

## **Borealis Exploration Limited Management Report and Unaudited Consolidated Financial Statements for the Six Months Ended 31 March 2017**

The unaudited consolidated financial statements for the six months ended 31 March 2017 (this “Semi-Annual Report”) have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRS) 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 30 September 2016 (i.e., the most recent annual financial statements of Borealis Exploration Limited).

In September 2015, Borealis Exploration Limited (“Borealis”) changed its fiscal year end from 31 March to 30 September. This had the effect of extending fiscal 2016 from 12 to 18 months from 1 April 2015 through 30 September 2016. All references to fiscal 2016 refer to the 18-month period ended 30 September 2016 and all references in the six-month period covered in this report refer to the six months from 1 October 2016 through 31 March 2017 (as opposed to the period between 1 April and 30 September in previous reports).

### ***Business Development and Economic Results for the Six Months Ended 31 March 2017***

As at the six months ended 31 March 2017, Borealis and its subsidiary companies had not earned any revenue from operations. Borealis continued to fund and/or conduct its operations primarily through the sale of shares in its subsidiaries, sales of future revenue and contributions of services and information from third parties. Through the six months ended 31 March 2017, 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 mining interests, principally Roche Bay plc, and its other technology companies, including Avto Metals plc, Power Chips plc, Cool Chips plc.

### ***Chorus Motors and WheelTug***

As at the date of these consolidated financial statements, Borealis’s subsidiary, WheelTug plc, had reserved against the receipt of letters of intent a total of 976 delivery slots consisting of 508 Boeing 737NG slots, 74 Boeing 737Max delivery slots, and 394 Airbus A320 to Alitalia, Air Berlin, Corendon Airlines, EL AL, Iceland Air, Israil, Jet Airways, KLM Royal Dutch Airlines, Malaysia Airlines (MAS), Onur Air, Volaris and one undisclosed airline. A total of 200 of the 976 Boeing 737NG and Airbus A320 slots are convertible between types

The terms of such letters of intent provide that WheelTug plc will lease the units to the airlines after Federal Aviation Administration (“FAA”) certification is granted, which is expected to result in the first revenue in 2019. 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.

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 completion of these tests is another milestone on the path to certification with the FAA insofar as WheelTug plc now has more data critical to and a clear roadmap for next steps toward the certification process.

In 2015, WheelTug plc completed the process and procedure documentation that is required for FAA certification, and in December 2015 filed two Project Specific Certification Plans (“PSCPs”) and an application for certification of the WheelTug system for the Boeing 737NG family of aircraft. WheelTug plc has also made progress toward contracting with partners to handle installation, maintenance and servicing of its systems and has begun work world-wide with airports and aviation regulators, principally the EASA to date, to develop new operating procedures for WheelTug-equipped aircraft, and to optimise the economic and environmental benefits of WheelTug for both its airline customers and the airports they use.

On 10 January 2017, WheelTug Limited, a wholly-owned subsidiary of WheelTug plc, announced that the FAA accepted the certification plans for the WheelTug® aircraft electric drive system for Boeing 737NG aircraft. The FAA Seattle Aircraft Certification Office approved the PSCP plans for the WheelTug system. These plans detail how WheelTug will comply with all relevant regulations in order to be granted a Supplemental Type Certificate (“STC”). The STC is a key document for aircraft operation and once granted, WheelTug can be installed on aircraft.

WheelTug will first be available for the Boeing 737NG family of aircraft with entry into service expected in 2019. Versions for other aircraft types are also planned.

Borealis management believes that the lease of WheelTug units will be the first product in the Borealis family of companies that will result in operating revenue.

## **Roche Bay**

In 2007, Roche Bay plc (“Roche Bay”) transferred direct management and operations in respect of its eastern mineral deposits (the “Eastern Deposits”) and a 75% ownership stake therein to Advanced Explorations Inc. (“AXI”) in exchange for AXI’s commitment to finance and develop the deposits. To-date, AXI has invested in excess of \$50 million in the Eastern Deposits. However, since 2014, AXI has been unable to raise sufficient additional capital to continue the development of the Eastern Deposits and its operations in general. As a result, in 2015, AXI filed a notice of intention to make a proposal under the Ontario Bankruptcy Act, which, after failed negotiations with its creditors, was converted into a bankruptcy proceeding in September 2016.

In 2014, the directors of Roche Bay plc conducted an impairment assessment of its mineral assets and based thereon decided to write the properties down to nominal values.

In October 2016, AXI’s trustee in bankruptcy announced his intention to auction off in 2017 AXI’s ownership of the Eastern Deposits (i.e., a 75% ownership stake) to the highest bidder. Due to the operation of bankruptcy law in Ontario, Canada, our current understanding is that all of Roche Bay’s rights to receive royalties and other payments in respect of AXI’s stake in the Eastern Deposits will terminate upon closing of such auction process.

