

# **Roche Bay**

**PUBLIC LIMITED COMPANY**

**Gibraltar Registered No. 60527**

## **Financial Statements**

for the year ended 31 March 2010

# ROCHE BAY PUBLIC LIMITED COMPANY

Gibraltar Registered No. 60527

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## 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 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

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## 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	Director, President and Chief Executive Officer
1 Aug 2001	Director (Resigned 20 April 2009)
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

Gibraltar Registered No. 60527

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## Directors' Report

The directors submit their report and the audited financial statements for the year ended 31 March 2010.

## 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.

## Activities

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 (Fe<sub>3</sub>O<sub>4</sub>) 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 2010, the Company had consolidated net assets of \$21,045,037 (2009 - \$20,836,613).

The original joint venture agreement with Advanced Explorations, Inc., (AXI) signed in 2007, has been superseded 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.

## 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\$10,749 for those leases expiring in 2019 - the Western leases, and \$10,193 per year for those leases expiring in 2021 - the Eastern leases. During the year ended 31 March 2009, a Buy Out agreement was signed which supersedes the joint venture agreement of 2007. All leases are renewable, and are expected to be renewed.

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## Directors' Report (Continued)

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 2010	Shares held at 31 March 2009
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	7,000

## Directors' Meetings and Compensation

During the fiscal year the Board of Directors held 12 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, 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 and The Chief Financial Officer were credited with monthly fees of \$10,000 and \$3,500 respectively. In addition, the Chief Financial Officer received compensation of 3,000 shares valued at \$21,000 which vests subject to fulfillment of certain conditions.

## Share Options

As of 31 March 2010, 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 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.

# ROCHE BAY PUBLIC LIMITED COMPANY

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## Directors' Report (Continued)

### Auditor

A resolution to reappoint Moore Stephens Limited will be proposed at the Annual General Meeting.

By order of the Board on 24 August 2010.



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Moshe Cohen  
Director



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Peter Vanderwicken  
Director

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

We have audited the financial statements of Roche Bay plc for the year ended 31 March 2010 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.

# ROCHE BAY PUBLIC LIMITED COMPANY

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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 2010 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:

14. 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.
15. State in our report whether in our opinion the information given in the directors' report is consistent with the financial statements.
16. 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.



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**Bernard Hazell**

Statutory Auditor  
For and on behalf of  
**MOORE STEPHENS LIMITED**

Suite 5  
Watergardens 4  
Waterport  
Gibraltar

25 August 2010

# ROCHE BAY PUBLIC LIMITED COMPANY

Gibraltar Registered No. 60527

## CONSOLIDATED PROFIT AND LOSS ACCOUNT For the year ended 31 March 2010

	Note	2010 \$	2009 \$
Income - interest received		25	269
Expenditure	12	(371,372)	(756,004)
Loss for the year on ordinary activities		<u>(371,347)</u>	<u>(755,735)</u>
Other Income ( Loss)	13	<u>400,011</u>	<u>(5,684,672)</u>
Income ( Loss) for the year		<u><u>28,664</u></u>	<u><u>(6,440,407)</u></u>

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

## GROUP STATEMENT OF RECOGNISED GAINS AND LOSSES THROUGH RESERVES

		\$	\$
Increase in the carrying value of mining resources prior to disposal	2	<u><u>-</u></u>	<u><u>\$8,096,888</u></u>

The notes on pages 14 to 24 form part of these Financial Statements.

# ROCHE BAY PUBLIC LIMITED COMPANY

Gibraltar Registered No. 60527

## CONSOLIDATED BALANCE SHEET as at 31 March 2010

	Note	2010 \$	2009 \$
<b>Fixed Assets</b>			
Mining Resources	2	2,422,290	2,412,097
Investment Property	3	20,500	20,500
<b>Total Fixed Assets</b>		<u>2,442,790</u>	<u>2,432,597</u>
Deferred Compensation Receivable	5	16,986,931	17,097,084
Marketable Securities	6	696,202	26,346
		<u>20,125,923</u>	<u>19,556,027</u>
<b>Current Assets</b>			
Accounts receivable	7	1,630,198	2,208,874
Cash at Bank		139,963	4,674
<b>Total Current Assets</b>		<u>1,770,161</u>	<u>2,213,548</u>
<b>Current Liabilities</b>			
Accounts Payable	8	<u>(851,047)</u>	<u>(932,962)</u>
<b>Net Current Assets</b>		<u>919,114</u>	<u>1,280,586</u>
<b>Total Net Assets</b>		<u>\$21,045,037</u>	<u>\$20,836,613</u>
<b>Capital and Reserves</b>			
Called up Share Capital	9	73,739	73,483
Share Premium Account	9,10	15,174,102	14,994,598
		<u>15,247,841</u>	<u>15,068,081</u>
Non Distributable Reserve	10,11	14,507,228	14,507,228
Consolidated Accumulated Loss	10	<u>(8,710,032)</u>	<u>(8,738,696)</u>
<b>Total Shareholders' Funds</b>		<u>\$21,045,037</u>	<u>\$20,836,613</u>

Signed on behalf of the Board of Directors on 24 August 2010.



