



Borealis Exploration Limited

2023 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

43/1 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 2023 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 2023 are shown on page 13. The profit for the year has been carried to reserves. No dividends have been proposed for the year (2022: nil).

2. DIRECTORS

The Directors who served during the year were as follows:

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 Váňa	Appointed 1 January 2013

Directors converted their 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 VÁŇA 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

2. 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.

3. 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 plc and Chorus Motors plc, 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 plc, 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 FY2023, more than 25 airlines worldwide have reserved delivery positions for WheelTug systems to be installed on over 2,600 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 3,822,254 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 formal and documented/written 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 3,822,254 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.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the requirements of the International Financial Reporting Standards ("IFRS") as adopted for use in the European Union and the Gibraltar Companies Act 2014. The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.


6. DISCLOSURE OF INFORMATION TO THE INDEPENDENT AUDITOR

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.

7. AUDITORS

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. For the year ended 2023, the charge for the audit will be \$7,812.

By order of the Board of Directors 7 March 2024.



Isaiah W. Cox
07/03/2024
06:39:58
+00:00

Isaiah W. Cox
Director



Jan Vana
07/03/2024
06:40:24
+00:00

Jan Vana
Director

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 2023 which comprise Statement of Profit or Loss and Other 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 2023 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 2 in the notes to the financial statements. The Company reports a net assets position of \$ 9,146,041 of which \$9,148,451 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: 2024-03-07 14:57Z

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

Date: 07/03/2024

BOREALIS EXPLORATION LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
year ended 30 September 2023

	30 September 2023	30 September 2022 As restated
Notes	\$	\$
REVENUE	-	-
EXPENDITURE	(8,593)	(7,094)
OPERATING LOSS	(8,593)	(7,094)
Loss on cancellation of shares used for repayment of loan	(33,342)	(48,007)
Finance income/(cost)		
Fair value gain/(loss) on a financial instrument	(238,421)	3,890
Interest income on long-term loan	811,729	796,523
PROFIT BEFORE TAX	531,373	745,312
Tax	-	-
PROFIT AFTER TAX	531,373	745,312
TOTAL INCOME FOR THE YEAR	531,373	745,312
Earnings per share for profit attributable to the ordinary equity holders of the company	3	
Basic earnings per share	0.14	0.20
Diluted earnings per share	0.14	0.20

There have been no discontinued activities in 2023 and 2022.

Refer to note 13 for further details on the prior period restatement.
The notes on pages 17 – 27 form an integral part of these financial statements.

BOREALIS EXPLORATION LIMITED
STATEMENT OF FINANCIAL POSITION
As at 30 September 2023

		30 September 2023	30 September 2022 As restated
	Notes	\$	\$
ASSETS			
NON-CURRENT ASSETS			
Long term receivable	4	41,373,307	40,622,660
CURRENT ASSETS			
Other receivables	5	4,098,632	4,098,632
Cash and cash equivalents		4,402	8,305
		4,103,034	4,106,937
TOTAL ASSETS		45,476,341	44,729,597
CURRENT LIABILITIES			
Accruals and other payables	6	(36,330,300)	(35,996,030)
NON-CURRENT LIABILITIES			
	7	-	(91,159)
NET ASSETS		9,146,041	8,642,408
EQUITY			
Called up share capital	8	38,223	38,280
Share premium account		18,531,069	18,558,752
Accumulated losses		(9,423,251)	(9,954,624)
TOTAL EQUITY		9,146,041	8,642,408

These financial statements were approved and authorized for issue by the Board on 7 March 2024.


Isaiah W. Cox
07/03/2024
06:41:03 +00:00

Isaiah W. Cox
Director


Jan Vana
07/03/2024
06:41:23 +00:00

Jan Vana
Director

Refer to note 13 for further details on the prior period restatement.

BOREALIS EXPLORATION LIMITED
STATEMENT OF CHANGES IN EQUITY
As at 30 September 2023

	Called up Share Capital	Share Premium Account	Accumulated losses	Total equity
	\$	\$	\$	\$
Balance at 30 September 2021 <i>As currently stated</i>	38,364	18,599,961	(10,537,294)	8,101,031
Prior year adjustment – interest on long term loan	-	-	(162,642)	(162,642)
Balance at 30 September 2021 <i>As restated</i>	38,364	18,599,961	(10,699,936)	7,938,389
Cancellation of shares on exchange	(84)	(41,209)	-	(41,293)
Total comprehensive gain for the year	-	-	745,312	745,312
Balance at 30 September 2022 <i>As restated</i>	38,280	18,558,752	(9,954,624)	8,642,408
Cancellation of shares on exchange	(57)	(27,683)	-	(27,740)
Total comprehensive gain for the year	-	-	531,373	531,373
Balance at 30 September 2023	38,223	18,531,069	(9,423,251)	9,146,041

Refer to note 13 for further details on the prior period restatement.

