

The Borealis logo features the word "BOREALIS" in a bold, white, italicized sans-serif font. It is centered within a blue rectangular background that has a subtle, horizontal wavy pattern.

Borealis Exploration Limited

2022 Annual Report

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 judgement 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.

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BOREALIS EXPLORATION LIMITED

Corporate Information

Gibraltar Registered Number 66632

Registered Office

Suite 1
43 Main Street
GX11 1AA
Gibraltar

Auditors

Moore Stephens
Suite 5, Watergardens 4
Waterport Wharf
GX11 1AA
Gibraltar

Company Secretary

Mark Radom
Suite 2
Nachal Maor 1
Ramat Bet Shemesh
Israel 99623

Stock Trading Information

Borealis shares are quoted in the United States over-the-counter market on the OTC Markets Group 'Pink' market at www.otcmarkets.com under the symbol BOREF.

Registrar and Transfer Agent

Transfer Online, Inc.
512 SE Salmon St., 2nd Floor
Portland, OR 97214
USA

Tel: +1.503.227.2950
Fax: +1.503.227.6874

BOREALIS EXPLORATION LIMITED

Directors' Report

The directors of Borealis Exploration Limited present their report for the year ended 30 September 2022 together with the financial statements of the company and the auditor's report to the members.

1. RESULTS

The results for the year ended 30 September 2022 are shown on page 13. The profit for the year has been carried to reserves. No dividends have been proposed for the year (2021: nil).

2. PRINCIPAL ACTIVITIES

The Company was incorporated on 26 August 1968 by Canadian Dominion Charter. On 19 October 1998, the Company changed its domicile to Gibraltar. In the current year the Company's principal activity is to hold a loan due from Borealis Holdings Limited (BHL) and accrue interest on the outstanding balance of this loan.

On 1 October 2019, the company transferred 100% of its right, title and interest in all subsidiaries and technologies to Borealis Holdings Limited, an Isle of Man limited company, for a consideration of \$50 million. Shareholders of Borealis Exploration Limited have the right to exchange their Borealis Exploration shares for an equal number of shares of Borealis Holdings Limited, and BHL cannot issue shares except in exchange for shares of Borealis Exploration. Thus the principal activity of the Company has changed to accruing of interest on a long term loan.

3. DIRECTORS

The Directors who served during the year and their interest in the company at the year end were as follows:

	2022	2021
Rodney T. Cox, PhD	Appointed 27 December 1978	
Wayne S. Marshall, PhD	Appointed 11 September 1985	
Isaiah W. Cox	Appointed 15 February 1994	
Nechama J. Cox PhD	Appointed 1 August 2001	
Ing. Jan Vana	Appointed 1 January 2013	

Each director converted his/her shares of the company into shares of Borealis Holdings Limited (BHL) in fiscal year 2020. The present position and office with the company if applicable, and the present principal occupation or employment of the incumbent directors and officers are as follows. Unless otherwise stated, such occupation or employment has continued for more than the last five years.

RODNEY T. COX became a Director on 27 December 1978. Dr. Cox is Chairman of the Board, Chief Executive Officer and Chief Financial Officer of the Company.

WAYNE S. MARSHALL became a Director of the Company on 11 September 1985. He is Professor Emeritus of Business Administration at Long Island University. Dr. Marshall is Chairman of the Executive and Compensation Committees, and a member of the Audit Committee of the Company.

ISAIAH W. COX became a Director of the Company on 15 February 1994. Mr. Cox is President, Chief Operating Officer, a member of the Executive Committee and Compensation Committee of the Company.

NECHAMA J. COX became a Director of the Company on 1 August 2001.

JAN VANA became a Director of the Company on 01 January 2013.

With respect to its directors, the Company hereby confirms the following:

- There have been no bankruptcies, receiverships or liquidations with which any director was associated for the previous five years.
- There are no potential conflicts of interests between any duties to the Company and the private interests and or other duties of any director

BOREALIS EXPLORATION LIMITED

Directors' Report

3. DIRECTORS (Continued)

- There has been no official public incrimination and/or sanctions of any director by statutory or regulatory authorities (including designated professional bodies) and no director has ever been disqualified by a court from acting as a member of the administrative, management or supervisory body of the Company (or any other company) or from acting in the management or conduct of the affairs of the Company (or any other company) for the previous five years.

As at the date of this Annual Report, Borealis has no employment or consulting agreements with any persons. Borealis confirms that there are no programs applicable to employees, consultants and members of the governing board of directors of the company that offer such persons the right to acquire securities, options or any other rights under preferential conditions.

