: "Although the work completed by Apex during 2010 was reconnaissance in nature, it confirmed the potential for a significant iron ore deposit on the Fraser Bay 1-3 property. The Fraser 1 BIF [banded iron formation] and, possibly, the Fraser 2 BIF, have the potential to host a core zone of direct ship greater than 60% total Fe iron ore that could be the basis for a startup high grade deposit."

In light of this positive report, we conducted a search for an experienced and capable joint venture partner to manage an extensive program of exploration and development toward building a mine at Fraser Bay. Last month we signed an agreement with West Melville Iron Company Ltd., a company set up by Discovery Group, which is a leading team of mining project developers led by John Robins. Under the agreement, West Melville has options to conduct defined exploration and feasibility studies by specified dates and thereby earn up to a 70% interest in the Fraser Bay 1-3 property. Roche Bay retains the 100% interest in our Fraser Bay 4 and 5 properties.

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Management's Report to Members(Continued)

Roche Bay has not done a round of funding since 2006. The operations of the company, and our investment last year in exploration of the Fraser Bay 1-3 property, have been funded by annual rental payments from AXI and sales of some of our AXI share holdings received as part of the joint venture agreement.

Going forward, Roche Bay has the following plans:

- If AXI exercises its buyout option, Roche Bay will aim to provide liquidity to those shareholders who desire it at the net cash value of their current shares.
- We will monitor the Discovery Group exploration program and support their plans for development of the Fraser Bay 1-3 deposits.
- We will work on optimizing our corporate structure and resolving other issues to make it possible to list our shares on a recognized stock exchange.

Over the last four years, market conditions have dictated Roche Bay's strategic options. If the economy goes back into a deep recession, we will have significantly fewer options on providing liquidity and creating value for our shareholders.

Nonetheless, Roche Bay could be a very different company next year. We have a dynamic new joint venture partner in the Discovery Group for development of Fraser Bay 1-3. In addition, we may exit from our direct ownership of the Roche Bay Magnetite Project and have a more liquid balance sheet and capitalization structure. Depending on market conditions, we may also list Roche Bay on a stock exchange.



Benjamin J. Cox
President and Chief Executive Officer

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

Appointed

1 Aug 2001 Director, President and Chief Executive Officer
11 Sept 2001 Director, Chairman of the Board
27 Mar 2003 Director
26 June 2007 Director and Chief Financial Officer
26 June 2007 Director
26 June 2007 Director
26 June 2007 Director

OFFICERS

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

Registered Office

Suite 2F/2, Eurolife Building
1 Corral Road
Gibraltar

Secretary

STM Fidecs Management 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 Limited
Suite 5 Watergardens 4
Waterport
Gibraltar

ROCHE BAY PUBLIC LIMITED COMPANY

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Directors' Report

The directors submit their report and the audited financial statements for the year ended 31 March 2011.

Corporate Profile

The Company was incorporated in Gibraltar on 11 February 1997. The Company's shares are traded in the United States over-the-counter (OTC) grey market and quoted as RCHBF.

The Company has 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.

These leases require annual lease payments (at year end exchange rates) of US\$11,235 for those leases expiring in 2019 – the Western leases, and \$11,353 per year for those leases expiring in 2021 – the Eastern 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.

Activities

In 2007, the Company signed a joint venture agreement with Advanced Explorations Inc. (AXI) to further exploration and development of its four leases nearest to Roche Bay (the Eastern leases) and construction of an iron mine at that location, called the Roche Bay Magnetite Project.

In 2009, this agreement was amended and superseded by a buyout agreement. This agreement granted AXI several options to increase its ownership interest in the project subject to various conditions, cash payments, and a royalty interest. Under this buyout agreement, the full buyout option enabled 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; or to buy out half of Roche Bay's royalty interest for C\$35 million by 2020. The agreement commits AXI to annual 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.

