

Borealis Exploration Limited Management Report

These consolidated financial statements for the six months ended 30 September 2014 have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs) issued by the International Accounting Standards Board (IASB) as adopted by the European Union ("adopted IFRS"), the Gibraltar Companies Act, the Gibraltar (Companies Accounts) Act 1999 and the Gibraltar (Consolidated Accounts) Act 1999. For the avoidance of doubt, the Management of Borealis Exploration Limited hereby declares that the same accounting policies and methods of computation have been followed in these six-month interim financial statements as compared with the company's annual financial statements for the fiscal year ended 31 March 2014 (i.e., the most recent annual financial statements of Borealis Exploration Limited).

Business Development and Economic Results for the Six Months Ended 30 September 2014

As at the six months ended 30 September 2014, Borealis Exploration Limited ("Borealis") and its subsidiary companies had not earned any revenues from operations. Borealis continued to fund and/or conduct its operations primarily through the sale of shares in its subsidiaries and contributions of services and information from third-parties. Through the six months ended 30 September 2014, the management of Borealis continued to spend 80% of its management time and 90% of its financial resources on commercializing the Chorus Motors and WheelTug technologies. Borealis management spent the balance of its time and financial resources primarily on its other technology companies, including Avto Metals plc, Power Chips plc, Cool Chips plc, and, to a lesser extent, on certain of its other companies.

Chorus Motors and WheelTug

As at the date of these consolidated financial statements, Borealis's subsidiary, WheelTug plc, had sold a total of 985 delivery slots consisting of 517 Boeing 737NG slots, 74 Boeing 737Max delivery slots, and 394 Airbus A320 to Alitalia, Air Berlin, Corendon Airlines, EL AL, Iceland Air, Israir, Jet Airways, KLM Royal Dutch Airlines, Livingstone Compagnia Aerea, Malaysia Airlines, Onur Air, Volaris and one undisclosed airline. A total of 200 of the 911 Boeing 737NG and Airbus A320 slots are convertible between types

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

In November 2013, WheelTug plc successfully conducted retraction tests on a Boeing 737 and an Airbus A320 aircraft. These tests consisted of retracting, extending and locking into place the nose-wheel landing gear on each aircraft with the current version of the WheelTug unit bolted onto the landing gear. The current M1 version of the WheelTug unit weighs more than the production unit is expected to weigh. The completion of these tests is another milestone on the path to certification with the Federal Aviation Authority (“FAA”) insofar as WheelTug plc now has more data critical to and a clear roadmap for next steps toward the certification process.

Production and delivery of WheelTug units is expected to commence in 2016 after FAA certification is granted. Borealis management believes that the sale of WheelTug units will be the first product in the Borealis family of companies that will result in operating revenue.

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

Avto Metals, Cool Chips and Power Chips

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

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

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

The new technology results from the discovery that quantum interference, which reduces

quantum state density at a material's surface, can be achieved on a macroscopic scale. Simply by modifying the surface texture of a material in precise ways, using methods commonly applied in the manufacture of semiconductor devices, engineers should be able to exploit this Avto Effect and transform existing materials into materials with precisely-engineered properties for many new applications. When the Avto Effect is fully understood, Cool Chips plc and Power Chips plc could possibly be able to custom design work functions for multiple different applications.

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

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

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

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

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

Significant changes to key financial information

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

For the six months ended 30 September 2014

Borealis spent US\$977,005 on its operations for the six months ended 30 September 2014 and US\$1,468,089 for the same period in 2013. This amounts approximately to a US\$492,000 decrease in operating expenditure in the six months ended 30 September 2014 versus the same period in 2013.

For the six months ended 30 September 2014, Borealis incurred administrative expenses of US\$589,051, US\$42,312 in corporate fees, US\$48,511 in legal fees, US\$147,368 in rent and US\$117,898 in travel compared to administrative expenses of US\$948,917, US\$29,880 in corporate fees, US\$34,961 in legal fees, US\$151,248 in rent and US\$108,819 in travel in the same period in 2013. The changes in the foregoing expenses in the six months ended 30 September 2014 over the same period in 2013 are attributable to a different focus in the various activities in the business of the Borealis family of companies.. The decrease in administrative expenses and increase in corporate and legal fees is primarily attributable to billing cycle differences and the previously mentioned focus in activities. Travel expenses increased in the six months ended on 30 September 2014, as Borealis in line with higher travel costs.

