

WHELTUG

WheelTug plc
2006 Annual Report



WHEELTUG PUBLIC LIMITED COMPANY

Gibraltar Registered No. 94119

About WheelTug plc

WheelTug™ is a fully integrated ground propulsion system for aircraft. Built into the hubs of the nose wheels, it will give aircraft of all sizes full ground mobility (forward & reverse with steering) without turbines or external tugs. It will not require airframe modifications. The WheelTug will be powered by the Auxiliary Power Unit (APU) which, while technically a turbine, is designed for this kind of application. In June 2005, a demonstration system was successfully tested at an Evergreen Aviation facility in Arizona on a Boeing 767.

WheelTug plc was incorporated on February 5, 2005 to develop and commercialize WheelTug technology. WheelTug plc is a majority-owned subsidiary of Chorus Motors plc (CHOMF OTC-US).

Contents

Management's Letter to Shareholders	3
Management Discussion and Analysis	4
Officers and Directors	6
Directors' Report	7
Auditors' Report	11
Financial Statements and Notes	13

Management's Letter to Members

14 June 2006

Fellow Members:

Thirty months from when WheelTug is funded, a revolution in aerospace will begin.

It might seem like a minor thing at the time, one small device installed on a single aircraft, but the impact will be huge. That small device will be a WheelTug – a pair of motors installed in the nose wheels of an airliner. Those motors have the power to move the plane on the ground, and transform airport operations.



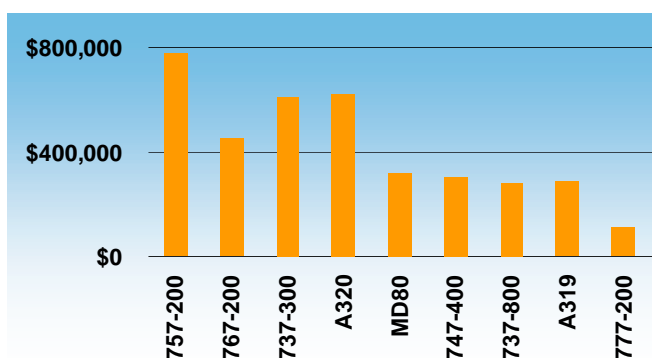
WheelTug Demonstrator Moving a Boeing 767

Today's jet airliners are incredible examples of human ingenuity. Traveling through the sky at hundreds of miles per hour, they carry millions of passengers each day. But on the ground, their very power is their undoing. Every minute on the ground, even smaller airliners like 737s burn tens of pounds of fuel. When they pull into gates, they are trapped until cumbersome tugs can push them back. And the strength of their engines creates hazards for the vehicles, buildings and people who surround them. Taxiing aircraft are like penguins out of water: their strengths, and the perfection of their design, become awkward at best.

WheelTug changes all of that. Made up of two motors, one in each of the front wheels, WheelTug will give aircraft on the ground full mobility without the use of jet engines or tugs. WheelTug will give airliners on the ground the efficiency, flexibility and grace that they now lack. Powered by the aircraft's existing auxiliary power unit, WheelTug will consume a fraction of the fuel and emit a fraction of the pollution of jet engines. It will also reduce turbine maintenance by reducing turbine use. WheelTug can push the aircraft both forward and back – releasing it from dependency on cumbersome and inefficient ground tugs. And, finally, WheelTug eliminates the use of jets in the gate area. The immediate safety benefits – a lack of jet blast, a cut in noise, an improvement in predictability – are palpable. But the knock-on effects are transformational. The aerospace industry is filled with visions of a reinvented gate – a gate without ground vehicles. These visions have been held back because airlines have been unable to eliminate the use of jets and tugs in the gate area. With WheelTug, these visions can become a reality.

In thirty months, two little electric motors can unleash a transformation. Immediately, fuel use, maintenance costs and turnaround times will be cut. A single WheelTug system installed on an average 757-200 unlocks savings of \$775,000/yr. Not long after, the use of WheelTug will unleash a creative torrent which will totally redefine ground operations – cutting costs, improving efficiency and recreating the passenger experience.