Moshe Cohen  
Director



Peter Vanderwicken  
Director

The notes on pages 14 to 24 form part of these Financial Statements.

# ROCHE BAY PUBLIC LIMITED COMPANY

Gibraltar Registered No. 60527

## COMPANY BALANCE SHEET as at 31 March 2010

	Note	2010 \$	2009 \$
<b>Fixed Assets</b>			
Mining Resources	2	2,422,290	2,412,097
Investment Property	3	20,500	20,500
<b>Total Fixed Assets</b>		<u>2,442,790</u>	<u>2,432,597</u>
<b>Investments</b>			
Subsidiary Companies	4	17,952,765	17,956,764
Marketable Securities	6	6,895	26,346
		<u>20,402,450</u>	<u>20,415,707</u>
<b>Current Assets</b>			
Accounts receivable	7	1,428,079	1,408,062
Cash at Bank		14,479	4,674
<b>Total Current Assets</b>		<u>1,442,558</u>	<u>1,412,736</u>
<b>Current Liabilities</b>			
Accounts Payable	8	<u>(846,047)</u>	<u>(994,310)</u>
<b>Net Current Assets</b>		<u>582,032</u>	<u>418,426</u>
<b>Total Net Assets</b>		<u>\$20,998,961</u>	<u>\$20,834,133</u>
<b>Capital and Reserves</b>			
Called up Share Capital	10	73,739	73,483
Share Premium Account	10	15,174,102	14,994,598
		<u>15,247,841</u>	<u>15,068,081</u>
Non Distributable Reserve	10	14,507,228	14,507,228
Profit and Loss account		<u>(8,756,108)</u>	<u>(8,741,176)</u>
<b>Total Shareholders' Funds</b>		<u>\$20,998,961</u>	<u>\$20,834,133</u>

Signed on behalf of the Board of Directors on 24 August 2010.

  
\_\_\_\_\_  
Moshe Cohen  
Director

  
Peter Vanderwicken  
Director

The notes on pages 14 to 24 form part of these Financial Statements.

# ROCHE BAY PUBLIC LIMITED COMPANY

Gibraltar Registered No. 60527

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 March 2010

	2010 \$	2009 \$
<b>Net cash inflow (outflow) from operating activities</b>	<u>441,857</u>	<u>(2,052,344)</u>
<b>Returns on investments and servicing of finance</b>		
Interest received	25	269
Net cash outflow from servicing of finance	<u>\$25</u>	<u>\$269</u>
<b>Capital expenditure and financial investment</b>		
Marketable Securities Acquired	(508,000)	-
Fixed assets disposals	-	855,600
Proceeds of disposal of Marketable Securities	31,840	374,343
Lease costs of mining resource	(10,193)	(20,665)
Net cash (outflow)inflow from capital expenditure and financial investment	<u>\$(486,353)</u>	<u>\$1,209,278</u>
<b>Financing activities</b>		
Shares issued for services	<u>179,760</u>	<u>750,300</u>
Net cash inflow from financing	<u>\$179,760</u>	<u>\$750,300</u>
Net increase (decrease) in cash resources	<u>\$135,289</u>	<u>\$(92,497)</u>

The notes on pages 14 to 24 form part of these Financial Statements.

# ROCHE BAY PUBLIC LIMITED COMPANY

Gibraltar Registered No. 60527

## CONSOLIDATED CASH FLOW STATEMENT (Continued)

### RECONCILIATION OF OPERATING LOSS TO NET CASH INFLOW (OUTFLOW) FROM OPERATING ACTIVITIES

	2010	2009
	\$	\$
Operating profit (loss) for the year	28,664	(6,440,407)
Interest received	(25)	(269)
Unrealised loss (profit) on marketable securities	(191,521)	5,881,248
Profit on sale of marketable securities	(2,175)	(9,594)
Decrease (Increase) in accounts receivable	578,676	(716,811)
Decrease (Increase) deferred compensation receivable	110,153	-
Increase (Decrease) in accounts payable	(81,915)	(766,511)
Net cash outflow from operating activities	<u>\$441,857</u>	<u>\$(2,052,344)</u>

### MOVEMENT IN CASH AND ANALYSIS OF CASH BALANCES

		2009
		\$
Changes in net cash		
At 1 April 2009	4,674	97,171
Increase (Decrease) in cash in the year	<u>135,289</u>	<u>(92,497)</u>
At 31 March 2010	<u>\$139,963</u>	<u>\$4,674</u>
Analysis of cash balances		
Cash at bank	<u>\$139,963</u>	<u>\$4,674</u>

The notes on pages 14 to 24 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 2010

### 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**

At present the Group of Companies is engaged in development of various 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.