In the six months ended 30 September 2014, Borealis spent US\$902,550 on compensation to directors and officers versus US\$909,150 in the same period in 2013.

In the six months ended 30 September 2014, Borealis incurred and capitalised development expenses amounting to US\$582,148 relating to the Chorus Motors/WheelTug technology compared to US\$573,015 in the same period in 2013.

For the six months ended 30 September 2014, the accumulated loss carried forward for Borealis was US\$27,436,998 compared to US\$30,505,092 for the same period in 2013. The decrease in accumulated loss carried forward in the six months ended 30 September 2014 versus the same period in 2013 is attributable to profits on sale of shares of the subsidiaries exceeding the operating costs of the family of companies.

In the six months ended 30 September 2014, the Borealis family of companies sold US\$122,458 in marketable securities of the Borealis family of companys to third-parties versus US\$70,541 in the same period in 2013. The six-months on six-months increase in 2014 versus 2013 in the amount realized from the disposal of marketable securities is attributable to better market conditions in the six months ended 30 September 2014 versus the same period in 2013.

For the six months ended on 30 September 2014, intangible assets increased to US\$11,901,903 from US\$10,538,299 for the same period in 2013. Intangible assets consist of (i) patents and (ii) the capitalization of Chorus Motors and WheelTug research and development expenses. The increase in the six months ended 30 September 2014 was attributable to more development work on the Chorus/Wheeltug project, and the registration of additional patents..

Expected Future Development of Borealis's Business and Economic Results

Borealis intends to continue an 80% focus of its management time and 90% focus of its financial resources on commercializing the Chorus Motors and WheelTug technologies with the balance of its time and financial resources focused primarily on its other technology companies, including Avto Metals plc, Power Chips plc, Cool Chips plc, and, to a lesser extent, on certain of its other companies. Each of these technologies has successfully undergone tests in the six months ended 30 September 2014 and, subject to receipt of additional funds, will undergo further testing and development the last quarter of fiscal 2015 with a view toward commercialization in fiscal 2016.

Segment Reporting

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

Related Party Transactions

For the period ended 30 September 2014, there were no related party transactions that substantially influenced the economic results of Borealis or the Borealis family of companies. Nor were there any changes in related party transactions, which were mentioned in the consolidated annual report of Borealis for the year ended 31 March 2014 that could significantly affect the economic results of Borealis and its consolidated group in the six months ended 30 September 2014.

Borealis Statement

According to my best knowledge, the consolidated financial statements for the six months ended 30 September 2014 provides a true and fair view of the financial situation, business activities and the economic results of Borealis and of its consolidated group for the past six months and about the prospects of the future development of the financial situation, business activities and the economic results of Borealis and of its consolidated group.

Borealis Exploration Limited

/s/ Rodney T. Cox

By: Dr. Rodney T. Cox

Title: Chief Executive Officer and Chairman of the Board

BOREALIS EXPLORATION LIMITED

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED 30 SEPTEMBER 2014

the second quarter of Fiscal Year 2015

BOREALIS EXPLORATION LIMITED

Registered number: 66632

FINANCIAL STATEMENTS

Six months ended 30 September 2014

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BOREALIS EXPLORATION LIMITED

Registered number: 66632

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six months ended 30 September 2014