Your company has a bright future ahead. By our estimates, the total present value of this venture using a 20% discount rate is somewhere between \$1.0 billion and \$1.7 billion USD.



Fuel, Maintenance and Turnaround Savings/year

WHEELTUG PUBLIC LIMITED COMPANY

Gibraltar Registered No. 94119

At this point, your company has a unique and well-protected technology, a powerful vision, a solidly established business case and a clear path forward.

To learn more visit our website (www.wheeltug.gi) and go to the *Get Involved* section.

WheelTug plc



Joseph J. Cox
COO/President



Rodney T. Cox
Chairman

Management's Discussion and Analysis of 2006 Results

All of our bills during 2006 were paid by Chorus Motors plc, and as such we have no debt or accounts payable.

Our parent company, Chorus Motors plc, owes us \$69,333. This sum is the sole financial asset in the balance sheet. Our key asset is the rights to the Chorus® Motor technology in moving aircraft on the ground. This asset as well as the expertise of Chorus and WheelTug personnel is carried at a zero value on the books.

When your company completes major sales of product and/or sales of shares and is able to stand alone, we do not intend to be reliant on our majority shareholder for absorbing most of the development costs and operating funding. That said we expect significant funding from our majority shareholder from the sale of WheelTug plc shares it owns in excess of the 5.2 million shares of WheelTug that are its base holding in WheelTug plc.

The current Business Plan calls for WheelTug plc management to arrange and manage a significant funding event in the near future, allowing for the completion and subsequent certification of WheelTugs for use in moving aircraft on the ground.

We are planning, with a demonstration of a flyable WheelTug, to expend the funds necessary to seek a share listing on the AIM exchange or another European exchange.

Investor Information

Extensive information for investors can be found on our Website at www.wheeltug.gi. Our reports are posted there, as well as full information about the Company and our technologies.

If you have a question about WheelTug, please write to us at pr@wheeltug.gi.

Forward-Looking Statement

The discussion of WheelTug plc's ("WheelTug") business and operations includes, in several instances, forward-looking statements that are based upon WheelTug's management's and advisors' good faith assumptions relating to the financial, market, operating and other relevant environments that will exist and affect WheelTug's business and operations. All technical, scientific, and commercial statements regarding technologies and their impacts are based on the educated judgment of the WheelTug's technical and scientific staff, advisors, and consultants. No assurance can be made that the assumptions upon which management based its forward-looking statements will prove to be correct or that the WheelTug's business and operations will not be affected in any substantial manner by other factors not currently foreseeable by management or beyond the WheelTug's control.

All forward-looking statements involve risks and uncertainty. WheelTug undertakes no obligation to publicly release the result of any revisions to these forward-looking statements that might be made to reflect the events or circumstances after the date hereof, or to reflect the occurrence of unanticipated events; including those described herein, and such statements shall be deemed in the future to be modified in their entirety by the WheelTug's public pronouncements, including those contained in all future reports and other documents filed by the WheelTug with the relevant securities commissions.

WHEELTUG PUBLIC LIMITED COMPANY

Gibraltar Registered No. 94119

DIRECTORS AND OFFICERS

Directors

Appointed

Rodney T. Cox	09 February 2005	Director, Chairman of the Board
Isaiah W. Cox	09 February 2005	Director, Chief Executive Officer
Wayne S. Marshall	09 February 2005	Director
Robert T. Bauer	09 February 2005	(resigned 22 July 2005)
Stuart Harbron	09 February 2005	Chief Patent Officer
James Magdych	09 February 2005	Chief Information Officer

Secretary

Fidecs Management Limited
Appointed 09 February 2005

Registered Office

Suite 3G, Eurolife Building
1 Corral Road
Gibraltar

Auditors

Moore Stephens
Suite 5 Watergardens 4
Waterport
Gibraltar

WHEELTUG PUBLIC LIMITED COMPANY

Gibraltar Registered No. 94119

DIRECTORS' REPORT

The directors submit their report and the audited financial statements for the year ended 31 March 2006.

