

Borealis Exploration Limited Management Report

These consolidated financial statements for the six months ended 30 September 2013 have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs) issued by the International Accounting Standards Board (IASB) as adopted by the European Union ("adopted IFRS"), the Gibraltar Companies Act, the Gibraltar (Companies Accounts) Act 1999 and the Gibraltar (Consolidated Accounts) Act 1999. For the avoidance of doubt, the Management of Borealis Exploration Limited hereby declares that the same accounting policies and methods of computation have been followed in these six-month interim financial statements as compared with the company's annual financial statements for the fiscal year ended 31 March 2013 (i.e., the most recent annual financial statements of Borealis Exploration Limited).

Business Development and Economic Results for the Six Months Ended 30 September 2013

As at the six months ended 30 September 2013, Borealis Exploration Limited ("Borealis") and its subsidiary companies had not earned any revenues from operations. Borealis continued to fund and/or conduct its operations primarily through the sale of shares in its subsidiaries and contributions of services and information from third-parties. Through the six months ended 30 September 2013, the management of Borealis continued to spend 80% of its management time and 90% of its financial resources on commercializing the Chorus Motors and WheelTug technologies. Borealis management spent the balance of its time and financial resources primarily on its other technology companies, including Avto Metals plc, Power Chips plc, Cool Chips plc, and, to a lesser extent, on certain of its other companies.

Chorus Motors and WheelTug

As at the date of these consolidated financial statements, Borealis's subsidiary, WheelTug plc, had sold a total of 731 delivery slots consisting of 437 Boeing 737NG slots and 294 Airbus A320 slots to Alitalia, Air Berlin, Corendon Airlines, EL AL, Iceland Air, Israir, Jet Airways, KLM Royal Dutch Airlines, Livingstone Compagnia Aerea, Malaysia Airlines, Onur Air, Volaris and one undisclosed airline.

The terms of such sales provide that WheelTug plc will lease the units to the airlines after FAA certification is granted, which is expected to result in the first revenue in 2015. It is expected that future booking of WheelTug delivery slots will be subject to the receipt of a deposit in respect of each such delivery slot. It is also expected that such deposit will be refundable in the event that the WheelTug product does not receive FAA certification in respect of the Boeing 737NG and/or the Airbus 320 families of aircraft, but will otherwise be non-refundable.

In November 2013, WheelTug plc successfully conducted retraction tests on a Boeing 737 and an Airbus A320 aircraft. These tests consisted of retracting, extending and

locking into place the nose-wheel landing gear on each aircraft with the current version of the WheelTug unit bolted onto the landing gear. The current version of the WheelTug unit weighs more than the production unit is expected to weigh. The completion of these tests is a major milestone on the path to certification with the Federal Aviation Authority ("FAA") insofar as WheelTug plc now has data critical to and a clear roadmap for next steps toward the certification process.

Production and delivery of WheelTug units is expected to commence in 2014 or 2015 after FAA certification is granted. Borealis management believes that the sale of WheelTug units will be the first product in the Borealis family of companies that will result in operating revenue.

On December 18, 2013, Commercial aircraft builder Airbus announced that it will work with WheelTug's main E-Taxi competitor, aviation suppliers Safran SA of France and Honeywell Inc. of the U.S., to help it develop a system that will allow airliners to push back from an airport ramp and taxi to and from runways using electric motors in their wheels, without using their jet engines. Borealis management views this as a positive development, as airlines see Airbus's involvement as proof that E-Taxi is coming. To-date, no airline has reserved any Safran/Honeywell delivery slots. Indeed, as communicated in the announcement, Airbus has only committed to evaluation - not formally offering the product to airlines.

Avto Metals, Cool Chips and Power Chips

On 18 November 2013, Cool Chips plc and Power Chips plc announced that their licensed Avto Metals technology to enhance the emission of electrons from surfaces has now been successfully replicated in a series of independent tests. When commercialized for Power Chips, this technology should make possible an array of new products over many industries and applications, including a more efficient way to generate electrical power directly from heat with no moving parts.

When commercialized for Cool Chips, the technology will offer greatly enhanced thermal management capabilities for many consumer and industrial applications, enabling more efficient, smaller, cleaner, lower-cost and non-polluting products. Power Chips plc and Cool Chips plc plan to both license and directly develop these applications.