BOREALIS EXPLORATION LIMITED
STATEMENT OF CASH FLOW
year ended 30 September 2023

	30 September 2023	30 September 2022 <i>as restated</i>
	\$	\$
Profit before tax	531,373	745,312
Adjustments for:		
Interest income	(811,729)	(796,523)
Noncash financing (gain)/loss	238,421	(3,890)
Loss on cancellation of shares for repayment of loan	33,342	48,007
Increase (decrease) in accruals and other payables	4,690	(10,789)
Net cash used in operating activities	<u>(3,903)</u>	<u>(17,883)</u>
Net decrease in cash and cash equivalents	(3,903)	(17,883)
Cash and cash equivalents at the beginning of the year	8,305	26,188
Cash and cash equivalents at the end of the year	<u>4,402</u>	<u>8,305</u>

Refer to note 13 for further details on the prior period restatement.

BOREALIS EXPLORATION LIMITED

Notes to the Financial Statements

year ended 30 September 2023

1. Company information

The Company was incorporated on 26 August 1968 by the Canadian Dominion Charter. On 23 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.

2. Accounting policies

Basis of preparation

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires Management to exercise its judgment in the process of applying the Company's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on Management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are reflected in Note 4, Assets carried at amortised cost.

The financial statements have been prepared on a historical cost basis. The financial statements are presented in USD, which is also the company's functional currency, and all values are rounded to the nearest dollar (\$1), except when otherwise indicated.

The Company has prepared the financial statements on the basis that it will continue to operate as a going concern.

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 plc.

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 plc and Chorus Motors plc. 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.

BOREALIS EXPLORATION LIMITED

Notes to the Financial Statements

year ended 30 September 2023

2. Accounting policies (continued)

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 were harmed by the required actions to curb the spread of the infection. All were distracted and underwent considerable distress. The industry has since largely rebounded, but the pandemic impacted on the ability to raise the funds necessary for WheelTug to complete certification for entry into service. The management expects that funding will be procured in the new year and that entry into service will occur within two years thereafter. 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 maintained that COVID-19 will not 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.

Summary of Accounting Policies

a. Foreign currencies

Transactions in foreign currencies are translated to the functional currency at the exchange rates prevailing on the date of the transaction. At each reporting date, foreign currency denominated monetary assets and liabilities are retranslated at the exchange 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. All other non-monetary assets and liabilities are translated at the date of initial recognition and are not retranslated.

Foreign exchange gains or losses are generally recognised in profit or loss. Foreign exchange gains and losses on non-monetary items at fair value follow the treatment of the underlying fair value gain or loss as either in profit or loss or other comprehensive income.

b. Taxes

Income tax expense includes both current and deferred taxes. Both current and deferred tax is recognised in profit or loss unless the item to which the tax relates was recognised outside profit or loss being other comprehensive income or equity. The tax associated with such an item is also recognised in other comprehensive income or equity respectively.

Current Taxes

Current tax is the expected tax payable in the taxable income for the year using the rate that is applicable as at the reporting date, and any adjustments to the tax payable in respect of previous years.

Deferred Taxes

Deferred tax balances are determined by calculating the temporary difference between the carrying amounts of assets and liabilities on the balance sheet and their corresponding amounts for tax purposes. The amount of deferred tax is based on the expected manner or realisation and using tax rates that have been enacted or substantially enacted as at balance date and will be applicable when the deferred tax is realised.

Deferred tax assets are only recognised to the extent that it is probable that future taxable profits will be available for which the losses can be utilised in the future. This assumption is reviewed each reporting date. Deferred tax assets are reduced to the extent it is no longer probable that the future taxable profits will occur.

BOREALIS EXPLORATION LIMITED

Notes to the Financial Statements

year ended 30 September 2023

2. Accounting policies (continued)

Deferred tax assets and liabilities are offset on the balance sheet when they relate to the same taxation authority and the company has the legal ability and intention to either settle the current tax on a net basis or realise the assets and liabilities in the same period in the future.

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.

c. Financial instruments

Financial assets

Other receivables are initially recognised at fair value, which generally equates to transaction price, less any transaction costs. Subsequent to initial recognition, other receivables are measured at amortised cost as they are held for the purpose of obtaining contractual cash flows, which are solely interest and principal. Interest is calculated using the effective interest method and included in profit and loss. Impairment is presented in a separate line in profit or loss.