This agreement also changed how Roche Bay plc carries these Eastern leases on its books. On an accounting basis, Roche Bay went from directly owning a mineral property to a mineral property with either a royalty option or a buyout option. Roche Bay also incorporated a wholly-owned Canadian subsidiary, Roche Bay East Limited, to maintain its interest in the Eastern leases. Roche Bay plc carries these leases on its books for \$16,728,392 as deferred compensation.

On 4 April 2011, the Company agreed a New Buy-Out Option with AXI, under which a one-time payment by AXI of C\$22.5 million on or before 5 August 2011, would give AXI 100% title to the Eastern leases and the Roche Bay Magnetite Project, subject to a reduced royalty of 1.875% on all iron products and 3.9% on all precious metals with a refined price of more than \$100 per kilogram. If the New Buy-Out Option is not exercised by AXI, the original buyout option as concluded in the March 2009 agreement will remain in effect. The Directors believe that the March 2011 agreement with AXI is in the interests of both companies, but we do not know whether or not AXI will exercise its 2011 buyout option.

The Company also owns three mineral leases near Fraser Bay, on the Western side of Melville Peninsula (the Western leases). During the year, the company did some exploratory work on the Western resource leases which yielded some encouraging results. On 24 May 2011, the company entered into an agreement with principals of the Discovery Group, a Canadian mining development group, through West Melville Mining Company Ltd., for the development of lease number 2826 (Fraser Bay 1-3). The Company retains 100% ownership of the Fraser Bay 4 and 5 leases and deposits.

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Directors' Report (Continued)

The agreement with West Melville provides for a series of options to West Melville. First, upon issuing to Roche Bay 10% of its outstanding shares and incurring \$2.5 million in defined exploration expenditures, it will earn a 30% interest in the lease; second, by incurring an additional \$8 million in exploration expenditures, completing at least 10,000 metres of drilling on the property, and completing a preliminary economic assessment compliant with Canadian National Instrument 43-101, it will earn an additional 30% interest; and third, by completing a full feasibility study, it will earn a final 10% interest in the property. The agreement also provides for gross overriding royalties to Roche Bay of 0.5% on any mineral product, and 3.9% on any mineral product that is sold for at least \$100 per kilogram refined. The agreement further provides that under certain conditions if West Melville receives a third-party offer to buy the property for not less than \$100 million, it can require Roche Bay to sell its interest in the property at a pro rata proportion of the sale price.

Results and Review of Business

The results for the year are shown in the Profit and Loss Account on page 11.

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 re-assumed by Borealis Exploration Limited.

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 2011, the Company had consolidated net assets of \$22,185,994 (2010 - \$21,045,037).

Dividends

No dividends were declared during the year.

Directors and Their Interests

The directors who served during the year were as stated on page 5.

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

Director	Shares held at 31 March 2011	Shares held at 31 March 2010
Benjamin J. Cox	42,000	42,000
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	8,136
Duncan J. Kretovich	1,636	1,636
Moshe R. Cohen	10,000	10,000

Directors' Meetings and Compensation

During the fiscal year the Board of Directors held 15 meetings, as well as several informal discussions; all directors were present for at least 80% of the meetings.

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Directors' Report(Continued)

Each non-executive director, with the exception of the Chairman, was credited with a monthly fee of \$1,000. The Chairman was credited with a monthly fee of \$2,000. These fees may be settled in full at the option of the entire board, in either cash or shares. The Chief Executive Officer was credited with a fee of \$10,000 per month for the first two months of the year, and \$13,000 per month for the months thereafter. The Chief Financial Officer was credited with a fee of \$3,500 per month for the first nine months of the year and \$4,000 per month for the remaining months.

Share Options

As of 31 March 2011, there was outstanding a broker warrant to purchase 10,000 shares at £3 per share by Williams de Broe, a London brokerage firm.

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 unless 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 will be proposed at the Annual General Meeting.

By order of the Board on 28 June 2011.