The patented proprietary technology, called Avto Metals, reduces the work function of materials including metals and semiconductors. Work function is a measure of the energy required to remove an electron from a material. By reducing the work function barrier, electrons can escape more readily. This technology allows, for example, the design and building of more efficient thermionic/thermoelectric converters and better thermal management devices and possibly has use in many other industrial processes.

The new technology results from the discovery that quantum interference, which reduces quantum state density at a material's surface, can be achieved on a macroscopic scale. Simply by modifying the surface texture of a material in precise ways, using methods

commonly applied in the manufacture of semiconductor devices, engineers should be able to exploit this Avto Effect and transform existing materials into materials with precisely-engineered properties for many new applications. When the Avto Effect is fully understood, Cool Chips plc and Power Chips plc could possibly be able to custom design work functions for multiple different applications.

Tests completed in November 2013, conducted on silicon wafers with a nanoscale line pattern, covering millimeter-scale test pads and forming a surface texture to demonstrate the Avto Effect, showed significant and consistent reductions in work function. Results were in line with prior tests using surfaces of several metals. This work on the science and the technology has been ongoing for more than 15 years. More than 40 issued patents cover both the basic technology and many applications.

The steps forward to commercialization are not trivial and obviously high value products will be the first developed. Commercialization is now possible because of the tremendous advances in semiconductor technology in the last decade, which made possible the building of the required Avto Metal structures in a major university laboratory. When the Avto Metals work began over 15 years ago, the world simply did not have the required nanoscale technology to either build or confirm the underlying Avto Metals science.

After scaling to larger dimensions, the technology should enable large cost and efficiency improvements in electrical power generation and refrigeration. The power generation technology, called Power Chips, should revolutionize electrical power generation across virtually all applications. For example, adding Power Chips to extract heat that is now wasted in conventional power plants should be able to increase power generation by up to 20% with no change in fuel consumption or emissions. Power Chips should make possible safe, efficient distributed power, enabling buildings or factories to cogenerate their own electricity from waste heat or geothermal sources. In automobiles and other vehicles, for example, Power Chips may replace the alternator, reducing the mechanical load on the engine and thereby increasing the efficiency of internal combustion engines and hybrids.

The cooling technology derived from the Avto Effect, called Cool Chips, should similarly reduce the cost and increase the efficiency of most cooling or refrigeration systems. It requires no moving parts or motors, produces no chemical emissions, and can be miniaturized for use in micro-electronic applications.

Borealis is in discussions at present to obtain the necessary funding to bring at least one Power Chip and one Cool Chip product to market. There can be no assurance that these discussions will be successful or that the ongoing work will produce any marketable products.

Significant changes to key financial information

The significant changes to the Group's consolidated financial data and operating results during or subsequent to the period covered by the audited Consolidated Financial

Statements are:

For the six months ended 30 September 2013 and

Borealis spent US\$1,468,089 on its operations for the six months ended 30 September 2013 and US\$1,568,059 for the same period in 2012. This amounts approximately to a US\$100,000 decrease in operating expenditure in the six months ended 30 September 2013 versus the same period in 2012.

For the six months ended 30 September 2013, Borealis incurred administrative expenses of US\$666,709, US\$29,880 in corporate fees, US\$23,130 in legal fees, US\$55,848 in rent and US\$30,290 in travel compared to administrative expenses of US\$546,062, US\$42,528 in corporate fees, US\$104,814 in legal fees, US\$55,562 in rent and US\$21,909 in travel in the same period in 2012. The changes in the foregoing expenses in the six months ended 30 September 2013 over the same period in 2012 are attributable to a different focus and increased activities in the business of the Borealis family of companies, including the need for more staff to handle the increase in operations (due, e.g., to increased orders for WheelTug delivery slots). The increase in administrative expenses and decrease in corporate and legal fees is primarily attributable to billing cycle differences. Travel expenses increased in the six months ended on 30 September 2013, as Borealis is attending more conferences.

In the six months ended 30 September 2013, Borealis spent US\$909,150 on compensation to directors and officers versus US\$909,150 in the same period in 2012.