Other receivables are derecognised when:

- The contractual rights to cash flows from the financial asset expire, or
- the rights to the cash flows are transferred such that:
 - substantially all the risks and rewards of ownership are transferred; or
 - the company neither transfers nor retains substantially all the risks and rewards of ownership and does not retain control of the financial asset.
- Where the company enters into transactions where other receivables are transferred but retains all or substantially all the risks and rewards of the asset, then in such cases those assets are not derecognised.

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

Financial liabilities

Other financial liabilities are initially recognised at fair value, which generally equates to their transaction price.

After initial recognition, loans are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest method amortisation process.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset, and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

BOREALIS EXPLORATION LIMITED
Notes to the Financial Statements
year ended 30 September 2023

2. Accounting policies (continued)

d. Share capital

Ordinary shares are classified as equity. The difference between the fair value of the consideration received by the Company and the nominal value of the share capital being issued is taken to the share premium account.

New and amended standards and interpretations

The following are the new and amended standards which are effective for annual periods beginning on or after 1 January 2022 (unless otherwise stated). The Company is not affected by these amendments, standards or interpretations:

- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
- Reference to the Conceptual Framework – Amendments to IFRS 3
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 Leases
- IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter
- IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
- IAS 41 Agriculture – Taxation in fair value measurements

Standards issued but not yet effective

The following new standards and amendments are not yet effective but may have an impact on the financial statements of the Company in a future period.

- IFRS 17 - Insurance Contracts
- Amendments to IAS 1 - Classification of Liabilities as Current or Non-current
- Amendments to IFRS 10 and IAS 28 - Sale or contribution of assets between an investor and its associate or joint venture
- Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies
- Amendments to IAS 8 - Disclosure of Accounting Policies and Definition of Accounting Estimates
- Amendments to IAS 12 - Deferred tax related to assets and liabilities arising from a single transaction

IFRS 17 'Insurance contracts' establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. IFRS 17 is effective for annual periods commencing on or after 1 January 2023.

Amendments to IAS 1 'Presentation of financial statements' clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. The meaning of settlement of a liability is also clarified. The amendments are applicable for annual periods commencing on or after 1 January 2023.

Amendments to IFRS 10 'Consolidated financial statements' and IAS 28 'Investments in associates' clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. Otherwise, the gain or loss is recognised by the investor only to the extent of the other investor's interests in the associate or joint venture. The amendments have been deferred until IASB has finalised its research project on the equity method.

BOREALIS EXPLORATION LIMITED
Notes to the Financial Statements
year ended 30 September 2023

2. Accounting policies (continued)

Amendments to Disclosure of Accounting Policies and Definition of Accounting Estimates modify:

- IFRS 7, to clarify that information about measurement bases for financial instruments is expected to be material to an entity's financial statements;
- IAS 1, to require entities to disclose their material accounting policy information rather than their significant accounting policies; IAS 8, to clarify how entities should distinguish changes in accounting policies and changes in accounting estimates;
- IAS 34, to identify material accounting policy information as a component of a complete set of financial statements; and
- IFRS Practice Statement 2 Making Materiality Judgements, to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

Amendments to Deferred tax related to assets and liabilities arising from a single transaction modify IAS 12 to clarify the accounting for deferred tax on transactions that, at the time of the transaction, give rise to equal taxable and deductible temporary differences. In specified circumstances, entities are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. The amendments clarify that the exemption does not apply to transactions for which entities recognise both an asset and a liability and that give rise to equal taxable and deductible temporary differences. This may be the case for transactions such as leases and decommissioning, restoration and similar obligations. Entities are required to recognise deferred tax on such transactions.

The Standard amends IFRS 1 to require deferred tax related to leases and decommissioning, restoration and similar obligations to be recognised by first-time adopters at the date of transition to International Accounting Standards, despite the exemption set out in IAS 12.

The Company is still assessing the impacts of these new standards and amendments.

3. 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			
2023	531,373	3,822,254	0.139
2022 (as restated)	745,312	3,827,964	0.195
		Weighted avg. number of shares	Per share amount \$
Diluted EPS			
Profit attributable to ordinary shareholders			
2023	531,373	3,822,254	0.139
2022 (as restated)	745,312	3,827,964	0.195

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

BOREALIS EXPLORATION LIMITED**Notes to the Financial Statements****year ended 30 September 2023****4. Long term receivable**

	30 September 2023	30 September 2022 <i>As restated</i>
	\$	\$
<i>Assets carried at amortised cost:</i>		
Amounts due from Borealis Holdings Limited	41,373,307	40,622,660

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 \$33,342 (2022: \$48,007) reflected in the statement of profit or loss and other 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.

5. Other receivables

	30 September 2023	30 September 2022
	\$	\$
Receivable from related party	4,097,632	4,097,632
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.