	Note	30 September 2014 \$	30 September 2013 \$	Year ended 31 March 2014 \$
EXPENDITURE		(977,005)	(1,468,089)	(3,222,440)
OPERATING LOSS	6	(977,005)	(1,468,089)	(3,222,440)
Profit (loss) on disposal of financial assets		(24,287)	-	(40,192)
Fair value gain (loss) on financial assets		(134,960)	(241,300)	(148,714)
Financing gain (loss)		911,143	(662,232)	(961,421)
Interest received		6	18	22
Interest paid		(2,786)	(816)	(5,908)
Foreign exchange gain (loss)		(1,845)	(3,526)	(54,241)
LOSS ON ORDINARY ACTIVITIES BEFORE TAX		(229,734)	(2,375,945)	(4,432,894)
Tax		-	-	-
LOSS ON ORDINARY ACTIVITIES AFTER TAX		(229,734)	(2,375,945)	(4,432,894)
Profit on sale of shares in subsidiary companies		1,125,578	1,163,436	4,903,610
Gain on buyout option		68,213	41,422	487,528
Loss on (increase)/decrease in stake in business		125	1,106	50,040
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD		\$ 964,182	\$ (1,169,981)	\$ 1,008,284
Equity non-controlling interest		(34,704)	(232,802)	(272,452)
		\$ 929,478	\$ (1,402,783)	\$ 735,832
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE		\$0.19	(\$0.23)	\$0.20

BOREALIS EXPLORATION LIMITED

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION**30 September 2014**

	Notes	30 September 2014 \$	31 March 2014 \$	30 September 2013 \$
ASSETS				
NON-CURRENT ASSETS				
Intangible assets		11,901,903	11,261,226	10,538,299
Tangible assets		14,081	16,185	18,140
Mining resources		1,997,636	1,993,535	1,990,073
Financial assets		125,439	406,136	141,277
Deferred compensation receivable		-	-	
		14,039,059	13,677,082	12,687,789
CURRENT ASSETS				
Trade and other receivables		554,935	367,351	18,345
Cash and cash equivalents		60,236	93,722	50,916
		615,171	461,073	69,261
TOTAL ASSETS		\$ 14,654,230	\$ 14,138,155	\$ 12,757,050
EQUITY AND LIABILITIES				
CAPITAL AND RESERVES ATTRIBUTABLE TO THE OWNERS OF THE COMPANY				
Called up share capital		50,000	50,000	50,000
Share premium account		24,241,030	24,241,030	24,241,030
Non-controlling interest		9,464,166	9,429,462	9,348,390
Retained earnings		(27,436,998)	(28,366,476)	(30,505,092)
		6,318,198	5,354,016	3,134,328
LIABILITIES				
NON-CURRENT LIABILITIES				
		1,807,146	2,720,169	2,429,180
CURRENT LIABILITIES				
Trade and other payables		6,528,886	6,063,970	7,193,542
		\$ 14,654,230	\$ 14,138,155	\$ 12,757,050

BOREALIS EXPLORATION LIMITED

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COMPANY STATEMENT OF FINANCIAL POSITION**30 September 2014**

	30 September 2014	31 March 2014	30 September 2013
ASSETS	\$	\$	\$
NON-CURRENT ASSETS			
Intangible assets	816,818	758,291	741,881
Tangible assets	14,081	16,184	18,140
Investments in subsidiaries	83,950	83,950	83,950
	914,849	858,425	843,971
CURRENT ASSETS			
Trade and other receivables	1,975,125	2,084,926	1,720,445
Cash and cash equivalents	31,535	39,023	20,400
	2,006,660	2,123,949	1,740,845
TOTAL ASSETS	\$ 2,921,509	\$ 2,982,374	\$ 2,584,816
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES ATTRIBUTABLE TO THE OWNERS OF THE COMPANY			
Called up share capital	50,000	50,000	50,000
Share premium account	24,241,030	24,241,030	24,241,030
Retained earnings	(56,559,925)	(57,471,068)	(57,119,931)
NET ASSETS	(32,268,895)	(33,180,038)	(32,828,901)
LIABILITIES			
NON-CURRENT LIABILITIES	1,807,146	2,720,169	2,429,180
CURRENT LIABILITIES			
Trade and other payables	33,383,258	33,442,243	32,984,537
	\$ 2,921,509	\$ 2,982,374	\$ 2,584,816