4. BUSINESS REVIEW

Borealis was a Canadian mineral exploration company until 1992, when we established a subsidiary, Borealis Technical Limited ("Technical"), to develop and improve existing Borealis family technologies. At that time, we felt that no matter how valuable our Canadian mining assets were, and would be over time, the potential of the technologies to be developed by Technical, including the Chorus motor and the WheelTug aircraft electric drive system, would be likely to produce sustained long-term profits sooner than the exploration and development of our mineral holdings. The development times for both classes of assets have proven to be decades.

As the success of the Company relates to the success of the technologies developed by the former subsidiaries, specifically the ones developed by WheelTug pie and Chorus Motors pie, a brief overview of the activities of these entities that now are owned by Borealis Holdings Limited is set forth below.

The Chorus Meshcon technology is a novel electric motor/drive combination that uses electromagnetic harmonics to greatly increase the motor's torque. A Chorus system is smaller, lighter, and is expected to sell for a premium over a conventional motor with the same output. It is ideal for traction applications such as electric cars and trains.

The work on WheelTug began in 2004, when The Boeing Company proposed to Chorus Motors pie, a joint test project to determine whether something the aerospace industry had never before been able to achieve was indeed possible: whether an AC electric motor, designed to fit within the small nose gear wheels of an aircraft, could produce sufficient torque to drive an airplane. Could this motor enable forward and backward mobility at airports without using jet engines or a tow tug? In the summer of 2005, tests conducted on a Boeing 767 using Chorus Meshcon™ motors were successful, and we then launched a multiyear effort to develop, certify, and market the WheelTug electric drive system.

WheelTug is now well advanced in the rigorous process of obtaining regulatory certification for its initial product. As of the end of FY2022, more than 23 airlines worldwide have reserved delivery positions for WheelTug systems to be installed on over 2,000 Boeing 737 and Airbus A320 aircraft, the initial targeted aircraft models. This represents in excess of 15% of 737 and 320 model aircraft flying today.

The global Covid-19 pandemic has disrupted and delayed most activities worldwide. Borealis management has concluded that the only impact on the Company would be on the recoverability by **BHL** of the loans due from former subsidiaries. These entities are reliant on the success of the WheelTug. By the date of this Report, however, the aviation industry worldwide has substantially recovered from the effects of the pandemic, with demand for air travel and aircraft both very strong. We thus expect that demand by airlines for WheelTug systems will also remain strong.

BOREALIS EXPLORATION LIMITED

Directors' Report

Investor Information

Extensive information for investors is available upon written request.

Following the sale of investments to Borealis Holdings Limited, every share of Borealis Exploration Limited may be exchanged for one share in Borealis Holdings Limited. Information on the rules and procedures for participating in share exchanges for Borealis Holdings Limited, and the options open to BOREF shareholders now and in the future are available upon request. To learn more, email Borealis Exploration at conversion@borealis.qi with your contact details.

Borealis Share Capital

100% of the issued and outstanding shares of Borealis common stock, which represents 3,827,964 shares of common stock, each with a par value of U.S. \$0.01 (the "Shares"), is quoted on the U.S. over-the-counter stock market under the symbol "BOREF".

As stated in the Memorandum and Articles of Association of Borealis, there are no limitations on transferability of the Shares. As at the date hereof, there are no restrictions of any nature on voting rights and there are no special or different voting rights with respect to any Shares insofar as all Shares have identical voting rights. To the knowledge of Borealis, as at the date hereof, there are no agreements between any shareholders that restrict transferability of Shares.

There are no special rules with respect to the election and recall of the statutory body, amendment to the Articles of Association or similar document of Borealis except that the capital or authorised capital of Borealis can only be increased beyond 5,000,000 shares by a two-thirds (2/3) approval of not less than 75% of the total outstanding shares of Borealis voting at a meeting of the members.

Borealis Board of Directors

The business and affairs of the Company shall be managed by the directors who may exercise all such powers of the Company as are noted by the Ordinance or by the Memorandum or the Articles of Association required to be exercised by the members of the Company, subject to any delegation of such powers as may be authorised by the Articles of Association and to such requirements as may be prescribed by a resolution of shareholders of the Company; but no requirement made by a resolution of shareholders shall prevail if it be inconsistent with the Articles of Association nor shall such requirement invalidate any prior act of the directors which would have been valid if such requirement had not been made.

Dividend Policy

Borealis did not pay any dividends in fiscal years 2012 through 2022. Given that Borealis transferred its operating subsidiaries to Borealis Holdings Limited on 1 October 2019, Borealis does not anticipate paying cash dividends in fiscal year 2023 or at any other time.

Governmental, Legal and Arbitration Proceedings

The Company is aware of no governmental, legal arbitration proceedings, including, but not limited to, actual, threatened or pending, with respect to the Company.