Moshe Cohen
Director



Benjamin Cox
Director

Independent auditors' report to the shareholders of Roche Bay Public Limited Company

We have audited the Group and Company financial statements of Roche Bay plc for the year ended 31 March 2011 which comprise the Group Profit and Loss Account, the Group and Company Balance Sheets, the Group Cash Flow Statement 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 Group and Company's affairs as at 31 March 2011 and of its profit 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.



Bernard Hazell

Statutory Auditor
For and on behalf of
MOORE STEPHENS LIMITED

Suite 5
Watergardens 4
Waterport
Gibraltar

28 June 2011

ROCHE BAY PUBLIC LIMITED COMPANY

Gibraltar Registered No. 60527

CONSOLIDATED PROFIT AND LOSS ACCOUNT For the year ended 31 March 2011

	Note	2011 \$	2010 \$
Income			
Interest received		82	25
Profit on sale of Marketable Securities		<u>265,094</u>	<u>2,175</u>
		265,176	2,200
Expenditure	12	(518,160)	(371,372)
Loss for the year on ordinary activities		<u>(252,984)</u>	<u>(369,172)</u>
Other Income	13	<u>1,406,782</u>	<u>397,836</u>
Income for the year		1,153,798	28,664
Taxation	14	(12,841)	-
Consolidated Retained Income for the year		<u><u>\$1,140,957</u></u>	<u><u>\$28,664</u></u>

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

The notes on pages 16 to 26 form part of these Financial Statements.

ROCHE BAY PUBLIC LIMITED COMPANY

Gibraltar Registered No. 60527

CONSOLIDATED BALANCE SHEET as at 31 March 2011

	Note	2011 \$	2010 \$
Fixed Assets			
Mining Resources	2	2,502,040	2,422,290
Investment Property	3	20,500	20,500
Total Fixed Assets		<u>2,522,540</u>	<u>2,442,790</u>
Deferred Compensation Receivable	5	16,728,392	16,986,931
Marketable Securities	6	1,883,591	696,202
		<u>21,134,523</u>	<u>20,125,923</u>
Current Assets			
Accounts receivable	7	1,709,283	1,630,198
Cash at Bank		440,790	139,963
Total Current Assets		<u>2,150,073</u>	<u>1,770,161</u>
Current Liabilities			
Accounts Payable	8	<u>(1,098,602)</u>	<u>(851,047)</u>
Net Current Assets		<u>1,051,471</u>	<u>919,114</u>
Total Net Assets		<u><u>\$22,185,994</u></u>	<u><u>\$21,045,037</u></u>
Capital and Reserves			
Called up Share Capital	9	73,739	73,739
Share Premium Account	9,10	15,174,102	15,174,102
		<u>15,247,841</u>	<u>15,247,841</u>
Non Distributable Reserve	11	14,507,228	14,507,228
Consolidated Accumulated Loss	10	<u>(7,569,075)</u>	<u>(8,710,032)</u>
Total Shareholders' Funds		<u><u>\$22,185,994</u></u>	<u><u>\$21,045,037</u></u>

Signed on behalf of the Board of Directors on 28 June 2011.



Moshe Cohen
Director



Benjamin Cox
Director

The notes on pages 16 to 26 form part of these Financial Statements.

ROCHE BAY PUBLIC LIMITED COMPANY

Gibraltar Registered No. 60527

COMPANY BALANCE SHEET as at 31 March 2011

	Note	2011 \$	2010 \$
Fixed Assets			
Mining Resources	2	2,502,040	2,422,290
Investment Property	3	20,500	20,500
Total Fixed Assets		<u>2,522,540</u>	<u>2,442,790</u>
Investments			
Subsidiary Companies	4	17,952,765	17,952,765
Marketable Securities	6	1,469,840	6,895
		<u>21,945,145</u>	<u>20,402,450</u>
Current Assets			
Accounts receivable	7	1,358,373	1,428,079
Cash at Bank		13,712	14,479
Total Current Assets		<u>1,372,085</u>	<u>1,442,558</u>
Current Liabilities			
Accounts Payable	8	<u>(1,965,164)</u>	<u>(846,047)</u>
Net Current Assets (Liabilities)		<u>(593,079)</u>	<u>596,511</u>
Total Net Assets		<u><u>\$21,352,066</u></u>	<u><u>\$20,998,961</u></u>
Capital and Reserves			
Called up Share Capital	9	73,739	73,739
Share Premium Account	9,10	15,174,102	15,174,102
		15,247,841	15,247,841
Non Distributable Reserve	11	14,507,228	14,507,228
Profit and Loss account		<u>(8,403,003)</u>	<u>(8,756,108)</u>
Total Shareholders' Funds		<u><u>\$21,352,066</u></u>	<u><u>\$20,998,961</u></u>

