

CHORUS MOTORS

PUBLIC LIMITED COMPANY

Annual Report

For the Year Ended

31 March 2000

www.chorusmotors.com

CHORUS MOTORS plc

Management Review of Operations and Financial Statements for Fiscal 2000

21 August 2000

Fellow Members:

General Overview

The Chorus™ motor is on the market. Chorus Motors plc is the owner of the worldwide license from Borealis Technical Limited for this technology. We are actively seeking purchase orders for Chorus™ motors for test purposes and we are very interested in selling exclusive worldwide licenses for particular market niches. The Chorus™ is a significantly improved electric motor, which provides considerably more torque and higher efficiencies than existing 3-phase electric drives. While the Chorus™ motor's operating specifications look very similar to permanent magnet (PM) motors, they offer much higher reliability, at a cost that is currently around 20% of a PM motor. We have built and tested three versions of the Chorus™ motor; with work well underway on a Delta version, an advanced engineering prototype.

In the opinion of our technical staff, the Chorus™ Motor Technology will change drive technology forever. Chorus Motors plc is changing a commodity business into a proprietary business where our patented technology is expected to lead to substantial profit margins. The Chorus™ motor is an ideal source of motive power for traction applications, including elevators, hoists, conveyors, locomotives, and automobiles. We expect the Chorus™ motor to become the drive of choice for most applications. It should be noted that hybrid electric cars now cost considerably more to produce than their sale price. Much of this is accounted for by the cost of the PM motors used. The Chorus™ motor will make hybrid cars an economic reality.

Accompanying this mailing, all members will be receiving letters confirming their holdings in Chorus Motors plc, and requesting confirmation of information including addresses for the mailing of certificates. We hope to make your Company a full United States SEC reporting company and hopefully get a public market established for the shares in relatively short order.

There is already one patent that has issued on the Chorus™ Technology, and Borealis Technical from whom we have licensed world wide rights to the technology has many patents pending, representing the extensive intellectual property that has been developed in recent years covering this technology. The issued Chorus™ patent is available to be read on, or downloaded from, our Web site, www.chorusmotors.com.

The Chorus™ Technology work is managed out of Europe and we are a virtual company based in the European Union. Your Company is a member of the Borealis Family of Companies, and is incorporated in Gibraltar. Our accounting is done in US GAAP (Generally Accepted Accounting Principles) with reconciliations to Canadian GAAP. We are working to become fully reporting to the SEC in the United States.

Virtual Company

Chorus Motors plc is a virtual company, and the Internet plays a dominant role in our day-to-day work. It is the means by which we manage our business, discuss new ideas, and promote ourselves to the outside world. Modern communications technology has allowed us to circumvent the traditional problems associated with working on 4 continents and 18 time zones. Because of this, we have access to facilities and personnel about which a company of our size would normally only dream.

Chorus Motors plc has consultants around the world, all of whom work over e-mail. Management discussions take place over the Internet, as do technical discussions. Chorus Motors plc runs a continual Board of Directors meeting 24 X 365, with an annual traffic of over 1,000 messages to each Board Member. Your Company has intense direct participatory management, and many consultants to the Company sit in on the Board meetings and provide input even while they are not voting members.

Our Web Site, www.chorusmotors.com, makes information about our technology available, and informs shareholders, other companies, and the general public about ourselves. The Web site is continually being updated. The Chorus™ Technology is described on the site in detail. Additionally, our parent company Borealis Technical sends out a weekly update (which will cover Chorus Motors plc share prices when available to the public) to shareholders and to all the major news organizations and other interested parties, detailing our ongoing work and progress (e-mail pr@borealis.com if you would like to receive these updates). Through this wide distribution, we are able to keep people better informed than through traditional channels. Your management uses this technology to attempt to be responsive to shareholder questions and comments.

The Chorus Motors plc Annual Report, including financials, proxy solicitation, information circulars, and the notice of annual meeting will all be available at www.borealis.com by 30 August 2000. Proxies can be voted either in mailed or faxed hard copy. Copies of the proxy for downloading are available on the Web site.