BOREALIS EXPLORATION LIMITED

Directors' Report

Administrative, Management and Supervisory Bodies and Senior Management

Borealis has an Audit Committee, Remuneration Committee, and an Executive Committee though none are required under applicable Gibraltar law. All these committees are comprised of Wayne S. Marshall, Isaiah W. Cox and Rodney T. Cox. These committee members communicate multiple times every working day by phone and e-mail on company business.

Members of the Executive Committee communicate frequently with all the Directors and a wide range of shareholders (who have signed very stringent Non-Disclosure Agreements - NDAs). All of our directors and many of our shareholders take an active interest in and are great supporters and participants in our various activities.

Borealis complies with the corporate governance regime in force in Gibraltar (wholly codified in Gibraltar's Companies Act 2014) as set forth below in pertinent part:

1. For the purpose of incorporation, the Gibraltar Companies Act 2014 (the "Act") requires that Gibraltar companies produce a Memorandum of Association, setting out the objects of the company, in addition to stating the share capital, allotment of shares, as well as Articles of Association, which set out the rules and regulations of the company. Together these make up the constitution of the company.
2. The Act also provides for a set of model articles. These may, but are not required to, be adopted by a company expressly, in whole or in part.
3. A company's Articles must deal, inter alia, with the buying and selling of shares, pre-emption rights, the increase or reduction of share capital and how decisions by the board of directors or by the shareholders can and will be passed by resolution, but always within the framework provided by the Act.
4. The Act deals with procedures in relation to mergers and divisions, and the distribution of assets and profits.
5. The Act requires the keeping and registration of company registers such as register of directors, register of members (shareholders). It also requires changes to directors and members to be notified to the registrar of companies, usually within 14 days of such a change.
6. The Act also deals with directors' duties and obligations, in particular by requiring directors to declare any interest they may have in contracts being negotiated on behalf of the company. There are also provisions in relation to qualifications required by directors and secretaries.
7. The Act requires the filing of annual returns, the keeping and auditing of accounts and sets out requirements for annual general meetings and extraordinary general meetings.

Internal Control

Borealis has a committee of directors consisting of Rodney T. Cox, Wayne Marshall, Jan Vana and Isaiah Cox that review and approve all material payments and receipt of funds so that access to Borealis' finances, bank accounts, and outgoing and incoming transfers of funds is at all times subject to the review and oversight of such director committee. Apart from this, Borealis has no internal control system in place.

BOREALIS EXPLORATION LIMITED

Directors' Report

Annual Meetings

The procedure at each Borealis annual meeting is as follows:

1. SOLICITATION OF PROXIES:

Borealis prepares and delivers to each shareholder a notice of annual meeting and an information circular in connection with the solicitation of proxies for use at its annual meeting of members to be held in January of each year in Gibraltar and via the Internet at www.borealis.gi, with the record date of the meeting being no more than two months prior to the date of the annual meeting.

2. QUORUMS AND VOTING:

The authorised share capital of the Company is \$50,000, consisting solely of one class of common shares divided into 5,000,000 shares with par value of \$0.01 per share, of which 3,827,964 shares are outstanding. Each holder of record of a common share as of the Record Date for the meeting is entitled to attend the meeting and to cast one vote for each share. Proxies are accepted by hand delivery, mail, e-mail, fax, and the Company's Internet website at www.borealis.gi. Any resolution to be voted upon at the meeting must be approved by a simple majority of the votes cast, unless the Company's Articles of Association stipulate a number or proportion of the votes cast in excess of a simple majority. The meeting will proceed as long as there is a quorum at the meeting place, as determined by the participation of shareholders present and those who have submitted proxies.

3. REVOCATION OF PROXIES:

Each shareholder has the power to revoke a proxy at any time as long as it has not been exercised. In addition to revocation in any other manner permitted by law, a member giving a proxy pursuant to this solicitation who wishes to revoke the proxy instrument may do so in writing. A revocation must be executed by the member, or by his attorney authorised in writing, or, if the member is a corporation, under its corporate seal or by an officer or attorney thereof duly authorised, and received by mailed, or deposited, at any office of the Company, via e-mail to proxy@borealis.gi, or by fax to +1.503.296.2163 at any time up to and including 1700 GMT of the last business day preceding the day of the meeting, or any adjournment thereof at which the proxy is to be used, or with the chairman of such meeting on the day of the meeting, or adjournment thereof.

4. DIRECTORS, AUDITORS AND OTHER MATTERS:

At each annual meeting, the shareholders vote on directors whose terms have expired and are re-running for nomination to the board, the auditors and any other matters that have been properly brought before the shareholders for a vote.

