

WHEELTUG

PUBLIC LIMITED COMPANY

Gibraltar Registered No. 94119

Financial Statements

for the year ended 31 March 2010

WHEELTUG PUBLIC LIMITED COMPANY

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About WheelTug plc

WheelTug plc was founded on 9 February 2005 to develop, certify and bring to market the first technology which enables most commercial and military aircraft to move around airports without using their main engines or requiring the assistance of tow tugs.

WheelTug plc is a majority-owned subsidiary of Chorus Motors plc (CHOMF OTC-US).

The WheelTug[®] system operates using new proprietary technology to produce ultra-high-torque motors which are highly-efficient and environmentally friendly, enabling airlines and other aircraft operators to reduce fuel consumption, engine damage and maintenance costs, emissions and airport noise, while enhancing ground operations and schedule efficiency. A WheelTug installation is comprised of two electric motors installed on the nose wheels of an aircraft, a power supply and cockpit controls. It can be retrofitted onto existing commercial airplanes (the major market), as well as onto military aircraft.

Commercial airlines currently rely on tow tugs for pushback from terminal gates and on jet engines for ground taxiing. WheelTug virtually eliminates the time and costs involved in these practices, since it uses only the aircraft's onboard electricity from the auxiliary power unit to drive the aircraft on the ramp, tarmac and taxiways to and from the gate. This eliminates the need for a tug and leaves the engines off until the pilot is at the runway and ready for takeoff. After landing, main engines can be turned off, and WheelTug can then drive the aircraft from the runway directly to the gate.

For a typical Boeing 737NG aircraft, WheelTug is expected to deliver operating cost reductions of over \$500,000 per year per plane. Along with such financial benefits, there are expected to be sharp reductions in emissions, engine noise and safety risks in terminal areas. WheelTug thus is expected to provide the most extensive efficiency improvements in ground handling of aircraft in decades. Assuming a purchase price of \$480,000 per system, payback is projected to be achieved in less than 12 months though we do not expect to be making any sales at this price.

WheelTug plc projects profitability within 20-28 months from receipt of adequate funds to complete development and achieve Federal Aviation Administration ("FAA") certification. This projected return is based on a sales model. However, since airlines lease most of their engines and many of their aircraft, WheelTug also plans to offer a lease option, deferring a portion of revenues but increasing overall profitability.

Development of the WheelTug system has been underway for more than five years, funded primarily by Chorus Motors plc, its Control and Selling Shareholder. WheelTug plc has already demonstrated the concept's viability on a fully loaded Boeing 767-200 aircraft in tests conducted with Boeing and Air Canada in 2005. (A video of that demonstration can be viewed on line at <http://www.youtube.com/watch?v=0Cbfi2wsgns>).

Delta Air Lines (Delta) has contributed operational assistance and expertise to WheelTug's development with the most significant contribution being the successful Electrical Load Measurement conducted at Delta's Technical Operations Center in Atlanta, Georgia on January 11, 2010.

WheelTug plc and Delta entered into an agreement dated March 15, 2007 pursuant to which Delta had the right (i) to purchase the first systems for its Boeing 737NG fleet, (ii) to install and maintain WheelTug systems for all airlines flying the 737NG in North America and (iii) to purchase up to 600,000 shares of WheelTug pursuant to warrants issued to Delta under such agreement (the "Warrants").

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About WheelTug plc (Continued)

However, on January 29, 2010, Delta served a notice on WheelTug plc which became effective on April 29, 2010 terminating such agreement but retaining such Warrants. WheelTug plc is now receiving technical information and other benefits from a number of other airlines, especially Travel Service (see below). As a result, WheelTug plc now has the access to data and aircraft that are required to ensure a rapid and smooth development and certification program. The terms of the Travel Service transaction are considerably more beneficial for WheelTug plc than were the terms of the Delta agreement.