6. Accruals and other payables

	30 September 2023	30 September 2022
	\$	\$
Accruals	7,812	6,567
Payable to related parties	36,322,488	35,989,463
	<u>36,330,300</u>	<u>35,996,030</u>

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

BOREALIS EXPLORATION LIMITED
Notes to the Financial Statements
year ended 30 September 2023

7. Non-current liabilities

	30 September 2023 \$	30 September 2022 \$
Loan from directors	-	91,159
	<hr/>	<hr/>
	-	91,159
	<hr/>	<hr/>

Loans were advanced to the Company in the past whereby certain directors sold their shares in the Company in order to help finance the operations of the Family of Companies. At the beginning of the fiscal year the number of shares due stood at 18,305. During the year all shares so due were acquired and returned to directors.

8. Share capital

	30 September 2023 \$	30 September 2022 \$
Authorised share capital		
5,000,000 ordinary shares @ \$0.01 each	<hr/> \$50,000	<hr/> \$50,000
Called up share capital		
3,822,254 (2022: 3,827,964) ordinary shares @ \$0.01 each	<hr/> 38,223	<hr/> 38,280

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 2023 5,710 (2022: 8,500) shares were exchanged in terms of this option thereby reducing the amount in share capital by \$57 (2022: 85) and in share premium by \$27,683 (2022: \$41,209).

BOREALIS EXPLORATION LIMITED

Notes to the Financial Statements

year ended 30 September 2023

9. Contingent liabilities

The former subsidiary WheelTug plc obtained various loans from third parties totalling \$23,129,014. Of this amount \$20,680,000 is co-guaranteed by Borealis Exploration Limited and other companies in the former Family of companies. The potential obligation estimated by the entity is \$256,800,000.

10. 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:

- Long term receivables
- Other receivables
- Cash and cash equivalents
- Accruals and other payables

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

	30 September 2023	30 September 2022 as restated
	\$	\$
<i>Financial assets</i>		
Long term receivable	41,373,307	40,622,660
Other receivables	4,098,632	4,098,632
Cash and cash equivalents	4,402	8,305
	<u>45,476,341</u>	<u>44,729,597</u>
<i>Financial liabilities</i>		
Accruals	7,812	6,567
Payable to related parties	36,322,488	35,989,463
Other financial liabilities	-	91,159
	<u>36,330,300</u>	<u>36,087,189</u>

BOREALIS EXPLORATION LIMITED
Notes to the Financial Statements
year ended 30 September 2023

11. 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, long term receivables, other receivables, accruals and payables to related parties.

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 plc. The potential obligation estimated by the entity is \$256,800,000. 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
2023	\$	\$	\$
Accruals and other payables	36,330,300	36,330,300	-
	<u>36,330,300</u>	<u>36,330,300</u>	<u>-</u>
	Carrying amount	Up to three months	One to two years
2022	\$	\$	\$
Accruals 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>91,159</u>

BOREALIS EXPLORATION LIMITED

Notes to the Financial Statements

year ended 30 September 2023

11. 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 2023	30 September 2022 (as restated)
	\$	\$
Long-term receivable	41,373,307	40,622,660
Other receivables	4,098,632	4,098,632
Cash and Cash equivalents	4,402	8,305
	<hr/>	<hr/>
	45,476,341	44,729,597
	<hr/>	<hr/>

Long-term receivable
Please refer to note 4.

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.

12. 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 2023, 5,710 (2022: 8,500) shares were converted in terms of this option thereby reducing the amount due to the Company by \$57,100 (2022: \$85,000). 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 2023

13. Prior year restatement

A prior year adjustment has been made to recognise the interest on long-term receivables. The errors have been corrected, and the affected accounts have been restated as follows:

	30-Sep-22	1-Oct-21
	\$	\$
<u>Impact on equity increase/(decrease)</u>		
Interest accrued – long term loan receivable	(15,159)	(162,642)
Net impact on equity	<u>(15,159)</u>	<u>(162,642)</u>
 <u>Impact on income statement</u>		
Interest income on long term loan	15,159	
Net impact on profit for the year	<u>15,159</u>	
 <u>Impact on basic and diluted earnings per share (EPS)</u>		
<u>(increase/(decrease) in EPS)</u>		
<i>Earnings per share for profit attributable to the ordinary equity holders of the company</i>		
Basic earnings per share	0.0040	
Diluted earnings per share	0.0040	
 <i>Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company</i>		
Basic earnings per share	0.0040	
Diluted earnings per share	0.0040	

14. Ultimate controlling party

The ultimate controlling party is the Cox Family.

15. Subsequent events

There are no subsequent events that requires disclosure.