BOREALIS EXPLORATION LIMITED

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

six months ended 30 September 2014

	Called up Share Capital \$	Share Premium Account \$	Retained earnings \$	Non-controlling interest \$	Total \$
Balance at 1 April 2012	\$50,000	\$24,241,030	\$(31,198,175)	\$8,557,804	\$1,650,659
Total comprehensive income for the year	-	-	2,695,073		2,695,073
Minority interest	-	-	(599,206)	599,206	-
Balance at 31 March 2013	\$50,000	\$24,241,030	\$(29,102,308)	\$9,157,010	\$4,345,732
Comprehensive income for the year	-	-	1,008,284		1,008,284
Change in ownership interest in subsidiaries			(272,452)	272,452	-
Balance at 31 March 2014	\$50,000	\$24,241,030	\$(28,366,476)	\$9,429,462	\$5,354,016
Comprehensive income for the period			964,182		964,182
Change in ownership interest in subsidiaries			(34,704)	34,704	-
Balance at 30 September 2014	\$50,000	\$24,241,030	\$(27,436,998)	\$9,464,166	\$6,318,198

BOREALIS EXPLORATION LIMITED
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COMPANY STATEMENT OF CHANGES IN EQUITY
six months ended 30 September 2014

	Called up Share Capital \$	Share Premium Account \$	Retained earnings \$	Total \$
Balance at 1 April 2012	\$50,000	\$24,241,030	\$(55,107,263)	\$(30,816,233)
Total comprehensive income/ (loss) for the year			(1,350,384)	(1,350,384)
Balance at 31 March 2013	\$50,000	\$24,241,030	\$(56,457,647)	\$(32,166,617)
Total comprehensive income/ (loss) for the year	-		(1,013,421)	(1,013,421)
Balance at 31 March 2014	\$50,000	\$24,241,030	\$(57,471,068)	\$(33,180,038)
Total comprehensive income/ (loss) for the period			911,143	911,143
Balance at 30 September 2014	\$50,000	\$24,241,030	\$(56,559,925)	\$(32,268,895)

BOREALIS EXPLORATION LIMITED
Registered number: 66632
CONSOLIDATED STATEMENT OF CASH FLOW
six months ended 30 September 2014

	30 September 2014 \$	30 September 2013 \$	Year ended March 2014 \$
Cash flows from operating activities			
Cash generated from operations	(600,320)	(122,820)	(533,905)
Interest received	6	18	22
Interest paid	(2,786)	(816)	(5,908)
Net cash generated from operating activities	(603,100)	(123,618)	(539,791)
Cash flows from investing activities			
Patent acquisitions	(88,289)	(59,781)	(110,669)
Research and development expenditure	(582,148)	(1,122,353)	(1,852,545)
Proceeds on disposal of marketable securities	122,458	-	70,541
Expenditure on mineral resources	(4,101)	(4,344)	(19,518)
Net cash used in investing activities	(552,080)	(1,186,478)	(1,912,191)
Cash flows from financing activities			
Proceeds from sale of subsidiaries shares	1,125,699	1,163,436	2,284,164
Repayments of borrowings	-	-	(26,200)
Shares repurchased	(4,005)	(90,164)	-
Net cash inflow from financing activities	1,121,694	1,073,272	2,257,964
Net decrease in cash and cash equivalents	(33,486)	(236,824)	(194,018)
Cash and cash equivalents at the beginning of the year	93,722	287,740	287,740
Cash and cash equivalents at the end of the period	\$ 60,236	\$ 50,916	\$ 93,722

BOREALIS EXPLORATION LIMITED

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CONSOLIDATED STATEMENT OF CASH FLOW (Continued)*six months ended 30 September 2014***Cash generated from operations**