On April 27, 2010 WheelTug plc and ICE Corporation, a leading designer and supplier of electronic controls for aviation ("ICE"), entered into an agreement pursuant to which ICE will design, develop and build the inverter/controller for the aircraft on-ground electric drive system being developed by WheelTug plc.

Under the agreement, ICE will design, certify, and build the inverter/controller that drives the electric motors and controls the system for the first WheelTug model being developed, which is for the Boeing 737NG aircraft. ICE has designed and manufactured products ranging from ice protection systems, electro-thermal anti-icing and de-icing, to avionic systems and systems monitoring equipment to a new line of robust sensorless motor controllers for both military and civilian aircraft.

The inverter/controller is one of the WheelTug system's most complex components. It forms the nerve centre of the WheelTug system, interfacing and interacting with both personnel and aircraft systems. While WheelTug plc has had prototype controllers operating in the lab for several years, this agreement is expected to provide for a complete and certificatable system that is optimized for aerospace requirements.

As of April 30, 2010, WheelTug plc completed the preliminary power and packaging specifications for the WheelTug system on the Boeing 737NG family. This was announced on 3 May 2010.

On July 1, 2010, WheelTug plc entered into an agreement with Letiste Praha, a. s., operator of the Prague Airport ("Prague Airport") pursuant to which Prague Airport agreed to assist WheelTug in an active manner with development support during testing and certification. It is expected that such support will include necessary airport assistance, as well as facilitation of smooth cooperation between WheelTug and other organizations at the airport, including airport handling services and air navigation service providers. In addition, Prague Airport is also expected to work with WheelTug to adapt existing operating procedures, checklists and operating regulations to achieve maximum benefit from WheelTug systems at Prague and at other airports.

On July 8, 2010, WheelTug plc entered into an agreement with Endeavor Analysis, LLC, a Washington limited liability company, ("EA"), pursuant to which EA is expected to perform analysis work with respect to aircraft landing gear in order to obtain Federal Aviation Administration certification of this system. As part of the consideration to be received by EA, WheelTug plc granted EA an aggregate of 12,000 shares of WheelTug plc to be received in two separate grants subject to the fulfilment of certain conditions.

On July 21, 2010 Travel Service Airline, a Prague-based low cost and charter carrier ("Travel Service"), entered into an agreement with WheelTug plc to provide active support development for WheelTug. Specifically, Travel Service has agreed to provide WheelTug with valuable operational information, as well as access to aircraft in connection with the design, development and testing of the WheelTug system.

Once developed and certified for the Boeing 737NG aircraft, WheelTug plc expects to develop and certify its systems thereafter for other aircraft models, such as older 737s (the 737 Classic), the Airbus A-320 family, the Boeing 757, any of several regional jets and military models starting with the C-130.

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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.

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WHEELTUG PUBLIC LIMITED COMPANY

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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

Secretary

STM Fidecs Management Limited
Montagu Pavilion
8-10 Queensway
P.O. Box 575
Gibraltar

Registered Office

Suite 2F/2, Eurolife Building
1 Corral Road
P.O. Box 575
Gibraltar

Auditors

Moore Stephens Limited
Suite 5 Watergardens 4
Waterport
Gibraltar

WHEELTUG PUBLIC LIMITED COMPANY

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DIRECTORS' REPORT

The directors submit their report and the audited financial statements for the year ended 31 March 2010.

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, as well as other intellectual property specific to WheelTug®. In addition to advancing the status of the technical and certification development, much of the focus within the past year has been toward raising the funding and technical resources necessary to put WheelTug on a firm development schedule.

Results and Review of Business

The results for the year are shown in the Profit and Loss Account on page 9.

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 6,580,742 of our 6,933,348 outstanding shares, or 94.9 % of our shares. Like our parent and many of our Family Companies, WheelTug plc is incorporated in Gibraltar.

Completed development and regulatory approval of the system are expected 18 months.