Roche Bay intends to participate in the auction process, but there is no assurance that it will participate or, if it does, that it will be the successful bidder. As at the date of this report, the auction process has not commenced and there is no assurance that it will commence in 2017 or at all.

On November 1, 2016, Roche Bay received an Inspector's Direction from Indigenous and Northern Affairs Canada, a branch of the Canadian government (the "Direction"), in respect of the Eastern Deposits. The Direction detailed certain violations of applicable environmental law caused or allowed by AXI and demanded that AXI and Roche Bay undertake certain remediation activities to remedy all violations by October 31, 2017. As AXI is in bankruptcy, and is therefore protected from the application of environmental law, Roche Bay has made a preliminary determination that it might be held fully responsible for the required remediation. Due to severe weather conditions at the Eastern Deposits, no work, preparation or investigation can be conducted until the Summer of 2017 when such weather conditions will subside. Prior to that time, there may be a new owner of AXI's 75% stake. In such case, Roche Bay management believes that it will be necessary to coordinate any and all remediation activities to be undertaken with such new owner. The cost of such activities, who will bear such cost and how long the remediation will take will only become apparent after an initial investigation can be made and negotiations with the new owner (if any) will be concluded. There is a substantial likelihood that Roche Bay will be required to bear 100% of the costs. There is no assurance that Roche Bay will be able to perform or procure the performance of the required remediation activities in a timely manner or at all.

In January 2017, the Canadian government filed a claim for an amount in excess of CAD \$10,000,000 for remediation costs. The trustee in bankruptcy has not yet made a formal response to the government in respect of its claim. The effect of such a claim is threefold: (i) deterrence of interest in owing the Eastern Deposits amongst buyers insofar as anyone that holds an ownership interest therein may be responsible for payment of this amount in order to remediate the environmental damage, (ii) Roche Bay may be solely liable for this amount depending on the operation of applicable bankruptcy law and the results of the trustee's efforts to auction off the Eastern Deposits and (iii) delays in the operation of the bankruptcy process insofar as the government may take action to compel the trustee to recognize and accept its claim and/or contest or challenge any action the trustee may take.

Roche bay retains a 100% ownership stake in its western mineral deposits. Roche Bay intends to resume development of these deposits when economic conditions in the commodities and mining industries improve. There is no assurance as to if and when such conditions will improve.

### **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, which enhances surface electron emission, has now been successfully replicated in a series of independent tests. When commercialized for Power Chips, this technology will enable a variety of new products for industrial applications by providing a more efficient way to generate electrical power directly from heat with no moving parts.

When commercialized for Cool Chips, this technology will offer enhanced thermal management capabilities for many consumer and industrial applications. This will make possible development of more efficient, smaller, lower-cost and non-polluting products. Power Chips plc and Cool Chips plc plan to both license and directly develop these applications.

Avto Metals' patented and proprietary technologies reduce the Work Function of materials including metals and semiconductors. The Work Function is a measure of the energy required to remove an electron from the surface of a material. By reducing the Work Function, electrons can escape more easily. This technology permits design and development of more efficient thermionic/thermoelectric converters, better thermal management devices and, possibly, many other industrial processes.

The new technology results from the discovery that the quantum interference of electron waves reduces/changes the quantum state density at a material's surface on a macroscopic scale. By modifying the surface texture of a material in precise ways using methods applied in semiconductor manufacturing, engineers can exploit the Avto Effect to transform existing materials into materials with precisely engineered properties and many new applications. When the Avto Effect is better understood and under greater control, Cool Chips plc and Power Chips plc may be able to custom design work functions for different applications.

Tests completed in November 2013 conducted on silicon wafers with nanoscale line patterns, covering millimeter-scale test pads and forming a surface texture demonstrating the Avto Effect, showed significant and consistent reductions in work function. Results were similar to prior tests on surfaces of several metals.

This science and technology effort has been ongoing for more than 15 years. More than 40 issued patents cover both the basic technology and many of its applications. As of May 2017, testing is continuing with samples at a major university laboratory.

The steps forward to commercialization are not trivial and obviously high value products will be the first to be developed. Commercialization is now possible because of tremendous advances in semiconductor technology over the last decade. This enabled the fabrication of the required Avto Metal structures at 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 the heat now wasted in conventional power plants should permit an increase in power generation by up to 20% with no change in total fuel consumption or emissions. Power Chips should make it possible to develop safe, efficient distributed power systems, enabling buildings or factories to cogenerate their own electricity from waste heat or geothermal sources. And for automobiles and other vehicles, 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.