Signed on behalf of the Board of Directors on 28 June 2011.

Moshe Cohen
Director

Benjamin Cox
Director

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ROCHE BAY PUBLIC LIMITED COMPANY

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CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 March 2011

	2011	2010
	\$	\$
Net cash inflow (outflow) from operating activities	<u>(22,770)</u>	<u>447,081</u>
Returns on investments and servicing of finance		
Interest received	82	25
Interest paid	(2,746)	(5,224)
Net cash outflow from servicing of finance	<u>\$(2,664)</u>	<u>\$(5,199)</u>
Capital expenditure and financial investment		
Marketable Securities Acquired	-	(508,000)
Proceeds of disposal of Marketable Securities	418,842	31,840
Lease costs of mining resource	(10,686)	(10,193)
Development costs of mining resource	(69,064)	-
Net cash inflow (outflow) from capital expenditure and financial investment	<u>\$339,092</u>	<u>\$(486,353)</u>
Financing activities and taxation		
Shares issued for services	-	179,760
Taxation	(12,841)	-
Net cash inflow from financing	<u>\$(12,841)</u>	<u>\$179,760</u>
Net increase in cash resources	<u>\$300,817</u>	<u>\$135,289</u>

The notes on pages 16 to 26 form part of these Financial Statements.

ROCHE BAY PUBLIC LIMITED COMPANY

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CONSOLIDATED CASH FLOW STATEMENT (Continued)

RECONCILIATION OF OPERATING PROFIT TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2011	2010
	\$	\$
Operating profit for the year	1,140,957	28,664
Taxation	12,841	-
Interest received	(82)	(25)
Interest paid	2,746	5,224
Unrealised profit on marketable securities	(1,341,137)	(191,521)
Profit on sale of marketable securities	(265,094)	(2,175)
Decrease (Increase) in accounts receivable	(79,085)	578,676
Decrease in deferred compensation receivable	258,539	110,153
Increase (Decrease) in accounts payable	247,555	(81,915)
Net cash inflow (outflow) from operating activities	<u>\$ (22,760)</u>	<u>\$ 447,081</u>

MOVEMENT IN CASH AND ANALYSIS OF CASH BALANCES

	2011	2010
	\$	\$
Changes in net cash		
At 1 April 2010	139,963	4,674
Increase in cash in the year	300,827	135,289
At 31 March 2011	<u>\$ 440,790</u>	<u>\$ 139,963</u>
Analysis of cash balances		
Cash at bank	<u>\$ 440,790</u>	<u>\$ 139,963</u>

The notes on pages 16 to 26 form part of these Financial Statements.

ROCHE BAY PUBLIC LIMITED COMPANY

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NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2011

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. Basis of Consolidation

The consolidated accounts include the Company and its subsidiary Companies. Inter-company balances and transactions are eliminated fully on consolidation.

c. Revenue

Revenue is derived from trading profits on marketable securities and any other contractual income that may be accrued from time to time as a result of cooperating with other development partners.

d. Reporting currency

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

e. 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.

f. 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.

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

g. 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 6 to 8.

h. Taxation

The exempt tax status of the Company was allowed to lapse as of 31 March 2009, because the directors did not consider that any tax liability would be incurred on profits between then and the anticipated tax reforms. This assumption proved correct, as from January 2011, the status of all Gibraltar exempt companies became 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.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2011

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

i. 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.

j. 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.

k. 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.