Management of the company is led by Chief Executive Officer Isaiah W. Cox, who has assembled and led the company from inception, through demonstration with Boeing, to partnership agreements with major airlines and risk-sharing partners. A graduate of Princeton University, Mr. Cox holds over a dozen U.S. patents.

Mr. Cox's executive team includes Daniel Barbalata, a Program Manager with a development, testing, certification and launch background with Bombardier and Hispano-Suiza, as well as experience introducing new tools and manufacturing processes with British Aerospace and Romaero. WheelTug's Senior Certification Advisor is Gilbert Thompson, a veteran of over 30 years with the FAA, who acted as head of the Los Angeles Aircraft Certification Office, where his responsibilities involved work on more than 10 major aircraft, including the Boeing 717-200, the C-17 Globemaster, the L-1011, the MD-11, the KC-10A and MD-80s and -90s. Certification is being managed by Newport Aeronautical, a certification company known within the industry for their competence and successful certification programs.

These financial statements have been prepared in accordance with Gibraltar Generally Accepted Accounting Principles (GAAP), 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 2010, the Company had net liabilities of US\$1,712,643, (2009 - US\$1,203,971) and to date has relied on the support of Borealis, which is also a company in the development stage.

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.

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DIRECTORS' REPORT (Continued)

Dividends

There were no dividends declared during the year.

Directors and their Interests

The directors who served during the year were as stated on page 4.

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

Shares held at	31 March 2010	31 March 2009
Rodney T. Cox	5,251	1
Wayne Marshall	15,101	12,201
Isaiah Cox	22,001	18,001

Share Options

As of 31 March 2009, there were no share options outstanding from WheelTug plc. Options on 126,384 shares of WheelTug plc owned by Chorus Motors plc were authorized during the fiscal year with an expiration date of 31 December 2010. All are outstanding at US\$20/share.

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 Act 1930 and the Gibraltar Companies (Accounts) Act 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 Limited was passed at the Annual General Meeting.

By order of the Board on 25 August 2010

WheelTug plc



Isaiah W. Cox
Director



Rodney T. Cox
Director

WHEELTUG PUBLIC LIMITED COMPANY

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Independent auditors' report to the shareholders of WheelTug Public Limited Company

We have audited the financial statements of WheelTug plc for the year ended 31 March 2010 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 182 of the Gibraltar Companies Act. 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.

Directors' responsibilities for the financial statements

The directors are responsible for the preparation and true and fair representation of these financial statements in accordance with applicable law and Gibraltar Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibilities

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In forming our opinion, we considered the disclosures in Note 1 of the Financial Statements in connection with the application of the going concern basis and the uncertainty with regard to securing continued financial support.

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AUDITORS' REPORT (Continued)

Opinion

In our opinion the financial statements give a true and fair view, in accordance with Gibraltar Generally Accepted Accounting Standards, of the state of the company's affairs as at 31 March 2010 and of its loss for the year then ended.

Report on other legal and regulatory matters

In addition to reporting on the financial statements, Gibraltar legal and regulatory requirements also require us to:

- (a) Report to you our opinion as to whether the financial statements have been properly prepared in accordance with the Gibraltar Companies Act 1930, the Gibraltar Companies (Accounts) Act 1999 and other applicable legislation.
- (b) State in our report whether in our opinion the information given in the directors' report is consistent with the financial statements.
- (c) Report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

Opinion

In our opinion the financial statements have been properly prepared in accordance with the Gibraltar Companies Act 1930, the Gibraltar Companies (Accounts) Act 1999 and other applicable legislation; and the information given in the directors' report is consistent with the financial statements.

We have nothing to report to you in respect of our responsibility set out in (c) above.