	30 September 2014 \$	30 September 2013 \$	31 March 2014 \$
Total comprehensive income (loss) for the year	964,182	(1,169,981)	1,008,284
Adjustments for:			
Depreciation	2,103	2,590	4,546
Amortisation	29,762	23,674	58,152
Share based payments - equity settled	4,730	89,059	2,605,493
Fair value (gains)/losses on financial assets	134,960	241,300	148,714
Finance costs	2,780	798	5,886
Share of loss of investment in subsidiary	-	-	52,000
Foreign exchange losses/(gains) on operating activities	1,845	3,526	54,241
Loss on sale of financial assets	24,287	-	40,192
Non cash proceeds from buy out options	(5,455)	(107,111)	(299,541)
Non cash financing loss (gain)	(911,143)	662,232	961,421
Profit on sale of shares in subsidiary companies	(1,125,578)	(1,163,436)	(4,903,610)
Gain/(loss) on change of stake in business	(125)	(1,106)	(50,040)
Changes in working capital:			
Decrease/(Increase) in trade and other receivables	(187,584)	18,345	(367,351)
Increase/(Decrease) in trade and other payables	464,916	1,277,290	147,708
Net cash outflow from operating activities	<u>\$ (600,320)</u>	<u>\$ (122,820)</u>	<u>\$ (533,905)</u>

BOREALIS EXPLORATION LIMITED

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NOTES TO THE FINANCIAL STATEMENTS

six months ended 30 September 2014

1. PRINCIPAL 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"), the Gibraltar Companies Act, the Gibraltar (Companies Accounts) Act 1999 and the Gibraltar (Consolidated Accounts) Act 1999.

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.

The preparation of financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires Family management to exercise judgment in applying the Family's accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in note 5.

b. Basis of consolidation

From 1 January 2010, the total comprehensive income of non-wholly owned subsidiaries is attributed to owners of the parent and to the non-controlling interests in proportion to their relative ownership interests. Before this date, unfunded losses in such subsidiaries were attributed entirely to the family. In accordance with the transitional requirements of IAS 27 (2008), the carrying value of non-controlling interests at the effective date of the amendment has not been restated.

The acquisition method of accounting is used by the Family when it undertakes a business combination. The fair value of consideration transferred at the acquisition date includes the fair value of assets transferred, liabilities incurred by the owners and equity instruments issued by the Family. Consideration can include cash, contingent consideration and options. Acquisition related costs are expensed as incurred unless they relate to the issue of financial instruments in which case they are accounted for in accordance with accounting policies relating to that specific type of financial instrument. The fair value of assets acquired and liabilities assumed are recognised at the acquisition date. At the acquisition date any equity interest held prior to the acquisition date is recognised at fair value with a resulting gain or loss recognised in profit or loss. The family has an option on a combination by combination basis on how to recognise non-controlling interest at the acquisition date either at fair value or proportionate share of net assets.

Goodwill is measured as the excess of the consideration transferred, plus any non-controlling interest and the fair value of any previously held interest in the acquiree over the fair value of assets acquired and liabilities assumed. If the goodwill is negative (bargain purchase) this is recognised immediately in the income statement. Any changes in contingent consideration after the measurement period are recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition, or up to the effective date of disposal, as appropriate. Entities which are acquired and are controlled, but which will be held for a period less than twelve months, are recorded as assets held for sale.

BOREALIS EXPLORATION LIMITED

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

six months ended 30 September 2014

b. Basis of consolidation (continued)

The consolidated financial statements are based on the financial statements of the individual companies drawn up using the standard Family accounting policies. Accounting policies applied by individual subsidiaries have been revised where necessary to ensure consistency with Family policies for consolidation purposes. All companies in the Family have the same annual reporting date of 31 March.

All significant transactions and balances between Family entities are eliminated on consolidation. The Family applies a policy of treating transactions with a non-controlling interest as transactions with equity holder when control is not lost of the subsidiary, and therefore recognised in equity.

c. Segment information

The Borealis Family of Companies has two reportable operating segments. The Family's mining exploration operations are conducted on properties in Canada. The only assets utilised in this business segment are the mining and other equipment. All other assets relate to the Family's other reportable operating segment, which is the business of conducting basic industrial research with the intent to commercialise these technologies. While the technical rights and/or patents are owned by a company registered in Gibraltar, the research activities are currently mainly carried out outside Gibraltar.

d. Foreign currency translation

The Family has determined the USD \$ as its functional currency, as this is the currency of the economic environment in which the Family predominantly operates.