Corporate Profile

The Company was incorporated in Gibraltar on 9 February 2005.

Activities

The company is a licensee of Borealis Technical Technologies for the use of the Chorus Motor system for moving aircraft on the ground. The company has been developing the marketing and business planning for this venture and has begun discussions with potential customers.

Results and Review of Business

WheelTug plc is a member of the Borealis Family of Companies and is an indirect majority-owned subsidiary of Borealis Exploration Limited and a direct subsidiary of Chorus Motors plc. Chorus Motors plc owns 6,846,145 of our 6,933,348 outstanding shares, or 98.78% of our shares. Like our parent and many of our Family Companies, WheelTug plc is incorporated in Gibraltar.

WheelTug plc has carried out extensive design, integration and testing work for WheelTug™. A major program carried out with the Boeing Company was successfully completed in fiscal 2006 and announced by The Boeing Company on 1 August 2005:

Boeing Demonstrates New Technology for Moving Airplanes on the Ground

SEATTLE, Aug. 01, 2005 -- The Boeing Company [NYSE: BA] and Chorus Motors have demonstrated an exploratory technology that could lead to a more efficient way of moving airplanes when they are on the ground at airports.

Successful tests in June of an onboard electric motor attached to the nose wheel of a Boeing 767 have shown that it may be a viable way of powering airplanes to move in and around gates, largely eliminating the use of airport tow tugs and jet engines now serving this purpose, as well as reducing emissions.

"We are striving to help our aerospace customers operate more efficiently, cleanly and quietly at airports," said Jim Renton, a director of Technology Integration in Boeing Phantom Works, the company's advanced research and development unit. "Our testing has shown that onboard electric motors can be very useful in achieving that goal if packaging, weight and flight-related technical issues identified during these tests can be resolved."

"We believe onboard electric motors have a great many advantages," added Bob Carman, Chorus Motors' WheelTug™ program manager. "They could reduce the need for ground tugs and their associated costs, allow faster flight turnarounds and increased fuel efficiency per trip, and reduce airplane noise and emissions at airports, to name just a few advantages."

Phantom Works researchers, together with those from Chorus Motors, a developer of innovative electric motor technologies, have worked together this year to design, build and operate a prototype onboard electric drive system that may enable pilots of large airplanes to be in complete control of their airplanes from gate to gate.

In June, the Phantom Works/Chorus Motors team, in cooperation with Air Canada, installed an electric motor drive on an Air Canada 767 and conducted a series of successful tests. Air Canada pilots performed ground maneuvers on slopes and terrains typical of those at airports around the world, including driving in reverse from a gate and taxiing forward to a runway. Tests also were performed at

WHEELTUG PUBLIC LIMITED COMPANY

Gibraltar Registered No. 94119

ramp temperatures exceeding 120 degrees Fahrenheit and at loads of up to 94 percent of the maximum takeoff weight for the airplane.

"Powered nose wheels have very positive benefits and I am quite impressed with the potential of the electric motor technology," said Capt. Hugh Campbell, director of Pilot Qualifications at Air Canada, who participated in the testing with Air Canada's chief 767 pilot, Capt. Richard Burke.

Next steps involve working to successfully resolve the technical issues that surfaced during the tests in order to define a path for commercial system installation.

Boeing Phantom Works is the advanced R&D unit of The Boeing Company. As an element of Boeing Technology, it provides advanced system solutions and innovative, breakthrough technologies that reduce cycle time and cost while improving the quality and performance of aerospace products and services. In addition to its own development work, Phantom Works collaborates with universities, companies, and organizations around the globe to ensure it is finding the best technology solutions the world has to offer.

Chorus Motors plc (US OTC: CHOMF), a developer of proprietary electric motor technologies, is a subsidiary of Borealis Exploration Limited (US OTC: BOREF). The Chorus systems produce high torque at start-up speeds and can be used in applications in aircraft, automobiles, trucks, locomotives, and ships. A wholly-owned subsidiary of Chorus Motors plc, WheelTug plc, has been assigned rights for aerospace applications of the Chorus family of motor technologies. For more information, see www.chorusmotors.gi.