BOREALIS EXPLORATION LIMITED

Directors' Report

5. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company for that period. In preparing those financial statements, the directors are required to:

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

6. AUDITORS

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purpose of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

Moore Stephens Limited has expressed their willingness to continue in office. A resolution for their reappointment will be proposed at the next annual general meeting.

By order of the Board of Directors, 24 January 2023

Isaiah W. Cox
Director

1/24/2023

Jan Vana
Director

1/24/2023

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Borealis Exploration Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Borealis Exploration Limited (the 'company') for the year ended 30 September 2022 which comprise Statement of Profit or Loss and Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2022 and of its profits for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2014

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 4 in the notes to the financial statements. The Company reports a net assets position of \$ 8,820,208 of which \$8,908,629 represents net amounts due from former subsidiaries, which are subject to material uncertainties in relation to going concern. These events and conditions indicate that a material uncertainty exists that may cast doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with applicable law in Gibraltar and International Financial Reporting Standards as adopted by in the European Union, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Family of Companies' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Family of Companies' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Family of Companies to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Directors' Report.

Report on Other Legal and Regulatory Requirements

Opinion on other matter prescribed by the Companies Act 2014

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with the requirements of the Companies Act 2014.

Matters on which we are required to report by exception

We have nothing to report in respect of the matter where the Companies Act 2014 requires us to report to you if, in our opinion, we have not received all the information and explanations we require for our audit.

Use of our report

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 257 of the Companies Act 2014 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Digitally signed by Andrew Dixon
DN: cn=Andrew Dixon gn=Andrew
Dixon c=GI Gibraltar l=GI Gibraltar
o=Moore Stephens Limited
ou=Moore Stephens Limited
e=andrew.dixon@msiom.com
Reason: I am the author of this
document
Location: Gibraltar
Date: 2023-01-24 16:12Z

Andrew Dixon
Statutory Auditor
For and on behalf of
Moore Stephens Limited
Gibraltar

Date: 24 January 2023

BOREALIS EXPLORATION LIMITED
STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME
year ended 30 September 2022

		30 September 2022 \$	30 September 2021 \$
	Notes		
REVENUE			
EXPENDITURE		(7,093)	(11,761)
OPERATING LOSS	6	(7,093)	(11,761)
Other gains and losses			
Foreign exchange (loss)/ gain			(67)
Loss on cancellation of shares used for repayment of loan		(43,706)	(472,211)
Finance income/(cost)			
Fair value gain/(loss) on a financial instrument		3,890	4,728
Interest income on long term loan	7	807,380	796,052
PROFIT / (LOSS) BEFORE TAX		760,471	316,741
Tax	9		
PROFIT / (LOSS) AFTER TAX		760,471	316,741
TOTAL COMPREHENSIVE PROFIT/ (LOSS) FOR THE YEAR		760,471	316,741
Earnings per share for profit/ (loss) attributable to the ordinary equity holders of the company	10		
Basic earnings per share		0.20	0.08
Diluted earnings per share		0.20	0.08
Earnings per share for profit/ (loss) from continuing operations attributable to the ordinary equity holders of the company	10		
Basic earnings per share		0.20	0.08
Diluted earnings per share		0.20	0.08

The notes on pages 17 - 28 form an integral part of these financial statements.

BOREALIS EXPLORATION LIMITED
STATEMENT OF FINANCIAL POSITION
As at 30 September 2022

		30 September 2022 \$	30 September 2021 \$
	Notes		
ASSETS			
NON-CURRENT ASSETS			
Long term receivable	11	40,800,460	40,078,080
		40,800,460	40,078,080
CURRENT ASSETS			
Trade and other receivables	12	4,098,632	4,098,632
Cash and cash equivalents		8,305	26,188
		4,106,937	4,124,820
TOTAL ASSETS		44,907,397	44,202,900
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES ATTRIBUTABLE TO THE OWNERS OF THE COMPANY			
Called up share capital	13	38,279	38,364
Share premium account		18,558,752	18,599,961
Retained earnings		(9,776,823)	(10,537,294)
Total equity		8,820,208	8,101,031
LIABILITIES			
NON-CURRENT LIABILITIES	14	91,159	173,397
CURRENT LIABILITIES			
Trade and other payables	15	35,996,030	35,928,472
		36,087,189	36,101,869
		44,907,397	44,202,900

These financial statements were approved and authorized for issue by the Board on 24 January 2023.

24/2023

Isaiah W. Cox
Director

1/24/2023

Jan Vana
Director

The notes on pages 17 - 28 form an integral part of these financial statements.