**BOREALIS EXPLORATION LIMITED**  
Gibraltar Registered Number 66632  
**UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**SIX MONTHS ENDED 31 MARCH 2017**  
for the first two quarters of Fiscal Year ending 30 September 2017

CONTENTS	PAGE
Consolidated statement of comprehensive income	2
Consolidated statement of financial position	3
Company statement of financial position	4
Consolidated statement of changes in equity	5
Company statement of changes in equity	6
Consolidated statement of cash flows	7
Notes	9

**BOREALIS EXPLORATION LIMITED**  
Registered number: 66632

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	Six months to 31 March 2017 \$	Twelve months to 31 March 2016 \$	18 Months to 30 September 2016 \$
<b>REVENUE</b>	-	-	-
<b>EXPENDITURE</b>	(1,189,484)	(3,470,303)	(4,909,823)
<b>OPERATING LOSS</b>	(1,189,484)	(3,470,303)	(4,909,823)
<b>Other gains and losses</b>			
Fair value gain (loss) on financial assets	4,680	(77,552)	(78,052)
Foreign exchange gain (loss)	(72)	2,994	21,499
Gain on write down of payables	-	759,244	797,647
<b>Finance cost</b>			
Financing gain (loss)	(269,525)	263,695	452,754
Interest paid	(413,976)	(6,274)	(400,205)
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAX</b>	(1,868,377)	(2,528,196)	(4,116,180)
Tax	-	-	-
<b>LOSS ON ORDINARY ACTIVITIES AFTER TAX</b>	(1,868,377)	(2,528,196)	(4,116,180)
<b>TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD</b>	<b>\$ (1,868,377)</b>	<b>\$ (2,528,196)</b>	<b>\$ (4,116,180)</b>
<b>Total comprehensive income (loss) for the period attributable to:</b>			
Owners of the parent	(1,674,143)	(2,488,548)	(3,998,377)
Equity non-controlling interest	(194,234)	(39,648)	(117,803)
<b>EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE</b>	<b>(0.37)</b>	<b>(\$0.51)</b>	<b>(\$0.82)</b>

*Note: Special attention is drawn to note 1v.*

**BOREALIS EXPLORATION LIMITED**  
Registered number: 66632

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	31 March 2017	31 March 2016	30 September 2016
	\$	\$	\$
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	-	10,390	8,951
Intangible assets	15,459,566	13,837,587	14,575,929
Mining resources	2	2	2
	<u>15,459,568</u>	<u>13,847,979</u>	<u>14,584,882</u>
<b>CURRENT ASSETS</b>			
Trade and other receivables	644,287	981,004	715,458
Financial assets at fair value	13,684	6,561	13,756
Cash and cash equivalents	437,315	330,692	77,032
	<u>1,095,286</u>	<u>1,318,257</u>	<u>806,246</u>
<b>TOTAL ASSETS</b>	<u>\$ 16,554,854</u>	<u>\$ 15,166,236</u>	<u>\$ 15,391,128</u>
<b>EQUITY AND LIABILITIES</b>			
<b>CAPITAL AND RESERVES ATTRIBUTABLE TO THE OWNERS OF THE COMPANY</b>			
Called up share capital	50,000	50,000	50,000
Share premium account	34,352,021	24,241,030	33,160,853
Retained earnings	(36,283,885)	(25,035,912)	(34,569,261)
	<u>(1,881,864)</u>	<u>(744,882)</u>	<u>(1,358,408)</u>
Non-controlling interest	9,141,897	9,549,295	9,295,650
<b>Total equity</b>	<u>7,260,033</u>	<u>8,804,413</u>	<u>7,937,242</u>
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>	3,833,095	1,817,505	2,285,887
<b>CURRENT LIABILITIES</b>			
Trade and other payables	5,461,726	4,544,318	5,167,999
	<u>9,294,821</u>	<u>6,361,823</u>	<u>7,453,886</u>
	<u>\$ 16,554,854</u>	<u>\$ 15,166,236</u>	<u>\$ 15,391,128</u>

**BOREALIS EXPLORATION LIMITED**

Registered number: 66632

**COMPANY STATEMENT OF FINANCIAL POSITION**

	31 March 2017	31 March 2016	30 September 2016
	\$	\$	\$
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	-	10,390	8,951
Intangible assets	784,559	796,394	789,899
Investments in subsidiaries	176,023	124,018	176,023
	960,582	930,802	974,873
<b>CURRENT ASSETS</b>			
Financial assets at fair value	7,695	7,695	7,695
Trade and other receivables	3,423,307	12,278,827	3,286,504
Cash and cash equivalents	222,239	299,759	66,464
	3,653,241	12,586,281	3,360,663
<b>TOTAL ASSETS</b>	<b>\$ 4,613,823</b>	<b>\$ 13,517,083</b>	<b>\$ 4,335,536</b>
<b>EQUITY AND LIABILITIES</b>			
<b>CAPITAL AND RESERVES ATTRIBUTABLE TO THE OWNERS OF THE COMPANY</b>			
Called up share capital	50,000	50,000	50,000
Share premium account	24,241,030	24,241,030	24,241,030
Retained earnings	(54,126,075)	(54,045,608)	(53,856,550)
<b>NET ASSETS</b>	<b>(29,835,045)</b>	<b>(29,754,578)</b>	<b>(29,565,520)</b>
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>	1,247,806	1,167,505	978,281
<b>CURRENT LIABILITIES</b>			
Trade and other payables	33,201,062	42,104,156	32,922,775
	34,448,868	43,271,661	33,901,056
<b>TOTAL LIABILITIES</b>	<b>\$ 4,613,823</b>	<b>\$ 13,517,083</b>	<b>\$ 4,335,536</b>