Transactions in currencies other than USD \$ 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. No Family entity has an operational currency of a hyper-inflationary economy.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments, financial liabilities that are designated as hedges of the net investment in a foreign operation and qualifying cash flow hedges, each of which are recognised directly in equity within the translation reserve.

In the case of foreign entities the financial statements of the Family's overseas operations are translated as follows on consolidation: assets and liabilities, at exchange rates ruling on the reporting date, income and expense items at the average rate of exchange for the period and equity at exchange rates ruling on the dates of the transactions. Exchange differences arising are classified as equity and transferred to a separate translation reserve. Such translation differences are recognised in the statement of comprehensive income in the period in which the operation is disposed of. Foreign exchange gains and losses arising from monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely within the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in equity.

d. Foreign currency translation (continued)

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Foreign currency gains and losses are reported on a net basis.

BOREALIS EXPLORATION LIMITED

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

six months ended 30 September 2014

e. Revenue

At present all Family companies are engaged in development of various products and projects which have not yet reached the point of revenue generation. Once revenue commences, it will be accounted for on the basis of the accounting period in which the work was carried out or invoiced.

f. Non-controlling interests

For business combinations completed on or after 1 January 2010 the Family has the choice, on a business combination by business combination basis, to initially recognise any non-controlling interest in the acquiree at either acquisition date fair value or, as was required prior to 1 January 2010, at the non-controlling interest's proportionate share of the acquiree's net assets. The family has not elected to take the option to use fair value in acquisitions completed to date.

From 1 January 2010, the total comprehensive income of non-wholly owned subsidiaries is attributed to owners of the parent and to the non-controlling interests in proportion to their relative ownership interests. Before this date, unfunded losses in such subsidiaries were attributed entirely to the family. In accordance with the transitional requirements of IAS 27 (2008), the carrying value of non-controlling interests at the effective date of the amendment has not been restated.

g. Non-current assets

Non-current assets are stated in the statement of financial position at their revalued amounts, being the fair value on the basis of their existing use at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the reporting date.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Family and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Any revaluation increase arising on the revaluation of such non-current assets are credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such non-current assets are charged as an expense to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

BOREALIS EXPLORATION LIMITED

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

six months ended 30 September 2014

g. Non-current assets (continued)

When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

Tangible non-current assets and intangible non-current assets are stated at their purchase cost, together with any incidental expenses of acquisition.

Depreciation is provided on all fixed assets to write off their cost less residual value over their estimated useful lives. The rates in use on a reducing balance method are as follows:

Mining and geological equipment	30%
Other equipment	20%

Patents are accounted for on the basis of the costs of registering the worldwide rights. All costs of development and legal works of the products have been written off in the year incurred. These patents are depreciated on the straight-line method at a rate of 5% per year. The carrying value of patents is reviewed annually by the Group of Companies. If, as a result of such a review, it is determined that the value has been permanently impaired, any diminution in value is taken to statement of comprehensive income account in accordance with IAS 36. To the extent that such diminution in value is subsequently reversed, this reversal is credited to the statement of comprehensive income.

h. Intangible assets - Research and development expenditure

Research costs are expensed in the year in which they are incurred. Development costs are reviewed annually and are expensed if they do not qualify for capitalisation. Development costs that are directly attributable to the design and testing of identifiable and unique products controlled by the Family are capitalised as intangible assets only when the following criteria are met:

- (i) it is technically feasible to complete the product so that it will be available for use;
- (ii) management intends to complete the product and use or sell it;
- (iii) there is an ability to use or sell the product;
- (iv) it can be demonstrated how the product will generate probable future economic benefits;
- (v) adequate technical, financial and other resources to complete the development and to use or sell the product are available; and
- (vi) the expenditure attributable to the product during its development can be measured reliably.