BOREALIS EXPLORATION LIMITED
STATEMENT OF CHANGES IN EQUITY
As at 30 September 2022

	Called up Share Capital	Share Premium Account	Retained earnings	Total equity
	\$	\$	\$	\$
Balance at 30 September 2020	39,283	19,045,222	(10,854,035)	8,230,470
Cancellation of shares on exchange	(919)	(445,261)		(446,180)
Total comprehensive gain for the year			316,741	316,741
Balance at 30 September 2021	38,364	18,599,961	(10,537,294)	8,101,031
Cancellation of shares on exchange	(85)	(41,209)		(41,294)
Total comprehensive gain for the year			760,471	760,471
Balance at 30 September 2022	38,279	18,558,752	(9,776,823)	8,820,208

The notes on pages 17 - 28 form an integral part of these financial statements.

BOREALIS EXPLORATION LIMITED
STATEMENT OF CASH FLOW
year ended 31 September 2022

	30 September 2022 \$	30 September 2021 \$
Total comprehensive income/ (loss) for the year	760,471	316,741
Adjustments for:		
Interest income	(807,380)	(796,052)
Foreign exchange loss/(gain) on operating activities		67
Non cash financing (gain)/loss	(3,890)	(4,728)
Loss on cancellation of shares for repayment of loan	43,706	472,211
Increase in trade receivables		
(Decrease)/Increase in trade, other and non-current payables	(10,790)	(27,161)
Net cash generated from operating activities	<u>(17,883)</u>	<u>(38,922)</u>
Cash flows from investing activities		
Net cash generated from investing activities	<u></u>	<u></u>
Cash flows from financing activities		
Net cash generated from financing activities	<u></u>	<u></u>
Net (decrease)/increase in cash and cash equivalents	(17,883)	(38,922)
Cash and cash equivalents at the beginning of the year	26,188	65,177
Exchange (losses)/gains on cash at bank		(67)
Cash and cash equivalents at the end of the year	<u>8,305</u>	<u>26,188</u>

The notes on pages 17 - 28 form an integral part of these financial statements.

BOREALIS EXPLORATION LIMITED

Notes to the Financial Statements year ended 30 September 2022

1. Significant Accounting Policies

These financial statements 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 IFRSs"), and the Gibraltar Companies Act 2014.

a. Basis of accounting

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied, unless otherwise stated.

These financial statements have been prepared on the historical cost basis.

b. Foreign currency translation

The Company has determined the US\$ as its functional currency, as this is the currency of the economic environment in which the operations of the company predominantly operates.

Transactions in currencies other than US\$ are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on exchange are included in profit or loss. The Company holds no operational currency of a hyper-inflationary economy.

Foreign currency differences arising on retranslation are recognised in profit or loss.

c. Taxation

Income tax expense represents the sum of the current tax and deferred tax.

The charge for current tax is based on the result for the year adjusted for items which are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Current and deferred tax is recognised in the income statement unless the item to which the tax relates was recognised outside the income statement being other comprehensive income or equity. The tax associated with such an item is also recognised in other comprehensive income or equity respectively.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither taxable profit nor the accounting profit.

BOREALIS EXPLORATION LIMITED

Notes to the Financial Statements year ended 30 September 2022

1. Significant Accounting Policies (Cont.)

c. Taxation (Cont.)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amounts of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. For land and revalued investment property deferred tax is calculated on the presumption that recovery is through sale. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

A change in deferred tax assets and liabilities as a result of a change in the tax rates or laws are recognised in profit and loss or other comprehensive income to the extent that it relates to items previously recognised in other comprehensive income.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

d. Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks, and investments in money market instruments which are readily convertible, being those with original maturities of three months or less. Cash and cash equivalents are measured at fair value, based on the relevant exchange rates at the reporting date.

e. Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost.

f. Provisions

Provisions are recognised when the Company has a present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the obligation.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

g. Financial instruments

Financial instruments, other than derivative financial instruments, are recognised on the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument. Financial instruments are initially measured at fair value, which generally equates to acquisition cost, which includes transaction costs for financial instruments not subsequently measured at fair value. Subsequent to initial recognition, they are measured as set out below.

BOREALIS EXPLORATION LIMITED

Notes to the Financial Statements year ended 30 September 2022

1. Significant Accounting Policies (Cont.)

g. Financial instruments (cont.)

(i) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise trade and other receivables and are recognised initially at fair value and subsequently at amortised cost. Generally, this results in their recognition at nominal value less any allowance for any doubtful debts.