The annual meeting for 2000 will be held physically in Gibraltar. Next year, if the new Memorandum of Association and Articles of Association are passed at this meeting, the meeting and voting will also occur virtually, over the Internet.

This virtual company structure is great to work with and allows us to have many people directly involved in the decision-making processes for Chorus Motors plc. This approach may not be conventional, but the results to date have validated the business structure.

Management Discussion of Audited Financial Results for Fiscal 2000

The expenses involved in maintaining our far-reaching activities are substantial for a company our size. It is just great for our shareholders of Chorus Motors plc that Borealis Technical Limited is responsible for all our Research and Development expenditures, though they are charging a small management fee. In addition, the capital that Chorus Motors plc

has raised, less management fees, is due to your Company as an account receivable from Borealis Technical Limited of \$3,133,483. As of 30 June 2000 the receivable had grown to \$3,278,608. We consider this receivable very good. Borealis Technical Limited has a portfolio of shares, including our shares, that are worth at current private sale prices substantial sums of money. Our Audited books are in US GAAP

Our operating loss last year was \$64,800 and for the fiscal 2001 first quarter the loss was \$16,200. Our basic loss for fiscal 2000 was 1 cent per share. We can reasonably expect a similar loss for 2001, unless expected licensing and royalty revenue materializes.

We had a positive net worth of \$3,133,483 at year-end and \$3,278,608 at first quarter fiscal 2001 quarter end. Your Company is getting serious support from the members of the Borealis Family.

Our current assets-to-liabilities ratio is extremely high, with over \$3 million in current assets and no current liabilities. Until we are operating, with royalties and license revenues, we expect no research and development expenses charged to your Company. There is a small management fee being charged.

Our financial statements possibly do not reflect the intrinsic value of our Company's assets, primary of which is the worldwide license to the Chorus™ Technology. The license is carried on our books at no value. The Borealis Family of Companies has always followed conservative accounting policies. Our liabilities are fully reported, while all our assets except for those we consider current assets, are valued at zero on our financial statements.

We are very optimistic about the future of Chorus Motors plc and its prospects. We expect Chorus Motors plc to dominate basic motor research worldwide for decades to come. With the substantive laboratory results that we have obtained to date, the funding of your Company has been getting easier.

Projections for Fiscal 2001

Fiscal 2001 should yield improved operating results. The Chorus™ motor has numerous purchase orders pending for development motors for specific customers. This is a very short step to market. Additional builds of the Chorus™ motor have been basically completed, and we are beginning a public round of testing. We hope Chorus Motors plc will have both positive cash flow and earnings in fiscal 2001. If the full current round of testing proves as positive as the initial tests, Chorus™ motors will simply blow away the world competition.

Our basic scientific research in electric motors is of immense significance throughout the industrial world. We are working to turn the reality of our superb science into positive cash flow and earnings. Our main goal now is to develop Chorus™ Technologies into marketable products, where they can generate revenue, cash flow and earnings. While we still have not succeeded in our goal of generating revenue, our scientific advances are so substantive that we are very close to making sales of product and licenses. We feel confident that the Borealis Family will continue to fund our activities as we

transform the industrial world with the Chorus™ Technology that is part of the Borealis Industrial Revolution.

Please mail or fax in your proxy.

These are exciting times as your Company changes the basic motor technology that has been one of the driving the industrial world for the past century. Everyplace you look, it is an inescapable reality that the world needs the motor technology to which your Company has the exclusive worldwide license.

We want to thank you, the members of Chorus Motors plc, for continuing to fund your Company and the basic industrial research that is the basis of Chorus™ Motor Technology. Your support has been just marvelous. We hope your financial rewards for this support will be just substantial.