Since this successful test with the Boeing Company, WheelTug has established a path for development and carried out extensive market analysis to identify ideal aircraft platforms and customers. We are beginning to implement this path by approaching potential airline customers and expanding our engineering staff. We have a detailed business plan that is available under NDA for industry participants and for investors to evaluate the WheelTug Technology and its value.

These financial statements have been prepared in accordance with Gibraltar GAAP (generally accepted accounting principles), with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. As of 31 March 2006, the Company had net assets of \$69,333 and to date has relied on the support of Borealis, which is also in the development stage. The Company's only asset at year end was the contract with Borealis Technical and Chorus Motors. The continued operation and growth of the Company is dependent on its ability to receive continued financial support from its parent company and/or to develop potential joint venture partners, development partners, or investors. The financial statements do not contain any adjustments that might be necessary if the Company is unable to continue as a going concern.

Dividends

There were no dividends declared during the year.

WHEELTUG PUBLIC LIMITED COMPANY

Gibraltar Registered No. 94119

Directors and their Interests

The directors who served during the year were as stated on page 8.

The interests of the directors in the shares of the Company in the year were as follows.

Shares held at 31 March 2006

Rodney T. Cox	1
Wayne Marshall	201
Isaiah Cox	2001

Share Options

As of 31 March 2006, there were no share options outstanding.

Directors' Responsibilities

The directors are responsible for preparing financial statements for each financial year which give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss for that year and which comply with the Gibraltar Companies Ordinance 1930 and the Gibraltar Companies (Accounts) Ordinance 1999. In preparing the financial statements, appropriate accounting policies have been used and applied consistently, reasonable and prudent judgments and estimates have been made, and applicable accounting standards have been followed. The directors are responsible for maintaining adequate accounting records, for safeguarding the assets of the Company, and for preventing and detecting fraud and other irregularities.

Auditor

A resolution to reappoint Moore Stephens will be proposed at the Annual General Meeting.

By order of the Board on 14 June 2006

WheelTug plc



Joseph J. Cox
Director



Isaiah W. Cox
Director

WHEELTUG
PUBLIC LIMITED COMPANY
Gibraltar Registered No. 94119

Financial Statements

for the year ended 31 March 2006

WHEELTUG PUBLIC LIMITED COMPANY

Gibraltar Registered No. 94119

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WHEELTUG PUBLIC LIMITED COMPANY

We have audited the financial statements of WheelTug plc for the year ended 31 March 2006 set out on pages 13 to 15. These financial statements have been prepared under the historical cost convention and the accounting policies set out on page 14.

This report is made solely to the Company's members as a body, in accordance with the Companies Ordinance 1930. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the report of the Directors, the Company's Directors are responsible for the preparation of financial statements in accordance with applicable law and Gibraltar Accounting Standards (Gibraltar Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant Gibraltar legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the relevant financial reporting framework and are properly prepared in accordance with Gibraltar Law. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the Directors' Report and other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements within it or material inconsistencies with the financial statements.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland). An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

In forming our opinion, we have considered the disclosures made in Note 1 of the financial statements in connection with the application of the going concern basis and the uncertainty with regards to securing continued financial support.

In connection with the other information contained in the Annual Report we also draw attention to the content of the Forward-Looking Statement on page 5.

WHEELTUG PUBLIC LIMITED COMPANY

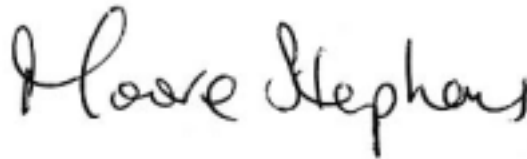
Gibraltar Registered No. 94119

AUDITORS' REPORT (Continued)

In view of the significance of these matters we consider they should be drawn to your attention but our opinion is not qualified in these respects.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company as at 31 March 2006, in accordance with Gibraltar Accounting Standards and have been properly prepared in accordance with Gibraltar Companies Ordinance 1930, the Gibraltar Companies (Accounts) Ordinance 1999, and the Gibraltar Companies (Consolidated Accounts) Ordinance 1999.