The depreciable amount of an intangible asset with a finite useful life, will be distributed on a systematic basis over its useful life. Capitalised development costs are amortised on a straight line basis over their twenty five year useful estimated life once the asset is available for use.

BOREALIS EXPLORATION LIMITED

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

six months ended 30 September 2014

i. Financial instruments

Financial instruments, other than derivative financial instruments, are recognised on the Family's statement of financial position when the Family 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.

j. Non-current asset investments

Non-current asset investments are stated at their historical cost less any provision for permanent diminution in value.

k. Mining properties

These are stated at cost, less any provision for diminution in value that may, in the opinion of the directors, have taken place. These costs include developing and maintaining the property. The policy on amortisation is that this will be charged on a straight-line basis over the period over which commercial mining operations are expected to continue. At present no amortisation is being charged until exploitation begins.

l. Going concern

These financial statements have been prepared under the going concern concept that assumes that the Family of Companies will continue in operational existence for the foreseeable future having adequate funds to meet its obligations as they fall due. Further information is set out in the Directors' Report on pages 4 to 11 and within Note 3.

m. Taxation including deferred tax

From January 2011, all Gibraltar companies are subject to the Gibraltar Tax Act 2010 whereby companies with businesses managed and controlled in Gibraltar, are required to pay 10% Gibraltar Corporation Tax on revenue profits provided these are accrued in or derived from Gibraltar. No provision has however been made for this tax, nor for deferred tax, as no taxable revenue was earned by the Family.

n. Marketable securities

These are carried at the closing quoted prices of securities and instruments held. Any revaluation, gains or losses are dealt with through the profit and loss account.

o. Impairment

At each reporting date, the Family reviews the carrying amounts of its tangible and intangible assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Family estimates the recoverable amount of the cash-generating unit to which the asset belongs.

BOREALIS EXPLORATION LIMITED

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

six months ended 30 September 2014

o. Impairment (continued)

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. Where an impairment loss subsequently reverses (except for goodwill), the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

p. Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. Trade receivables are stated at their amortised cost less any allowances for doubtful receivables. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

q. 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.

r. 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 using the effective interest method.

s. Provisions

Provisions are recognised when the Family 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. The increase in the provision due to passage of time is recognised as interest expense.

BOREALIS EXPLORATION LIMITED

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

six months ended 30 September 2014

t. Share-based payments

Equity instruments granted for services received

When the Family issues equity instruments for goods or services received, the fair value of the goods or services received is recognised as the cost of the goods or services received with a corresponding increase in equity. However, if the fair value of the equity instrument granted is greater than the fair value of the goods or services received the difference is recognised in the income statement as unidentified consideration.

u. Comparative figures

Where necessary, previously reported make ups of comparative figures are changed to allow for a more meaningful comparison.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

New and amended standards adopted by the Family

The Family has adopted the following new and amended IFRSs as of 1 April 2012. There are other amendments to standards not listed in this note as they do not have a material effect on the Family

- IAS 12 (amendment), 'Deferred Tax: Recovery of Underlying Assets', is effective from 1 January 2012.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Family

The following standards and amendments to existing standards have been published and are mandatory for accounting periods of the Family beginning after 1 April 2011, but which have not been adopted early by the Family:

- IFRS 9, 'Financial Instruments', is effective for accounting periods beginning on or after 1 January 2015.
- IFRS 7 (amendment), 'Financial Instruments: Disclosures'. The amendment addresses the disclosures surrounding the derecognition of financial assets.
- IFRS 7 (amendment), 'Disclosures – Offsetting Financial Assets and Financial Liabilities' and IAS 32 'Offsetting Financial Assets and Financial Liabilities'.
- IFRS 10, 'Consolidated Financial Statements', is effective for accounting periods beginning on or after 1 January 2013.
- IFRS 11, 'Joint Arrangements', is effective for accounting periods beginning on or after 1 January 2013.
- IFRS 12, 'Disclosures of Interests in Other Entities', is effective for accounting periods beginning on or after 1 January 2013.
- IFRS 13, 'Fair Value Measurement', is effective for accounting periods beginning on or after 1 January 2013.
- IAS 1 (amendment), 'Presentation of Items of Other Comprehensive Income', is effective for accounting periods beginning on or after 1 July 2012.
- IAS 16 (amendment), 'Property, Plant and Equipment', is effective for accounting periods beginning on or after 1 January 2013.
- IAS 19 (revised), 'Employee Benefits', is effective for accounting periods beginning on or after 1 January 2013.

