

WHEELTUG

PUBLIC LIMITED COMPANY

Gibraltar Registered No. 94119

Financial Statements

for the year ended 31 March 2011

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 Chorus[®] 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 (APU) 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. The Company expects to lease all systems directly to airlines and aircraft leasing companies in return for a percentage of the agreed savings.

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 the lease model, along with advance payments from customers to reserve delivery slots. Leasing, a derivative form of which is known as "Power by the Hour", is common in the industry.

Development of the WheelTug system has been underway for more than six years, funded primarily by Chorus Motors plc, its control and 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=0Cbf2wsgns>). More recently, WheelTug engaged in tests on a 737-800 in Prague. (A video of that demonstration can be viewed on line at <http://www.youtube.com/watch?v=tTsdpaXU1Y>.)

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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, Chief Financial Officer
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 2011.

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 10.

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 6,211,536 of our 6,933,348 outstanding shares, or 89.6 % 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, with entry into commercial service, are expected no earlier than the first quarter of 2013.

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.

WheelTug's business model relies heavily on its partnerships, in order to assist with all facets of development, certification, production and supply of components. Before this year, WheelTug had partnerships in place with:

- Co-Operative Industries, for the system wiring
- Luxell, for the cockpit interface
- Newport Aeronautical, for certification services
- Delta Air Lines for Airplane access

WheelTug has accelerated its development work and partnerships. Since last year, the following changes have occurred:

Terminations:

- Luxell agreement was terminated
- Delta Airlines agreement was terminated

New Partnerships

- Travel Service agreement was formed, replacing Delta for aircraft access
- Gables Engineering was added, replacing Luxell for Cockpit Interface
- ICE Corporation for the system controller
- Endeavor Analysis for Landing Gear and Mechanical Integration
- Gibbs Gears, for gears
- Dynetic, for electric motor using the Chorus® technology
- Prague Airport, for airport support
- Resource Group, for system software
- Alcoa, for forged aluminium wheels

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DIRECTORS' REPORT (Continued)

All of these partnerships are with companies that have very considerable experience in aerospace, and for whom their commitment on the WheelTug program is well within their financial and technical resources.

Major work completed in the past year includes addressing all identified technical “showstoppers”, from motor packaging, to traction in snowy conditions.

In addition, system development is now underway. Some of the components will go through a number of Stage of Involvement (SOI) reviews as part of development and certification. The first of these is called the Software Planning Review (SOI-1). Resource Group passed SOI-1 for the WheelTug software in late May.

Development of the wheel hardware is tied to the M1 wheel package, which is an on-aircraft, packaged system for demonstration and test. M1 should be testing in the lab and on-aircraft within the next 7-8 months. Development and certification of the wheel package and landing gear modifications are expected to take the longest part of the overall system development time.

WheelTug has produced two draft specification documents for airlines, and marketing to airlines is ratcheting up. Between now and the M1 demonstration, WheelTug expects to conclude at least one Letter of Intent with a prospective airline customer. After M1 has been demonstrated, WheelTug expects to close definitive lease agreements with airline and aircraft leasing customers.

Within the next year, WheelTug plc expects to announce development programs for other aircraft, such as the Airbus A-320 family, the Boeing 757, any of several regional jets and military models starting with the C-130.

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 2011, the Company had net liabilities of US\$3,137,957, (2010 - US\$1,712,643) and to date has relied on the support of Borealis Exploration Limited which is its indirect ultimate parent company.

The continued operation and growth of the Company is dependent on its ability to receive continued financial support from its direct and indirect parent companies 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.

Directors and their Interests

The directors who served during the year were as stated on page 3.

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DIRECTORS' REPORT (Continued)

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

Shares held at	31 March 2011	31 March 2010
Rodney T. Cox	5,251	5,251
Wayne Marshall	19,401	15,001
Isaiah Cox	25,154	22,001

Share Options

As of 31 March 2011, there were no share options outstanding from WheelTug plc.