Gibraltar
14 June 2006

Moore Stephens
CHARTERED ACCOUNTANTS

WHEELTUG PUBLIC LIMITED COMPANY

Gibraltar Registered No. 94119

BALANCE SHEET as at 31 March 2006

	Notes	31 March, 2006 \$	31 March, 2005 \$
Current Assets			
Due from Parent (Chorus Motors plc)	1, 2	69,333	69,333
Total Current Assets		<u>\$ 69,333</u>	<u>\$ 69,333</u>
TOTAL ASSETS		<u><u>\$ 69,333</u></u>	<u><u>\$ 69,333</u></u>
LIABILITIES & EQUITY			
Equity			
Called up Share Capital	3, 4	69,333	69,333
Total Equity		<u>\$ 69,333</u>	<u>\$ 69,333</u>
TOTAL LIABILITIES & EQUITY		<u><u>\$ 69,333</u></u>	<u><u>\$ 69,333</u></u>

At present the company is in the development and financing stage and all income and expenditure is reflected in the accounts of the ultimate parent company. Consequently there is no profit and loss account.

Signed on behalf of the Board of Directors on 14 June 2006



Isaiah W. Cox
Director



Rodney T. Cox
Director

The notes on pages 14 to 15 form part of these Financial Statements.

WHEELTUG PUBLIC LIMITED COMPANY

Gibraltar Registered No. 94119

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2006

1. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Gibraltar Accounting Standards and the Gibraltar Companies Ordinance 1930 and the Gibraltar (Companies Accounts) Ordinance 1999 (together, 'Gibraltar GAAP').

a. Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

b. Reporting currency

The Company's financial statements are presented in US dollars, which is the functional currency for operations.

c. Foreign currency translation

Transactions in foreign currency are recorded at the rate at the date of the transaction. Any monetary assets or liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

d. Consolidation

Consolidated accounts are not presented since the accounts of the company and its subsidiaries are consolidated in the accounts of the ultimate parent company.

e. Going Concern

These financial statements have been prepared under the going concern concept, which assumes that the Company will continue in operational existence for the foreseeable future having adequate funds to meet their obligations as they fall due. Further information is set out in the Directors' Report on pages 7 to 9.

f. Cash Flow Statements

The Company meets the size criteria for a small company set by the Companies Act 1985, and therefore, in accordance with FRS1: Cash Flow Statements, it has not prepared a cash flow statement.

2. DEBTORS

	2006	2005
	\$	\$
Loan to parent company	\$ 69,333	\$ 69,333
	<u> </u>	<u> </u>

Amounts due from the Company's parent company are non-interest bearing, unsecured, and with no fixed terms of repayment

WHEELTUG PUBLIC LIMITED COMPANY

Gibraltar Registered No. 94119

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2005 (Continued)

3. CALLED UP SHARE CAPITAL

	2006	2005
	\$	\$
Authorised share capital 10,000,000 ordinary shares @ \$0.01 each	\$ 69,333	\$ 69,333

	Number of Shares	Share Capital \$	Share Premium Account \$	Total \$
Shares issued	6,933,348	69,333	-	69,333
At 31 March 2005	6,933,348	69,333	-	69,333
Shares issued during the year	-	-	-	-
At 31 March 2006	6,933,348	69,333	-	69,333

4. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

	Share Capital \$	Share Premium Account \$	Total \$
Shares issued during the year			
Loss for the year	69,333	-	-
At 31 March 2005	69,333	-	69,333
Shares issued during the year	-	-	-
Profit for the year	-	-	-
At 31 March 2006	69,333	-	69,333

At present all income and expenditure is reflected in the accounts of the ultimate parent company and consequently there is no profit and loss account produced.

5. ULTIMATE PARENT COMPANY

The ultimate parent company is Borealis Exploration Limited, a company incorporated in Gibraltar whose registered office is at Suite 3G, Eurolife Building, 1 Corral Road, Gibraltar