Bernard Hazell

Statutory Auditor
For and on behalf of
MOORE STEPHENS LIMITED

Suite 5
Watergardens 4
Waterport
Gibraltar

25 August 2010

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PROFIT AND LOSS ACCOUNT for the year ended 31 March 2010

	Notes	2010 \$	2009 \$
Expenditure			
Administrative fees		(280,000)	(280,000)
Development Expenses		<u>(228,672)</u>	<u>(291,177)</u>
Total Expenditures		(508,672)	(571,177)
Loss for the year		(508,672)	(571,177)
Accumulated loss brought forward		<u>(1,273,304)</u>	<u>(702,127)</u>
Accumulated loss carried forward		<u><u>\$(1,781,976)</u></u>	<u><u>\$(1,273,304)</u></u>

The notes on pages 11 to 13 form part of these Financial Statements.

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BALANCE SHEET as at 31 March 2010

	Notes	2010 \$	2009 \$
Current Liabilities			
Creditors – amounts due within one year			
Due to Parent Company	2	<u>(1,712,643)</u>	<u>(1,203,971)</u>
Total Net Current Liabilities		<u>(1,712,643)</u>	<u>(1,203,971)</u>
Total Net Assets / (Liabilities)		<u><u>\$(1,712,643)</u></u>	<u><u>\$(1,203,971)</u></u>
Capital and Reserves			
Equity			
Called up Share Capital	3,4	69,333	69,333
Profit and Loss Account		<u>(1,781,976)</u>	<u>(1,273,304)</u>
Total Shareholders' Funds		<u><u>\$(1,712,643)</u></u>	<u><u>\$(1,203,971)</u></u>

Signed on behalf of the Board of Directors on 25 August 2010



Isaiah W. Cox
Director



Rodney T. Cox
Director

The notes on pages 11 to 13 form part of these Financial Statements.

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NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2010

1. PRINCIPAL ACCOUNTING POLICIES

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

a. Basis of accounting

These financial statements have been prepared under the historical cost convention applying the Accounting Policies set out

b. Revenue

At present the Company is engaged in development of products which have not yet reached the point of generation revenue. Once revenue commences, it will be accounted for on the basis of the accounting period in which the work was carried out or invoiced

c. Reporting currency

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

d. 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.

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 5 to 6.

f. Cash Flow Statements

The Company meets the size criteria for a small company set by the Gibraltar (Companies Accounts) Act 1999, and therefore, in accordance with FRS1: Cash Flow Statements, it has not prepared a cash flow statement.

2. CREDITORS

	2010	2009
	\$	\$
Amount Due to Parent Company (Chorus Motors plc)	<u>\$1,712,643</u>	<u>\$1,203,971</u>

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

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NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2010 (Continued)

3. CALLED UP SHARE CAPITAL

	2010 \$	2009 \$
Authorised share capital 10,000,000 ordinary shares @ \$0.01 each	<u>\$69,333</u>	<u>\$69,333</u>

	Number of Shares	Share Capital \$	Share Premium Account \$	Total \$
At 31 March 2008	6,933,348	69,333	-	69,333
Shares issued during the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 31 March 2009	6,933,348	69,333	-	69,333
Shares issued during the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 31 March 2010	<u>6,933,348</u>	<u>\$69,333</u>	<u>\$-</u>	<u>\$69,333</u>

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NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2010(Continued)

4. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

	Share Capital \$	Share Premium Account \$	Profit & Loss Account \$	Total \$
At 31 March 2008	69,333	-	(702,127)	(632,794)
Share issued during the year	-	-	-	-
Loss for the year	-	-	(571,177)	(571,177)
At 31 March 2009	69,333	-	(1,273,304)	(1,203,971)
Shares issued during the year	-	-	-	-
Loss for the year	-	-	(508,672)	(508,672)
At 31 March 2010	<u>\$69,333</u>	<u>\$-</u>	<u>\$(1,781,976)</u>	<u>\$(1,712,643)</u>

5. ULTIMATE PARENT COMPANY

The ultimate parent company is Borealis Exploration Limited, a company incorporated in Gibraltar whose registered office is at Suite 2F/2, Eurolife Building, 1 Corral Road, P.O. Box 575 Gibraltar.