**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 4 to 6.

**h. Taxation**

The Company was granted exempt tax status but has allowed this status to lapse, as of 31 March 2009, because the directors do not consider that a tax liability is likely to arise on profits by the date that new tax legislation will apply to the Company in 2010.

# ROCHE BAY PUBLIC LIMITED COMPANY

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## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2010

### 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.

# ROCHE BAY PUBLIC LIMITED COMPANY

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## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2010 (Continued)

### 2. MINING RESOURCES

#### Company and Group

	East	West	Total
	\$	\$	\$
<b>Balance 1 April 2008</b>	9,844,766	2,402,462	12,247,228
Lease payments	11,030	9,635	20,665
	9,855,796	2,412,097	12,267,893
Increase in carrying value	8,096,888	-	8,096,888
Disposal at cost	(17,952,684)	-	(17,952,684)
<b>Balance at 31 March 2009</b>	-	2,412,097	2,412,097
Lease payments	-	10,193	10,193
	-	2,422,290	2,422,290
Increase in carrying value	-	-	-
Disposal at cost	-	-	-
<b>Balance at 31 March 2010</b>	<u>\$ -</u>	<u>\$2,422,290</u>	<u>\$2,422,290</u>

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\$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 Other development costs and lease payments by the Company have been capitalised. Up to the present date, the agreement referred to above has been fully honoured in all respects by AXI.

# ROCHE BAY PUBLIC LIMITED COMPANY

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## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2010 (Continued)

### 3. INVESTMENT PROPERTY

#### Investment Residential Property

	2010	2009
	\$	\$
At Cost - Acquired May 2006	<u>20,500</u>	<u>20,500</u>

#### House at Hall Beach

	2010	2009
	\$	\$
Directors' estimate of market value at 31 March	<u>\$80,000</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.

### 4. INVESTMENT IN SUBSIDIARY COMPANIES

	Ownership Interest		Investments	
	2010	2009	2010	2009
	%	%	\$	\$
Roche Bay East Limited	100%	100%	17,952,764	17,952,764
Fraser Bay PLC	100%	100%	<u>1</u>	<u>4,000</u>
Total Investments			<u>\$17,952,765</u>	<u>\$17,956,764</u>

Fraser Bay PLC has been written down as the company is dormant and is expected to remain as such for the foreseeable future.

# ROCHE BAY PUBLIC LIMITED COMPANY

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## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2010 (Continued)

### 5. DEFERRED COMPENSATION RECEIVABLE

	2010	2009
	\$	\$
Receivable in royalties	<u>\$16,445,334</u>	<u>\$16,445,334</u>
Receivable in cash	812,396	1,448,100
Less: receivable within the year	<u>270,799</u>	<u>796,350</u>
	<u>\$541,597</u>	<u>\$651,750</u>
	<u>\$16,986,931</u>	<u>\$17,097,084</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.

The cash portion is receivable in three equal annual tranches of \$270,799 on 15 December 2010, 2011 and 2012 respectively.

### 6. MARKETABLE SECURITIES

	2010	2009
GROUP	\$	\$
Shares and warrants in Advanced Explorations Inc.		
4,040,000 Common Shares	696,201	26,345
2,505,198 Series A 1 Warrants	1	1
	<u>\$696,202</u>	<u>\$26,346</u>
<b>COMPANY</b>		
Shares and warrants in Advanced Explorations Inc.		
40,000 Common Shares (2009 237,100)	6,894	29,345
2,505,198 Series A 1 Warrants	1	1
	<u>\$6,895</u>	<u>\$29,346</u>

The closing price of AXI at year end was approximately \$0.172 (2009 - \$0.128).