Directors' Responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year which meet the requirements of the Gibraltar Companies (Accounts) Act 1999 and Gibraltar Companies Act 1930. In addition the Directors have elected to prepare the financial statements in accordance with Gibraltar Accounting Standards.

The financial statements unless are required by law to give a true and fair view of the state of affairs of the company and the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable Gibraltar Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Gibraltar Companies (Accounts) Act 1999 and Gibraltar Companies Act 1930. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

WHEELTUG PUBLIC LIMITED COMPANY

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DIRECTORS' REPORT (Continued)

Auditor

A resolution to reappoint Moore Stephens Limited was passed at the Annual General Meeting.

By order of the Board on 28 June 2011

WheelTug plc



Isaiah W. Cox
Director



Rodney T. Cox
Director

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 2011 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 2011 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

28 June 2011

WHEELTUG PUBLIC LIMITED COMPANY

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PROFIT AND LOSS ACCOUNT for the year ended 31 March 2011

	Notes	2011 \$	2010 \$
Expenditure			
Administrative fees	5	(280,000)	(280,000)
Development Expenses	5	<u>(1,145,314)</u>	<u>(228,672)</u>
Total Expenditure		<u><u>\$(1,425,314)</u></u>	<u><u>\$(508,672)</u></u>

The notes on pages 12 to 14 form part of these Financial Statements.

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BALANCE SHEET

as at 31 March 2011

	Notes	2011 \$	2010 \$
Current Liabilities			
Creditors – amounts due within one year			
Due to Parent Company	2	<u>(3,137,957)</u>	<u>(1,712,643)</u>
Total Net Current Liabilities		<u>(3,137,957)</u>	<u>(1,712,643)</u>
Total Net Assets / (Liabilities)		<u><u>\$(3,137,957)</u></u>	<u><u>\$(1,712,643)</u></u>
Capital and Reserves			
Equity			
Called up Share Capital	3,4	69,333	69,333
Profit and Loss Account	4	<u>(3,207,290)</u>	<u>(1,781,976)</u>
Total Shareholders' Funds		<u><u>\$(3,137,957)</u></u>	<u><u>\$(1,712,643)</u></u>

Signed on behalf of the Board of Directors on 28 June 2011



Isaiah W. Cox
Director



Rodney T. Cox
Director

The notes on pages 12 to 14 form part of these Financial Statements.

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NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2011

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 below.

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 4 to 7.

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

Amount Due to Parent Company (Chorus Motors plc)	<u><u>\$(3,137,957)</u></u>	<u><u>\$1,712,643</u></u>
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Amounts due to the Company's parent company are non-interest bearing, unsecured, and with no fixed terms of repayment

WHEELTUG PUBLIC LIMITED COMPANY

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NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2011 (Continued)

3. CALLED UP SHARE CAPITAL

	2011 \$	2010 \$
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 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	6,933,348	69,333	-	69,333
Shares issued during the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 31 March 2011	<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 2011 (Continued)

4. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

	\$	\$	\$	\$
At 31 March 2009	69,333	-	(1,273,304)	(1,203,971)
Share issued during the year	-	-	-	-
Loss for the year	<u>-</u>	<u>-</u>	<u>(508,672)</u>	<u>(508,672)</u>
At 31 March 2009	69,333	-	(1,781,976)	(1,712,643)
Shares issued during the year	-	-	-	-
Loss for the year	<u>-</u>	<u>-</u>	<u>(1,425,314)</u>	<u>(1,425,314)</u>
At 31 March 2010	<u>\$69,333</u>	<u>\$-</u>	<u>\$(3,207,290)</u>	<u>\$(3,137,957)</u>

5. RELATED PARTY TRANSACTIONS

In addition to related party transactions disclosed elsewhere in these financial statements, during the period ended 31 March 2011, the Company was charged US\$1,425,314 (2010 - US\$508,672) in fees for administrative services and development fees provided by the ultimate Parent Company.

6. 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.