**BOREALIS EXPLORATION LIMITED**

Registered number: 66632

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	Called up Share Capital	Share Premium Account	Other reserves	Retained earnings	Non- controlling interest	Total equity
	\$	\$	\$	\$	\$	\$
Balance at 1 April 2015	\$50,000	\$27,110,974	-	\$(30,295,658)	\$9,177,847	\$6,043,163
Loss on ordinary activities after tax	-	-	-	\$(4,116,180)	-	\$(4,116,180)
Profit on sale of shares in subsidiary companies	-	\$6,049,879	-	-	-	\$6,049,879
Change of stake in business	-	-	-	\$(39,620)	-	\$(39,620)
Change in ownership interest of	-	-	-	\$(117,803)	\$117,803	-
Balance at 30 September 2016	\$50,000	\$33,160,853	-	\$(34,569,261)	\$9,295,650	\$7,937,242
Loss on ordinary activities after tax	-	-	-	(1,868,377)	-	(1,868,377)
Profit on sale of shares in subsidiary companies	-	1,191,168	-	-	-	1,191,168
Change of stake in business	-	-	-	(40,481)	40,481	-
Change in ownership interest of	-	-	-	194,234	(194,234)	-
Balance at 31 March 2017	\$ 50,000	\$ 34,352,021	\$ -	\$(36,283,885)	\$ 9,141,897	\$ 7,260,032

**BOREALIS EXPLORATION LIMITED**  
Registered number: 66632

**COMPANY STATEMENT OF CHANGES IN EQUITY**

	Called up Share Capital	Share Premium Account	Retained earnings	Total equity
	\$	\$	\$	\$
Balance at 1 April 2015	\$50,000	\$24,241,030	\$(54,309,304)	\$(30,018,274)
Comprehensive income for the year	-	-	452,754	452,754
Balance at 30 September 2016	\$50,000	\$24,241,030	\$(53,856,550)	\$(29,565,520)
Comprehensive income for the period	-	-	(269,525)	(269,525)
Balance at 31 March 2017	\$50,000	\$24,241,030	\$(54,126,075)	\$(29,835,045)

**BOREALIS EXPLORATION LIMITED**  
Registered number: 66632

**CONSOLIDATED STATEMENT OF CASH FLOW**

	Six months to 31 March 2017 \$	Twelve months to 31 March 2016 \$	18 Months to 30 September 2016 \$
<b>Cash flows from operating activities</b>			
Cash generated from operations	(648,350)	(348,077)	(754,367)
Interest	(13,316)	(6,274)	(12,302)
<b>Net cash generated from operating activities</b>	<b>(661,666)</b>	<b>(354,351)</b>	<b>(766,669)</b>
<b>Cash flows from investing activities</b>			
Acquisition of intangible assets	(918,224)	(1,436,978)	(2,231,833)
Proceeds on disposal of property, plant and equipment	8,951	-	-
	-	6,404	6,404
<b>Net cash used in investing activities</b>	<b>(909,273)</b>	<b>(1,430,574)</b>	<b>(2,225,429)</b>
<b>Cash flows from financing activities</b>			
Proceeds from sale of subsidiaries shares	1,056,615	1,406,394	2,071,790
Repayments of borrowings	-	-	(165)
Shares repurchased	-	(16,236)	(866)
Long term loans raised	877,023	650,000	925,000
<b>Net cash inflow from financing activities</b>	<b>1,933,638</b>	<b>2,040,158</b>	<b>2,995,759</b>
<b>Net decrease in cash and cash equivalents</b>	<b>362,699</b>	<b>255,233</b>	<b>3,661</b>
Cash and cash equivalents at the beginning of the period	77,032	75,574	75,574
Exchange gains/losses on cash at bank	(2,416)	(115)	(2,203)
<b>Cash and cash equivalents at the end of the period</b>	<b>\$ 437,315</b>	<b>\$ 330,692</b>	<b>\$ 77,032</b>