(ii) Financial assets at fair value through profit or loss ('FVTPL')

If a financial asset is held for trading, or is designated as such on initial recognition, it is classified as held at fair value through profit or loss. Assets other than held for trading are designated at fair value through profit and loss when the Company manages the holdings and makes purchase and sale decisions based on fair value assessments and documented risk management and investment strategies. Attributable transaction costs and changes in fair value are recognised in profit or loss.

(iii) Other financial liabilities

Other financial liabilities include trade payables, related party loans and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost.

Financial hierarchy

Financial instruments recorded at fair value on the statements of financial position are classified using the fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1: valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: valuation techniques based on inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e as prices) or indirectly (i.e derived from prices); and

Level 3: valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

h. Share capital

Ordinary shares are classified as equity. Costs directly attributable to the issue of the shares are recognised as a deduction from the proceeds.

i. Going concern

These financial statements have been prepared under the going concern concept that 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 Note 4.

2. Adoption of new and revised International Financial Reporting Standards

The following standards and amendments have become effective for the annual periods commencing on or after 1 January 2021.

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform - Phase 2
- Amendment to IFRS 16 Leases: COVID-19-Related Rent Concessions (applicable for annual periods beginning on or after 1 June 2020)

BOREALIS EXPLORATION LIMITED

Notes to the Financial Statements year ended 30 September 2022

2. Adoption of new and revised International Financial Reporting Standards (cont.)

- Amendments to IFRS 4 Insurance Contracts - Extension of the Temporary Exemption from Applying IFRS 9 to 1 January 2023 (applicable for annual periods beginning on or after 1 January 2021)

The impact on the financial statements of these new and revised standards has been assessed and the directors concluded there is none.

3. Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below.

The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

- Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use (applicable for annual periods beginning on or after 1 January 2022)
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts - Cost of Fulfilling a Contract (applicable for annual periods beginning on or after 1 January 2022)
- Amendments to IFRS 3 Business Combinations: Reference to the Conceptual Framework (applicable for annual periods beginning on or after 1 January 2022)
- Annual Improvements to IFRS Standards 2018-2020 (applicable for annual periods beginning on or after 1 January 2022)
- IFRS 17 Insurance Contracts (applicable for annual periods beginning on or after 1 January 2023)
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (applicable for annual periods beginning on or after 1 January 2023, but not yet endorsed in the EU)
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies (applicable for annual periods beginning on or after 1 January 2023, but not yet endorsed in the EU)
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (applicable for annual periods beginning on or after 1 January 2023, but not yet endorsed in the EU)
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (applicable for annual periods beginning on or after 1 January 2023, but not yet endorsed in the EU)

BOREALIS EXPLORATION LIMITED

Notes to the Financial Statements year ended 30 September 2022

4. Going Concern

On 1 October 2019, the company sold 100% of its right, title and interest in all subsidiaries to Borealis Holdings Limited an Isle of Man limited company for a consideration of \$50m. At this date the principal activity of the company changed to a company accruing interest on a long term loan, and it moved the administration for all Borealis Family of companies to WheelTug pie.

Therefore, the ability of the company to recover the remaining consideration due on the sale relates to the success of the technologies developed by the former subsidiaries, specifically the ones developed by WheelTug pie and Chorus Motors pie. The continued operation of the former subsidiaries is dependent on its ability to receive continued financial support from its shareholders and investors, to obtain sufficient equity financing and generate sufficient profits in the future. The directors are confident that sufficient support will be secured and accordingly the going concern basis of preparation of the financial statements is appropriate. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period.

There can be no assurance that the former subsidiaries' efforts to generate further financing, profitable operations, asset sales, or product sales will be successful.

During March 2020 the COVID-19 was declared a pandemic. All airlines have been harmed by the required actions to curb the spread of the infection. All are distracted and undergoing considerable distress. Nevertheless the management believes that by the time the Company enters in service (during 2024), the industry will have largely rebounded. The lease rates for WheelTug are not based on what airlines can afford to pay, but instead on the value of the savings and opportunity value that WheelTug unlocks.

Whether in good times or in bad, nobody wants to poorly utilize their assets, and WheelTug's value for airlines remains unchanged. Therefore, the management does not expect that COVID-19 will alter either the subsidiary company's value proposition or the lease rates. The only uncertainty would be related to the market share, being between 15,000 airplanes or 20,000 airplanes.

5. Critical accounting estimates and judgements

The preparation of financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the accounting policies to the company. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are reflected in Note 11 Assets carried at amortised cost.

6. Operating loss

	September 2022	September 2021
	\$	\$
<i>Operating loss is stated after charging</i>		
Audit fees	6,567	10,400

7. Interest income

Interest receivable at 2% per annum was accrued on the monthly balance due to the company arising from the sale of all the subsidiary companies as described in note 11.