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NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2011 (Continued)

2. MINING RESOURCES Company and Group

	2011	2010
	\$	\$
Balance at 31 March 2010	2,422,290	2,412,097
Development costs	69,064	-
Lease payments	10,686	10,193
Balance at 31 March 2011	<u><u>\$2,502,040</u></u>	<u><u>\$2,422,290</u></u>

Mining resources consist of Roche Bay's ownership of Fraser Bay 1-5. The Roche Bay Magnetite Project is no longer being held on our books as mining resources. The valuation of \$2,502,040 is based on historical value at the transfer from Borealis to Roche Bay plc. This value is annually adjusted by development costs and lease payments.

During the year, the company did some investigative work on the Western resource leases which yielded encouraging results. On 6 May 2011, the company entered into an agreement with principals of the Discovery Group, a Canadian mining development group, through West Melville Mining Company Ltd. for the development of lease number 2826. In terms of this agreement West Melville can earn up to a 70% interest in this lease subject to fulfilling certain drilling and development milestones.

3. INVESTMENT PROPERTY

Investment Residential Property	2011	2009
	\$	\$
At Cost - Acquired May 2006	<u>\$20,500</u>	<u>\$20,500</u>
House at Hall Beach		
	2011	2010
	\$	\$
Directors' estimate of market value at 31 March	<u><u>\$95,000</u></u>	<u><u>\$80,000</u></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. Nominal rent has been charged.

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NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2011 (Continued)

4. INVESTMENT IN SUBSIDIARY COMPANIES

	Ownership Interest		Investments	
	2011 %	2010 %	2011 \$	2010 \$
Roche Bay East Limited	100%	100%	17,952,764	17,952,764
Fraser Bay PLC	100%	100%	1	1
Total Investments			<u>\$17,952,765</u>	<u>\$17,952,765</u>

5. DEFERRED COMPENSATION RECEIVABLE

	2011 \$	2010 \$
Receivable in royalties	<u>\$16,445,334</u>	<u>\$16,445,334</u>
Receivable in cash	566,116	812,396
Less: receivable within the year	<u>(283,058)</u>	<u>(270,799)</u>
	<u>\$283,058</u>	<u>\$541,597</u>
	<u>\$16,728,392</u>	<u>\$16,986,931</u>

Deferred compensation arises from the buyout agreement between Roche Bay and AXI, whereby AXI has the right to acquire 100% interest in the Eastern leases and the Roche Bay Magnetite Project. 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. This asset is held in Roche Bay East Limited, a wholly owned subsidiary.

The cash portion is receivable in two equal annual tranches of \$283,058 on 15 December 2011 and 2012.

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 then 15% equity interest in the Eastern deposit leases and the Roche Bay Magnetite Project to 100%. The Earn-In Option provided for milestones by which AXI could increase its ownership interest, up to 100% upon public announcement of a decision to place the Project into production. The Buy-Out Option enabled 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\$30,000,000 before 15 March 2011.

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NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2011 (Continued)

5. DEFERRED COMPENSATION RECEIVABLE(Continued)

This Buy-Out Option was not exercised by AXI, and on 1 April 2011, a New Buy-Out Option was concluded, in terms of which a one-time payment by AXI of C\$22,500,000 on or before 5 August 2011, would give AXI 100% title to the Project subject to a reduced perpetual royalty of 3.9% for precious metals and 1.875% for all other mineral products. If the New Buy-Out Option is not exercised by AXI, the Half Buy-Out option as concluded on 23 March 2009 will remain in effect.

In terms of the Half Buy-Out Option AXI can purchase one-half of Roche Bay's royalty interest in the Project for C\$35,000,000 any time prior to 31 March 2020, subject to Roche Bay retaining one-half the iron-products royalty and the entire precious metals royalty, and certain other conditions. Should AXI not take up any 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, plus the full precious metals royalty of 10%.