**BOREALIS EXPLORATION LIMITED**  
Registered number: 66632

**CONSOLIDATED STATEMENT OF CASH FLOW (Continued)**

**Cash generated from operations**

Total comprehensive income (loss) for the year	(1,868,377)	(2,528,196)	(4,116,180)
Adjustments for:			
Depreciation	-	2,396	3,835
Amortisation	34,587	64,564	102,053
Share based payments - equity settled	124,625	3,715,625	3,938,453
Fair value (gains)/losses on financial assets	72	77,552	78,052
Interest paid	413,976	6,274	400,205
Foreign exchange losses/(gains) on operating	(2,264)	(2,994)	(2,211)
Non cash financing loss/(gain)	269,525	(263,595)	(452,754)
Gain on write off of payables	-	(759,244)	(797,647)
Changes in working capital:			
Decrease/(Increase) in trade and other receivables	71,171	(954,701)	(696,851)
Increase/(Decrease) in trade and other payables	308,335	294,242	788,678
Net cash outflow from operating activities	\$ (648,350)	\$ (348,077)	\$ (754,367)

## **BOREALIS EXPLORATION LIMITED**

Registered number: 66632

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

Six months ended 31 March 2017

#### **1. Significant Accounting Policies**

These financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs) issued by the International Accounting Standards Board (IASB) as adopted by the European Union ("adopted IFRSs") and the Gibraltar Companies Act 2014.

##### ***a. Basis of accounting***

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

The preparation of financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the accounting policies to the family, hereafter referred to as the 'Family'. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in note 4.

These consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value.

##### ***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**

Registered number: 66632

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

Six months ended 31 March 2017

#### ***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 reporting dates.

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 holders 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 operations of 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 items 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.

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**

Registered number: 66632

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

Six months ended 31 March 2017

#### ***e. 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.

#### ***f. Property, plant and equipment***

Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss. The residual values and useful lives of property, plant and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period. The carrying amount of an asset is written down immediately to its recoverable amount if the asset's carrying amount is assessed as greater than its estimated recoverable amount.

Depreciation is charged on other assets so as to write off the cost or valuation of assets, over their estimated useful lives, less estimated residual value, using the straight-line method on the following bases:

Mining and geological equipment	30%
Other equipment	20%

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between sales proceeds and the carrying amount of the asset and is recognised in the income statement.

#### ***g. 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 year useful estimated life once the asset is available for use.

## **BOREALIS EXPLORATION LIMITED**

Registered number: 66632

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

Six months ended 31 March 2017

#### ***g. Intangible assets - Research and development expenditure*** (continued)

Patents are accounted for on the basis of the costs of registering the worldwide rights. All costs for legal works of the products have been written off in the year incurred. These patents are amortised on the straight-line basis over their twenty year estimated useful life.

#### ***h. Mineral resources***

Mineral resources are recognised at the cost of acquiring licences, including the costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. All costs are capitalised once the company has obtained the legal right to explore. Mineral resources are amortised when technical feasibility and commercial viability of the property can be demonstrated.

#### ***i. Impairment of non-financial assets***

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.

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.

#### ***j. Taxation***

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

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

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

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

## **BOREALIS EXPLORATION LIMITED**

Registered number: 66632

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

Six months ended 31 March 2017

#### ***j. Taxation*** (continued)

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

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

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

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

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

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

#### ***k. 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.

#### ***l. 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.

## **BOREALIS EXPLORATION LIMITED**

Registered number: 66632

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

Six months ended 31 March 2017

#### ***m. 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.

#### ***n. 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 other comprehensive income.

#### ***o. 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.

#### ***p. Revenue recognition***

Revenue from the sale of fuel slots is recognised when the agreements are executed.

##### **(i) Loans and receivables**

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

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

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

The company has designated its marketable securities as FVTPL financial assets.

## **BOREALIS EXPLORATION LIMITED**

Registered number: 66632

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

Six months ended 31 March 2017

#### ***p. Revenue recognition*** (continued)

##### (iii) Other financial liabilities

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

The Company's subsidiaries are listed in note 9 to the consolidated financial statements and are held at cost less provision for any impairment.

#### ***q. Financial hierarchy***

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

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

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

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

#### ***r. Share capital***

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

#### ***s. 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.

#### ***t. Comparative figures***

Some comparative figure allocations are restated where necessary to allow for a more meaningful comparison with the current figures.

#### ***u. Profit on sale of shares in subsidiary companies***

In compliance with IFRS10, Profit on Sale of Shares in Subsidiary Companies has been shown in the Consolidated Statement of Changes in Equity and not in the Consolidated Statement of Comprehensive Income. The comparative figures have been changed accordingly. It is noted that this is a difference in disclosure only, and it has no effect on the Consolidated Statement of Financial Position.

## **BOREALIS EXPLORATION LIMITED**

Registered number: 66632

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

Six months ended 31 March 2017

#### ***v. Change of fiscal year end***

The Company has changed its fiscal year end from 31 March to 30 September. While the current report covers results for the 6-month period ended 31 March, it must be noted that the comparative results in the report are for different periods.

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

The following standards and amendments to existing standards have been published and are mandatory for accounting periods of the Group beginning after 1 April 2015, but have not been adopted early by the Family:

- a. IFRS 9, 'Financial Instruments', has an effective date for accounting periods beginning on or after 1 January 2018 now that it has been finalised. IFRS 9 outlines the recognition, measurement and derecognition of financial assets and financial liabilities, the impairment of financial assets and hedge accounting.