BOREALIS EXPLORATION LIMITED

Notes to the Financial Statements year ended 30 September 2022

8. Employee information

The Company did not employ any staff during the year or the previous year.

9. Taxation

The Gibraltar Tax Act (2010) which requires companies with businesses managed and controlled in Gibraltar, to pay 10% Gibraltar Corporation Tax on profits. No provision has however been made for this tax, nor for deferred tax, as no taxable revenue was earned by the Company.

10. Earnings per share

The Company presents basic earnings per share ("EPS") information for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the reporting period.

	Profit \$	Ordinary shares	Per share amount \$
Basic EPS			
Profit attributable to ordinary shareholders			
2022	760,471	3,827,964	0.20
2021	316,741	3,836,464	0.08

	Profit \$	Weighted avg. number of shares	Per share amount \$
Diluted EPS			
Profit attributable to ordinary shareholders			
2022	760,471	3,827,964	0.20
2021	316,741	3,836,464	0.08

11. Non-current financial asset

	30 September 2022 \$	30 September 2021 \$
<i>Assets carried at amortised cost:</i>		
Amounts due from Borealis Holdings Limited	40,800,460	40,078,080
	<u>40,800,460</u>	<u>40,078,080</u>

The amount above relates to the sale of the Company's shareholding in all its subsidiaries to Borealis Holdings Limited for a consideration of \$50,000,000. Shareholders of Borealis Exploration Limited are given the option to come forward and exchange their shares in the Company for shares in Borealis Holdings Limited at a ratio of 1:1. The value of shares in Borealis Holdings Limited are deemed to be \$10 each and therefore the cancellation of Borealis Exploration Limited ordinary shares at \$10 each is used as repayment of the above loan. On cancellation of Borealis Exploration shares (each at \$4.86) give rise to a loss of \$5.14 per share (total for the year of \$43,706 (2021: \$472,211) reflected in the statement of total comprehensive income).

This loan due bears an interest of 2% per annum chargeable monthly on an aggregate basis, has terms of repayment of 10 years as from 1 October 2019 and is unsecured.

BOREALIS EXPLORATION LIMITED**Notes to the Financial Statements**
year ended 30 September 2022**12. Other receivables**

	30 September 2022 \$	30 September 2021 \$
Roche Bay pie	1,697,769	1,697,769
Faraway pie	2,399,863	2,399,863
Advances to suppliers and consultants and other debtors	1,000	1,000
	<u>4,098,632</u>	<u>4,098,632</u>

Amounts due to previous Family undertakings are unsecured, interest free, and repayable on demand.

13. Share capital

	30 September 2021 \$	30 September 2021 \$
Authorised share capital 5,000,000 ordinary shares@ \$0.01 each	<u>\$50,000</u>	<u>\$50,000</u>
Called up share capital 3,827,964 (2021: 3,836,464) ordinary shares@ \$0.01 each	<u>38,279</u>	<u>38,364</u>

Effective 1 October 2019 the Company sold its holdings in all subsidiary companies to Borealis Holdings Limited for \$50 million. Shareholders of the Company were given the option to swap their shares in the Company on a 1:1 basis for shares in Borealis Holdings Limited at a value per share of \$10. During year ended 30 September 2022 8,500 (2021: 91,839) shares were exchanged in terms of this option thereby reducing the amount in share capital by \$85 (2021: 919) and in share premium by \$41,209 (2021: \$445,261).

14. Non-current liabilities

	30 September 2022 \$	30 September 2021 \$
Loan from directors	91,159	173,397
	<u>91,159</u>	<u>173,397</u>

BOREALIS EXPLORATION LIMITED

Notes to the Financial Statements year ended 30 September 2022

14. Non-current liabilities (Cont.)

Loans from directors were made to the Company by certain directors with regards to helping to finance the operations of the family in previous years. In order to be in a position to advance these loans the directors sold on the market (net of returns to date) 18,305 shares (2021: 25,130) of Borealis Exploration Limited. The Directors have agreed not to seek repayment on these for the next 12 months and thereafter only when the Family is in a position to do so. The amount repayable will be sufficient funds to allow the directors to re-purchase the shares on the open market. The amount due to directors are revalued at each period-end.

These financial liabilities are classified within level 3 of the fair value hierarchy.

15. Trade and other payables

	30 September 2022 \$	30 September 2021 \$
Trade creditors	6,567	10,400
Amounts due to former subsidiaries	35,989,463	35,918,072
	<hr/>	<hr/>
	35,996,030	35,928,472
	<hr/> <hr/>	<hr/> <hr/>

Amounts due to former subsidiaries are unsecured, interest free, and repayable on demand.