In the six months ended 30 September 2013, Borealis incurred and capitalised development expenses amounting to US\$1,122,353 relating to the Chorus Motors/WheelTug technology compared to US\$1,734,701 in the same period in 2012. The decrease in development expenses in the six months ended 30 September versus the same period in 2012 is mainly attributable to the increased amount of work carried out by risk sharing partners as compared to the same period in 2012.

For the six months ended 30 September 2013, the accumulated loss carried forward for Borealis was US\$30,505,092 compared to US\$31,880,519 for the same period in 2012. The decrease in accumulated loss carried forward in the six months ended 30 September 2013 versus the same period in 2012 is attributable to profits on sale of shares of the subsidiaries exceeding the operating costs of the family of companies.

In the six months ended 30 September 2013, the Borealis family of companies sold US\$1,292,495 in marketable securities of the Borealis family of companies to third-parties versus US\$2,816,752 in the same period in 2012. The six-months on six-months decrease in 2013 versus 2012 in the amount realized from the disposal of marketable securities is attributable to better market conditions in the six months ended 30 September 2013 versus the same period in 2012.

For the six months ended on 30 September 2013, intangible assets increased to

US\$10,538,299 from US\$4,968,800 for the same period in 2012. Intangible assets consist of (i) patents and (ii) the capitalization of Chorus Motors and WheelTug research and development expenses. The increase in the six months ended 30 September 2013 was attributable to the fact that in prior years, intangible assets consisted only of patents. The definition was first expanded to include Chorus Motors and WheelTug research and development in fiscal 2012. The reason for this is the approach commercialization of the technology and the extensive waiting list of customers.

Expected Future Development of Borealis's Business and Economic Results

Borealis intends to continue an 80% focus of its management time and 90% focus of its financial resources on commercializing the Chorus Motors and WheelTug technologies with the balance of its time and financial resources focused primarily on its other technology companies, including Avto Metals plc, Power Chips plc, Cool Chips plc, and, to a lesser extent, on certain of its other companies. Each of these technologies has successfully undergone tests in the six months ended 30 September 2013 and, subject to receipt of additional funds, will undergo further testing and development the last quarter of fiscal 2014 with a view toward commercialization in fiscal 2015.

Segment Reporting

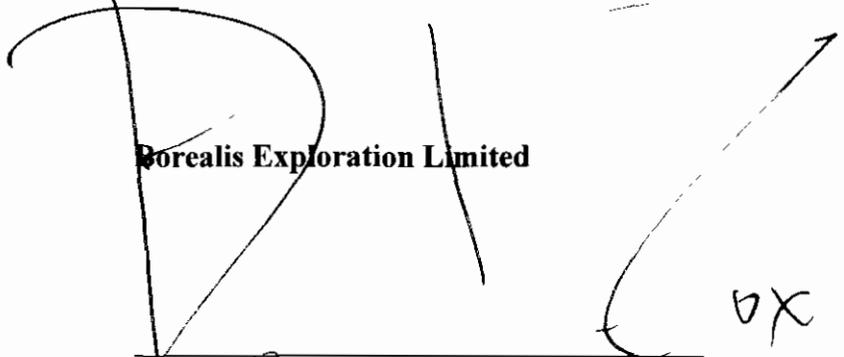
The projects of the Borealis family of companies are all in development stage and, as such, no segment, division, subsidiary or other component has earned any revenue whatsoever.

Related Party Transactions

For the period ended 30 September 2013, there were no related party transactions that substantially influenced the economic results of Borealis or the Borealis family of companies. Nor were there any changes in related party transactions, which were mentioned in the consolidated annual report of Borealis for the year ended 31 March 2013, that could significantly affect the economic results of Borealis and its consolidated group in the six months ended 30 September 2013.

Borealis Statement

According to my best knowledge, the consolidated financial statements for the six months ended 30 September 2013 provides a true and fair view of the financial situation, business activities and the economic results of Borealis and of its consolidated group for the past six months and about the prospects of the future development of the financial situation, business activities and the economic results of Borealis and of its consolidated group.



Borealis Exploration Limited

By: Dr. Rodney T. Cox

Title: Chief Executive Officer and Chairman of the Board