Financial assets are to be measured at amortised cost, fair value through profit and loss or fair value through other comprehensive income, with an irrevocable option on initial recognition to recognise some equity financial assets at fair value through other comprehensive income. A financial asset can only be measured at amortised cost when the Family has a business model to hold the asset to collect contractual cash flows and the cash flows arise on specific dates and are solely for payment of principal and interest on the principal outstanding. When the requirements for measuring the financial asset at amortised cost are met but the business model also includes the selling of those instruments (mixed business model), then these financial assets are measured at fair value through other comprehensive income. All other financial assets are measured at fair value through profit or loss. On adoption of the standard the Family will have to redetermine the classification of its financial assets, specifically for available-for-sale and held-to-maturity financial assets.

There is a minor change in the measurement and recognition of financial liabilities. Most financial liabilities will continue to be carried at amortised cost, however, financial liabilities that are measured or designated to be measured at fair value through profit and loss are required to recognise changes in the liabilities' credit risk in other comprehensive income. This section of the standard is unlikely to impact the Family when it is applied.

The derecognition principles of IAS 39, 'Financial Instrument: Recognition and Measurement', have been transferred to IFRS 9. There is unlikely to be an impact on the Family from this section of the standard when it is applied.

The impairment model in IFRS 9 moves to one that is based on expected credit losses rather than the IAS 39 incurred loss model. The impairment requirements apply to financial assets measured at amortised cost and fair value through other comprehensive income with expected credit losses recognised on initial recognition based on 12 months expected credit losses, or if there has been a significant increase in the credit risk of the financial asset then the impairment is based on lifetime expected losses. The Family's financial assets mainly consist of trade receivables without a significant financing element, therefore the life time expected losses are required to be recognised for such instruments. The Family on adoption of the standard will need to assess the impairment of the financial assets.

## **BOREALIS EXPLORATION LIMITED**

Registered number: 66632

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

Six months ended 31 March 2017

#### **2. Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early (continued)**

b. "IAS 16 & IAS 38 (amendments), IAS 16 & IAS 38 (amendments), 'Clarification of Acceptable Methods of Depreciation and Amortisation', is effective for periods beginning on or after 1 January 2016. The amendment clarifies that a deprecation method based on revenue is not an appropriate method in determining a pattern in which the assets future economic benefits are consumed.

The Family has not adopted a revenue based method of depreciation and therefore the amendment will not impact its financial statements.

c. "IFRS 15, 'Revenue from contracts with customers', is effective for periods beginning on or after 1 January 2018. The standard has been developed to provide a comprehensive set of principles in presenting the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The standard is based around five steps in recognising revenue:

- 1) Identify the contract with the customer
- 2) Identify the performance obligations in the contract
- 3) Determine the transaction price
- 4) Allocate the transaction price
- 5) Recognise revenue when a performance obligation is satisfied

The standard also provides specific principles to apply, when there is a contract modification, accounting for contract costs and accounting for refunds and warranties.

On application of the standard the disclosures are likely to increase. The standard includes principles on disclosing the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers, by providing qualitative and quantitative information.

The Family has not as yet evaluated the full extent of the impact that the standard will have on its financial statements.

d. IAS 1 (amendment), 'Disclosure Initiative', is effective for periods beginning on or after 1 January 2016. The amendments seek to clarify a number of disclosure requirements covering:

- the disclosure of significant accounting policies
- the application of materiality to financial statements
- presentation of sub-totals
- information presented in the other comprehensive section of the performance statement
- the structure of the financial statements

The Family does not believe the amendment will have a material effect on the financial statements, however the Family will consider the areas addressed in the amendment to aid clear and concise reporting.

## **BOREALIS EXPLORATION LIMITED**

Registered number: 66632

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

Six months ended 31 March 2017

#### **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. 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.

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](http://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 to the carrying values of assets and liabilities that would be necessary if the Borealis Family of Companies is unable to achieve profitable operations or secure continued financing.

#### **4. 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) Mineral resources

The recoverability of the capitalised mineral resources are subject to significant assumptions about the future made by management at the end of the year. The recoverability is dependent upon the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in mineral resources, the ability of the Family to secure continued financial support to develop its mineral resources, and upon future profitable production.

ii) Intangible Assets

The recoverability of the capitalised technology development costs are subject to significant assumptions about the future made by management at the end of the year. The recoverability is dependent upon the successful development of a commercially viable product, securing and maintaining patents in relation to these, the ability of the Family to secure continued financial support to develop, and upon future profitable production.

iii) 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.