16. Contingent liabilities

The former subsidiary WheelTug pie obtained various loans from third parties totalling \$23,129,014. Of this amount \$20,700,000 is co-guaranteed by Borealis Exploration Limited and other companies in the former Family of companies. The potential obligation estimated by the entity is \$257,000,000.

17. Management of capital

The Company considers its capital structure to consist of shareholders' equity. The Company's objective in managing capital is to maintain adequate levels of funding to support organisational functions. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There has been no changes in the Company's approach to capital management during the past few years.

The principal financial instruments used by the Company, from which financial instrument risk arises, are as follows:

- Financial assets at fair value through profit and loss
- Trade and other receivables
- Cash and cash equivalents
- Trade and other payables
- Other financial liabilities

BOREALIS EXPLORATION LIMITED

Notes to the Financial Statements year ended 30 September 2022

17. Management of capital (Continued)

A summary of the financial instruments held by category is provided below:

	30 September 2022 \$	30 September 2021 \$
<i>Financial assets</i>		
Non-current financial assets	40,800,460	40,078,080
Trade and other receivables	4,098,632	4,098,632
Cash and cash equivalents	8,305	26,188
	<hr/>	<hr/>
	44,907,397	44,202,900
<i>Financial liabilities</i>	<hr/>	<hr/>
Trade creditors	6,567	10,400
Amounts due from former subsidiaries	35,989,463	36,918,072
Other financial liabilities	91,159	173,397
	<hr/>	<hr/>
	36,087,189	36,101,869
	<hr/>	<hr/>

18. Financial risk analysis

The Company has exposure to the following risks from its use of financial instruments:

- Liquidity risk
- Credit risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyse the risks faced by the Company to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market condition and the Company's activities. The Company through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's financial instruments consist mainly of deposits with banks, accounts receivable and payable and loans from directors.

BOREALIS EXPLORATION LIMITED**Notes to the Financial Statements**
year ended 30 September 2022**18. Financial risk analysis (Cont.)****a) Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions. The Company manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilized borrowing facilities are maintained.

The Company has made significant co-guarantees to third parties on behalf of subsidiary Wheeltug pie. The potential obligation estimated by the entity is \$257,000,000. The following are the undiscounted contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	Carrying amount	Up to one year	More than one year
	\$	\$	\$
2022			
Trade and other payables	35,996,030	35,996,030	
Other financial liabilities	91,159		91,159
	<u>36,087,189</u>	<u>35,996,030</u>	<u>173,397</u>

	Carrying amount	Up to three months	One to two years
	\$	\$	\$
2021			
Trade and other payables	35,928,472	35,928,472	
Other financial liabilities	173,397		173,397
	<u>\$36,101,869</u>	<u>\$35,928,472</u>	<u>\$173,997</u>

BOREALIS EXPLORATION LIMITED

Notes to the Financial Statements year ended 30 September 2022

18. Financial risk analysis (Cont.)

b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The carrying amount of financial instruments represents the maximum credit exposure. The Company's maximum exposure to credit risk at the reporting date was:

	30 September 2022 \$	30 September 2021 \$
Non-current financial asset	40,800,460	40,078,080
Trade and other receivables	4,098,632	4,098,632
Cash and Cash equivalents	8,305	26,188
	<hr/>	<hr/>
	44,907,397	44,202,900
	<hr/> <hr/>	<hr/> <hr/>

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each receivable. The receivables are mainly represented by amounts due from former subsidiaries which are unsecured, interest free and repayable on demand.

Cash and cash equivalents

The majority of the Company's cash is held with major financial institutions in USA. Management believes the exposure to credit risk with such institutions is not significant. The Company considers the risk of material loss to be significantly mitigated due to the financial strength of the major financial institutions where the cash is held and the securities brokers they use.

The Company has no significant concentration of credit risk, with exposure spread over a number of counterparties. It is Company policy to deposit short term cash investments with major institutions.

19. Related party transactions and balances

Effective 1 October 2019 the Company sold its holdings in all subsidiary companies to Borealis Holdings Limited for \$50 million. Shareholders of the Company were given the option to swap their shares in the company on a 1:1 basis for shares in Borealis Holdings Limited at a value per share of \$10. During the year ended 30 September 2022, 8,500 (2021: 91,839) shares were converted in terms of this option thereby reducing the amount due to the Company by \$85,000 (2021: \$918,390). The balance due to the Company accrues interest of 2% per annum calculated monthly on an aggregate basis.

BOREALIS EXPLORATION LIMITED

Notes to the Financial Statements ***year ended 30 September 2022***

20. Ultimate controlling party

The ultimate controlling party is the Cox Family.

21. Subsequent events

There are no subsequent events that requires disclosure.