6. MARKETABLE SECURITIES

	2011	2010
	\$	\$
ROCHE BAY GROUP		
Shares and warrants in Advanced Explorations Inc.		
2,614,287 (2010 - 4,040,000) Common Shares	1,883,591	696,201
2,505,198 Series A 1 Warrants	-	1
	<u>\$1,883,591</u>	<u>\$696,202</u>
ROCHE BAY PLC		
Shares and warrants in Advanced Explorations Inc.		
2,040,000 Common Shares (2010 - 40,000)	1,469,840	6,894
2,505,198 Series A 1 Warrants	-	1
	<u>\$1,469,840</u>	<u>\$6,895</u>

The closing price of AXI at year end was approximately \$0.72 (2010 - \$0.17).

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NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2011 (Continued)

7. ACCOUNTS RECEIVABLE

	2011	2010
	\$	\$
ROCHE BAY GROUP		
Proceeds of transfer of mining resource	283,058	270,799
Prepayments	22,660	5,209
Due from fellow subsidiary Borealis Technical Limited	1,354,190	1,354,190
Other	49,375	-
	<u>\$1,709,283</u>	<u>\$1,630,198</u>
ROCHE BAY PLC		
Due from fellow subsidiary Borealis Technical Limited	1,354,190	1,354,190
Due from subsidiary Roche Bay East Limited	-	68,679
Prepayments	4,183	5,210
	<u>\$1,358,373</u>	<u>\$1,428,079</u>

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NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2011 (Continued)

8. ACCOUNTS PAYABLE

	2011	2010
	\$	\$
ROCHE BAY GROUP		
Trade Creditors	100,325	81,218
Former Directors and Staff	22,451	80,221
Amounts due to Directors – no fixed date of repayment	868,198	653,980
Staff Bonus Shares Accrued	17,500	17,500
Ultimate holding company - Borealis Exploration Limited	90,128	18,128
	<u>\$1,098,602</u>	<u>\$851,047</u>
ROCHE BAY PLC		
Trade Creditors	100,325	76,218
Former Directors and Staff	22,451	80,221
Amounts due to Directors – no fixed date of repayment	868,198	653,980
Staff Bonus Shares Accrued	17,500	17,500
Subsidiary Company Roche Bay East Limited	866,562	-
Ultimate holding company - Borealis Exploration Limited	90,128	18,128
	<u>\$1,965,164</u>	<u>\$846,047</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 fixed terms of repayment.

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NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2011 (Continued)

9. CALLED UP SHARE CAPITAL

	2011	2010
	\$	\$
Authorised share capital		
10,000,000 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 2009	7,348,273	73,483	14,994,598	15,068,081
Shares Issued during the year	<u>25,680</u>	<u>256</u>	<u>179,504</u>	<u>179,760</u>
At 31 March 2010	7,373,953	73,739	15,174,102	15,247,841
Shares Issued during the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 31 March 2011	<u>7,373,953</u>	<u>\$73,739</u>	<u>\$15,174,102</u>	<u>\$15,247,841</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 2006, Borealis no longer has the mandate to sell shares for the benefit of Roche Bay plc. Currently this transaction cannot be unwound, as Roche Bay cannot buy back or cancel shares while it has retained losses. Roche Bay carries these shares owed by Borealis Technical at \$1,354,190 – refer note 7. This transaction should be unwound once Roche Bay has the proceeds from the AXI buyout. Management's view is that these 178,000 shares will be cancelled and the \$1,354,190 will no longer appear on the balance sheet.