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## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2010 (Continued)

### 7. ACCOUNTS RECEIVABLE

	2010	2009
	\$	\$
<b>GROUP</b>		
Proceeds of transfer of mining resource	270,799	796,350
Prepayments	5,209	4,462
Due from Ultimate Parent Company	-	53,872
Due from fellow subsidiary	1,354,190	1,354,190
	<u>\$1,630,198</u>	<u>\$2,208,874</u>
<b>COMPANY</b>		
Prepayments	5,210	-
Due from Ultimate Parent Company	-	53,872
Due from fellow subsidiary	1,354,190	1,354,190
Due from subsidiary	68,679	-
	<u>\$1,428,079</u>	<u>\$1,408,062</u>

# ROCHE BAY PUBLIC LIMITED COMPANY

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## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2010 (Continued)

### 8. ACCOUNTS PAYABLE

	2010	2009
	\$	\$
<b>GROUP</b>		
Trade Creditors	81,218	108,319
Former Directors and Staff	80,221	126,652
Amounts due to Directors – no fixed date of repayment	653,980	521,731
Shares accrued in terms of Ratchet Agreement	-	158,760
Staff Bonus Shares Accrued	17,500	17,500
Due to Holding Company	18,128	-
	<u>\$851,047</u>	<u>\$932,962</u>
<b>COMPANY</b>		
Trade Creditors	76,218	108,319
Former Directors and Staff	80,221	126,652
Amounts due to Directors – no fixed date of repayment	653,980	583,079
Shares accrued in terms of Ratchet Agreement	-	158,760
Staff Bonus Shares Accrued	17,500	17,500
Due to Holding Company	18,128	-
	<u>\$846,047</u>	<u>\$994,310</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.

# ROCHE BAY PUBLIC LIMITED COMPANY

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## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2010 (Continued)

### 9. CALLED UP SHARE CAPITAL

			2010 \$	2009 \$
Authorised share capital 10,000,000 ordinary shares @ \$0.01 each			<u>\$100,000</u>	<u>\$100,000</u>
	<b>Number of Shares</b>	<b>Share Capital \$</b>	<b>Share Premium Account \$</b>	<b>Total \$</b>
<b>At 31 March 2008</b>	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>
<b>At 31 March 2009</b>	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>
<b>At 31 March 2010</b>	<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 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 has been credited to share premium account and 42,581 shares remain subject to this agreement.

# ROCHE BAY PUBLIC LIMITED COMPANY

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## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2010 (Continued)

### 10. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

	Share Capital \$	Share Premium Account \$	Non Distributable Reserve \$	Profit & Loss Account \$	Total
<b>At 31 March 2008</b>	72,732	14,245,049	6,410,340	(2,298,289)	18,429,832
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)
<b>At 31 March 2009</b>	<u>73,483</u>	<u>14,994,598</u>	<u>14,507,228</u>	<u>(8,738,696)</u>	<u>20,836,613</u>
Shares issued during the year	256	179,504	-	-	179,760
Non Distributable Reserve	-	-	-	-	-
Profit (Loss) for the year	-	-	-	28,664	28,664
<b>At 31 March 2010</b>	<u>\$73,739</u>	<u>\$15,174,102</u>	<u>\$14,507,228</u>	<u>\$(8,710,032)</u>	<u>\$21,045,037</u>

### 11. NON DISTRIBUTABLE RESERVE

	2010 \$	2009 \$
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.

# ROCHE BAY PUBLIC LIMITED COMPANY

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## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2010 (Continued)

### 12. EXPENDITURE

	<b>2010</b>	<b>2009</b>
	\$	\$
Administrative Expenditure		
Audit fees	19,562	26,314
Borealis Provided Services	72,000	72,000
Consultants	2,000	176,183
Directors Fees		
Executive Directors	183,000	264,304
Non Executive Directors	13,700	140,000
General Administrative Expenses	7,288	20,313
Interest	5,224	-
Professional Fees, Public Relations and Commissions	41,648	71,708
Ratchet Fees	-	(68,040)
Rent	14,000	-
Telephone and Communication	9,167	18,581
Travel and Entertainment	3,783	34,641
	<u>\$371,372</u>	<u>\$756,004</u>

### 13. OTHER INCOME (LOSS) INCOME

	<b>2010</b>	<b>2009</b>
	\$	\$
Proceeds of accelerated Joint Venture earn in option granted	-	186,982
Profit on disposal of Marketable Securities	2,175	9,594
Unrealised profit (loss) on revaluation of marketable securities	191,521	(5,881,248)
Unrealised profit on Foreign Exchange	206,315	-
	<u>\$400,011</u>	<u>\$(5,684,672)</u>

# **ROCHE BAY PUBLIC LIMITED COMPANY**

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## **NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2010 (Continued)**

### **17. RELATED PARTY TRANSACTIONS**

In addition to related party transactions disclosed elsewhere in these financial statements, during the year ended 31 March 2010, the Company was charged \$72,000 (2009 - \$72,000) in fees for administrative services provided by the ultimate parent company.

The Company charged its wholly owned Subsidiary Company, Roche Bay East Ltd, a management fee of \$300,000 for the year ended 31 March 2010 (2008 - Nil).

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 \$ 120,000 (2009 \$ 187,304) for these services.

### **15. 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.

### **16. 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.