## BOREALIS EXPLORATION LIMITED

Registered number: 66632

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 31 March 2017

#### 5. Operating loss

Operating loss	March (6 Months) 2017	March (12 Months) 2016
<i>Operating loss is stated after charging</i>		\$
Depreciation	-	2,396
Amortisation	34,587	64,564
Family audit fees	-	12,506

#### 6. Directors' emoluments

The total amount of emoluments credited to directors, who are also the key management personnel, during the period was \$650,400 (March 2016 -: \$1,644,100).

Included in these emoluments are directors' fees of \$54,000 and expenditure on the Chorus/ WheelTug project of \$650,400, approximately 55% of which has been capitalised as development expenditure.

In addition, amounts totalling approximately \$95,400 (March 2016: \$222,000) have been charged to the Family of Companies by certain directors for the provision of office space.

#### 7. Employee information

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

#### 8. Results of the holding company

Included in the profits for the financial period is a loss of \$269,525 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.

#### 9. Taxation

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

## **BOREALIS EXPLORATION LIMITED**

Registered number: 66632

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

Six months ended 31 March 2017

#### **10. Contingent liabilities**

Subsidiary company WheelTug plc entered into a number of venture capital agreements, whereby future revenue from the project was sold in accordance with and pursuant to the terms and conditions below, in return for funds received to advance the project. Funds so received ("Revenue Repurchase Funds") have been recorded as long term liabilities, and they carry a contingent liability of \$2,939,166 subject to WheelTug plc earning revenue.

Revenue Repurchase Funds will be paid out within 30 days of the year end of each calendar quarter in which WheelTug plc earns gross revenue in accordance with the following formula:

- a.  $\text{Payment} = (\text{gross revenues}/100,000,000) \times \text{amount invested}$
- b. That is by way of example, for an investment of \$1,000,000 WheelTug plc will pay 1% of gross revenues to the purchaser.

These payments will continue until the total payments per this formula reaches 7 times the amount invested, with the exception of one transaction according to which these payments will continue until 10 times the original amount is reached.

In addition, WheelTug plc has offered to its shareholders a share buy-back scheme which is contingent on the project generating revenue. A number of shareholders have accepted this offer resulting in a contingent liability of \$13,494,600.

Share buy-back revenue will be paid to the participating shareholders within 30 days of the end of each calendar quarter in which WheelTug plc earns gross revenue. Payments will be in accordance with the following formula:

- a.  $\text{Payment} = (\text{gross revenues}/555,600) \times \text{number of shares delivered by shareholder}$
- b. That is by way of example, for 5,556 shares delivered, WheelTug will pay to the seller 1% of gross revenue.

These payments will continue until the total payments reaches \$1,260 multiplied by the number of shares delivered, with the last payment potentially being reduced so as to not exceed that limit.

## 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 31 March 2017<sup>1</sup>*

Borealis spent US\$1,189,484 on its operations for the six months ended 31 March 2017 and US\$3,470,303 for the twelve month period ended 31 March 2016. On a monthly basis, this amounts to a decrease of approximately US\$91,000 in operating expenditure in the six months ended 31 March 2017 versus the twelve-month period ended 31 March 2016. This reduction is attributable to many factors, including the capitalisation of expenses for the Chorus Motors/WheelTug project, as the project nears completion.

For the six months ended 31 March 2017, Borealis incurred administrative expenses of US\$27,243, US\$57,091 in corporate fees, US\$45,643 in legal fees, US\$193,687 in rent and US\$59,292 in travel compared to administrative expenses of US\$965,254, US\$69,740 in corporate fees, US\$254,067 in legal fees, US\$449,529 in rent and US\$72,789 in travel for the twelve months ended 31 March 2016. It must be noted that due to the change in the fiscal year end from March to September, the March 2017 figures are for a period of six months, while the comparative figures cover a period of 12 months. This and the cyclical charges are the main contributors to the differences when comparing expenses. In addition, another contributing factor is the intense focus and expenditure on the WheelTug project in the effort to bring the final product to the market.

In the six months ended 31 March 2017, Borealis credited US\$650,400 to directors and officers for compensation versus US\$1,644,100 in the 12-month period ended 31 March 2016

In the six months ended 31 March 2017, Borealis incurred and capitalised development expenses amounting to US\$888,976 relating to the Chorus Motors/WheelTug technology compared to US\$1,406,330 in the twelve-month period ended 31 March 2016..

As at 31 March 2017, the accumulated loss carried forward for Borealis was US\$36,283,885 compared to US\$25,035,912 as at 31 March 2016. The increase in accumulated loss carried forward as at 31 March 2017 over the 12-month period ended 31 March 2016 is attributable to the operating costs of the family of companies. It is noted that in compliance with of International Financial Reporting Standards, profit on sale of shares in subsidiary companies is now credited to share premium. A profit of \$1,191,168 for the six-month period ended 31 March 2017 has been accounted for in this manner compared to a profit of US\$5,246,806 similarly treated for the 12-month period ended 31 March 2016. As a result, the balance on the share premium account as at 31 March 2017 was US\$34,352,021 compared to US\$25,035,912 as at 31 March 2016.