ROCHE BAY PUBLIC LIMITED COMPANY

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NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2011 (Continued)

10. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

	Share Capital \$	Share Premium Account \$	Non Distributable Reserve \$	Profit & Loss Account \$	Total
At 31 March 2009	73,483	14,994,598	14,507,228	(8,738,696)	20,836,613
Shares issued during the year	256	179,504	-	-	179,760
Non Distributable Reserve	-	-	-	-	-
Profit (Loss) for the year	-	-	-	28,664	28,664
At 31 March 2010	<u>73,739</u>	<u>15,174,102</u>	<u>14,507,228</u>	<u>(8,710,032)</u>	<u>21,045,037</u>
Shares issued during the year	-	-	-	-	-
Non Distributable Reserve	-	-	-	-	-
Profit (Loss) for the year	-	-	-	1,140,957	1,140,957
At 31 March 2011	<u>\$73,739</u>	<u>\$15,174,102</u>	<u>\$14,507,228</u>	<u>\$(7,569,075)</u>	<u>\$22,185,994</u>

11. NON DISTRIBUTABLE RESERVE

	2011 \$	2010 \$
Share of development costs borne by joint venture partner	<u>\$14,507,228</u>	<u>\$14,507,228</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 in past years.

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NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2011 (Continued)

12. EXPENDITURE

	2011	2010
	\$	\$
Administrative Expenditure		
Audit fees	17,651	19,562
Borealis Provided Services	72,000	72,000
Conferences	1,799	-
Consultants	71,250	2,000
Directors Fees		
Executive Directors	193,500	183,000
Non Executive Directors	72,000	13,700
General Administrative Expenses	13,675	7,288
Interest	2,746	5,224
Professional Fees, Public Relations and Commissions	27,213	41,648
Rent	2,333	14,000
Telephone and Communication	6,169	9,167
Travel and Entertainment	37,824	3,783
	<u>\$518,160</u>	<u>\$371,372</u>

13. OTHER INCOME

	2011	2010
	\$	\$
Unrealised profit on revaluation of marketable securities	1,341,137	191,521
Unrealised profit on Foreign Exchange	65,645	206,315
	<u>\$1,406,782</u>	<u>\$397,836</u>

14. TAXATION

	2011	2010
	\$	\$
Canadian Capital Tax	<u>\$12,841</u>	<u>\$-</u>

ROCHE BAY PUBLIC LIMITED COMPANY

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NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2011 (Continued)

15. RELATED PARTY TRANSACTIONS

In addition to related party transactions disclosed elsewhere in these financial statements, during the year ended 31 March 2011, the Company was charged \$72,000 (2010 - \$72,000) in fees for administrative services provided by the ultimate parent company.

The Company charged its wholly owned subsidiary company, Roche Bay East Limited, a management fee of \$600,000 for the year ended 31 March 2011 (2010 - \$300,000).

During the year, the Company entered into an agreement with Oren Inc., a company majority owned by CEO Benjamin Cox. In terms of this agreement, services provided by Benjamin Cox as officer of the Company were channelled through Oren Inc. with effect from June 2010. The Company was charged \$130,000 (\$120,000) for these services which included Benjamin Cox's management fees, and \$71,250 for additional consulting services by other team members. Services provided by Benjamin Cox in prior years as an officer of the Company were channelled through Benjamin Cox and Associates LLC.

During the year, all AXI Series A Warrants issued in June 2007 expired. There were 792,000 such warrants held on behalf of CEO Benjamin Cox, CFO Moshe Cohen, and past Directors Daniel Botes and Joseph Cox, all of whom had paid the company the C\$0.35 to convert the warrants into shares. Due to the company's tight cash constraints, these funds were never paid over to AXI for the conversion. With the expiry of these warrants, the company drew from its own stock of AXI shares to partially settle these dues, and will have to draw more such shares to settle the matter fully. A total of 440,790 of such shares were sold as follows:

On behalf of Benjamin Cox - 299,790, Moshe Cohen - 63,000 and Joseph Cox - 78,000. The proceeds of these share sales namely, \$273,116, \$31,998 and \$73,022 respectively, were paid over in full. In addition, the company transferred 96,000 AXI shares to former Director Daniel Botes. Other than a balance of 255,210 AXI shares due to Benjamin Cox, all other parties have been settled in full.

16. CANADIAN REAL PROPERTY

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

17. 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, Gibraltar.