BOREALIS EXPLORATION LIMITED

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

six months ended 30 September 2014

3. GOING CONCERN

The continued operation of the Borealis Family of Companies is dependent on its ability to receive continued financial support from its shareholders and creditors, to obtain sufficient equity financing or 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. The Company's shareholdings in its subsidiary companies, both direct and indirect, are carried at nominal value, and not at market value. Six of those companies are publicly traded in the United States over-the-counter (OTC) market and quoted on the Pink Sheets at www.pinksheets.com. However, there can be no assurance that the Company or its Subsidiaries' efforts to generate further financing, profitable operations, asset sales, or product sales will be successful. The financial statements do not contain any adjustments that might be necessary if the Borealis Family of Companies is unable to continue as a going concern.

4. FINANCIAL INSTRUMENTS

Financial instruments, other than derivative financial instruments, are recognised on the Family's statement of financial position when the Family 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.

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) Available for sale financial assets

Family investments in strategic investments in entities not qualifying as subsidiaries, associates or jointly controlled entities are classified as available-for-sale financial assets

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 the carried at amortised cost.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign exchange gains and losses on available-for-sale monetary items that are recognised in profit or loss, are recognised as part of other comprehensive income. When an investment is derecognised, the cumulative gain or loss previously recognised as other comprehensive income is transferred to profit or loss.

iv) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and in hand with an original maturity of three months or less.

BOREALIS EXPLORATION LIMITED

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

six months ended 30 September 2014

4. FINANCIAL INSTRUMENTS (continued)

v) *Share capital*

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

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing the financial statements, management is required to make estimates and assumptions which affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and application of judgement are inherent in the formation of estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed as follows:

i) *Taxation*

The Family is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain; such determination being made by the relevant taxing authorities. The Family recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be found to be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. Where considered necessary estimates are developed by management based on external specialist advice.

There are no other judgemental areas identified by management that could have a material effect on the provisions made at the reporting date.

ii) *Fair value of derivatives and other financial instruments*

The fair value of financial instruments that are not traded in an active market (e.g. unquoted debt instrument) is determined by using valuation techniques. Family management uses its judgement to select a variety of methods, and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

6. OPERATING LOSS

	30 September 2014	30 September 2013	31 March 2014
<i>Operating loss is stated after charging</i>	\$	\$	\$
Depreciation	2,103	2,590	4,546
Amortisation	29,762	23,674	58,152
Family audit fees	17,722	23,461	114,611

BOREALIS EXPLORATION LIMITED

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

six months ended 30 September 2014

7. DIRECTORS' EMOLUMENTS

The total amount of emoluments paid to directors during the period was \$902,550.

In addition, rent totalling approximately \$95,400 has been charged to the Family of Companies by certain directors, for the provision of office facilities.

8. EMPLOYEE INFORMATION

The Company employed a number of clerical staff during the current period. All other services to the Company are provided by way of consultancy agreements.

9. PROFITS OF HOLDING COMPANY

Included in the profits for the financial year is a profit of \$91,143 which is dealt with in the financial statements of the parent company. The directors have taken advantage of the exemption available under section 10 of the Gibraltar Companies (Consolidated Accounts) Act 1999 and not presented a profit and loss account for the Company alone.

10. TAXATION

From January 2011, all Gibraltar companies is subject to the Gibraltar Tax Act which requires companies with businesses managed and controlled in Gibraltar, to pay 10% Gibraltar Corporation Tax on profits provided they are accrued in or derived from Gibraltar. No provision has however been made for this tax, nor for deferred tax, as no taxable revenue was earned by the Family