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<sup>1</sup> Please note that since the Borealis family of companies changed its fiscal year-end in September 2015 from 31 March to 30 September, no financial statements were required to be produced and no financial statements were, in fact, produced in respect of the six-month period ended 31 March 2016. As such, the comparison in the six-month consolidated financial statements above and significant changes thereto is between the six months ended 31 March 2017 versus the 12 months ended 31 March 2016.

In the six months ended 31 March 2017, the Borealis family of companies sold no marketable securities of the Borealis family of companies to third-parties versus US\$6,404 sold in the twelve months to 31 March 2016..

As at 31 March 2017, intangible assets increased to US\$15,456,566 from US\$13,387,587 at 31 March 2016. Intangible assets consist of (i) patents and (ii) the capitalization of Chorus Motors and WheelTug research and development expenses. The increase was attributable to more development work on the Chorus/WheelTug project and the registration of additional patents.

During the six-month period ended 31 March 2017, Borealis's subsidiary, WheelTug plc, raised US\$925,000 (twelve months to 31 March 2016 – NIL) via a number of loan arrangements with similar terms. Some of these loan arrangements are interest bearing and while others are in effect a purchase of a share of future revenue to be generated by the WheelTug project. At 31 March 2017, and the total amount due in respect of these loans was US\$2,585,290 compared to zero at 31 March 2016. Interest accrued on the interest-bearing loans for the six months to 31 March 2017 amounted to US\$400,660, while the liability contingent on WheelTug plc earning revenue amounted to US\$2,939,166, compared to zero in both respects for the 12 months to March 2016.

During the six months, WheelTug plc also made share buy-back offers of US\$ 1,260 per share to all its shareholders, but contingent on WheelTug plc earning revenue. A number of shareholders accepted this offer resulting in a contingent liability of US\$13,494,600.

Payments on both the revenue purchase and share buyback schemes will be made in stages subject to a formula designed to retain the large cash flow required by WheelTug plc as it enters into service.

### **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, which are now in the FAA certification queue in respect of the Boeing 737 family of aircraft. The FAA certification process will involve further engineering and testing efforts and is expected to cost in excess of US\$10,000,000, which needs to be raised in a timely manner for FAA certification and entry into service to take place in 2019. Borealis intends to devote the balance of its time and financial resources focused primarily on its mining company, Roche Bay plc, and its other technology companies, including Avto Metals plc, Power Chips plc, Cool Chips plc. Each of these technologies has successfully undergone tests in the six months ended 31 March 2017 and will undergo further testing and development the last two quarters of fiscal 2018 with a view toward commercialization by fiscal 2021.

### **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 31 March 2017, 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 30 September 2017 that could significantly affect the economic results of Borealis and its consolidated group in the six months ended 31 March 2017.

### **Financial Position**

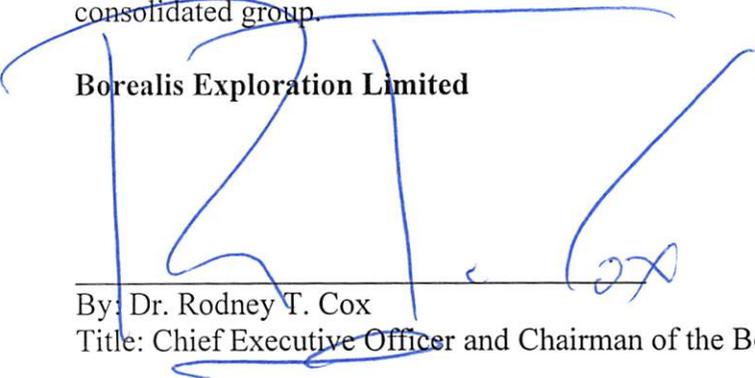
Since the FAA approval of the certification plans for the WheelTug® aircraft electric drive system for Boeing 737NG aircraft on 10 January 2017, Borealis has had sufficient financing and facilities available for the foreseeable future and there have been no material changes in financial arrangements other than the loan arrangements and share buy-back transactions disclosed above since the beginning of the financial year 2017 (i.e., 1 October 2016).

As at the date of this report, there have been no material events, transactions or changes regarding the financial position of Borealis other than those outlined herein. Furthermore, the Board of Directors is not aware of any material events, transactions or changes regarding the financial position of Borealis, which have occurred since 1 October 2016 up to and including 22 May 2017, which is the date of publication of this report.

### **Borealis Statement**

According to my best knowledge, this Semi-Annual Report for the six months ended 31 March 2017 provides a true and fair view of the financial situation, business activities and the economic results of Borealis and of its consolidated group for the past six months and about the prospects of the future development of the financial situation, business activities and the economic results of Borealis and of its consolidated group.

**Borealis Exploration Limited**



By: Dr. Rodney T. Cox  
Title: Chief Executive Officer and Chairman of the Board