With warmest personal regards,

CHORUS MOTORS plc



Rodney T. Cox,
CEO/Chairman of the Board



Isaiah W. Cox,
President/Chief Operating Officer

Forward-Looking Statement

The discussion of the Company's business and operations in this report includes in several instances forward-looking statements, which are based upon management's good faith assumptions relating to the financial, market, operating and other relevant environments that will exist and affect the Company's business and operations in the future. All technical, scientific, and commercial statements regarding technologies and their impacts are based on the educated judgment of the Company's technical and scientific staff. No assurance can be made that the assumptions upon which management based its forward-looking statements will prove to be correct, or that the Company's business and operations will not be affected in any substantial manner by other factors not currently foreseeable by management or beyond the Company's control. All forward-looking statements involve risks and uncertainty. The Company undertakes no obligation to publicly release the result of any revisions to these forward-looking statements that may be made to reflect the events or circumstances after the date hereof or to reflect the occurrence of unanticipated events including those described in this report, and such statements shall be deemed in the future to be modified in their entirety by the Company's public pronouncements, including those contained in all future reports and other documents filed by the Company with the relevant Securities Commissions.

Chorus Motors Public Limited Company
Financial Statements
For the periods ended March 31, 2000 and 1999

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Auditors' Report

To the Shareholders of Chorus Motors Public Limited Company

We have audited the balance sheets of Chorus Motors Public Limited Company as at March 31, 2000 and March 31, 1999 and the statements of changes in shareholders' equity and operations for the year ended March 31, 2000 and the thirteen day period ended March 31, 1999. We have also audited the statements of changes in shareholders' deficiency and operations from the period of inception (March 18, 1999) through March 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements referred to above present fairly, in all material respects, the financial position of the Company as at March 31, 2000 and March 31, 1999 and the results of its operations for the year ended March 31, 2000 and the thirteen day period ended March 31, 1999 and for the period from inception (March 18, 1999) through March 31, 2000, in accordance with generally accepted accounting principles as applied in the United States.

BDO Dewaromy LLP

Chartered Accountants

Calgary, Alberta
August 9, 2000

Comments by Auditors for US Readers on Canada-US Reporting Differences

In the United States, reporting standards for auditors would require the addition of an explanatory paragraph following the opinion paragraph when the financial statements are affected by a significant uncertainty such as referred to in Note 1 regarding the Corporation's ability to continue as a going concern. Our report to the shareholders dated August 9, 2000 is expressed in accordance with Canadian reporting standards which do not permit a reference to such uncertainties in the auditors' report when the uncertainties are adequately disclosed in the financial statements.

BDO Dewaromy LLP

Chartered Accountants

Calgary, Alberta
August 9, 2000

Chorus Motors Public Limited Company
Balance Sheets
(in US Dollars)

March 31	2000	1999
Assets		
Due from Borealis Technical Limited (Note 3)	\$ 3,133,483	\$ 1,383,972
Liabilities and Shareholders' Equity		
Deposits on share subscriptions (Note 1)	\$ -	\$ 1,331,972
Share capital (Note 4)	3,198,283	52,000
Deficit	(64,800)	-
	<u>3,133,483</u>	<u>52,000</u>
	\$ 3,133,483	\$ 1,383,972

Approved on behalf of the Board:



Rodney T. Cox Director



Isaiah W. Cox Director

The accompanying notes are an integral part of these financial statements.

Chorus Motors Public Limited Company
Statements of Changes in Shareholders' Equity
(in US Dollars)

From the date of inception (March 18, 1999) through March 31, 2000	Share Capital		Deficit Accumulated During the Development Stage	Total Shareholders' Equity
	Number of Shares	Amount		
Shares issued on inception in exchange for note from Borealis Technical Limited (Note1)	5,200,000	\$ 52,000	\$ -	\$ 52,000
Net loss for the period	-	-	-	-
Balance, March 31, 1999	5,200,000	52,000	-	52,000
Shares to be issued in exchange for deposits held by Borealis Technical Limited	459,429	3,146,283	-	3,146,283
Net loss for the year	-	-	(64,800)	(64,800)
Balance, March 31, 2000	5,659,429	\$ 3,198,283	\$ (64,800)	\$ 3,133,483

The accompanying notes are an integral part of these financial statements.

Chorus Motors Public Limited Company
Statements of Operations
(in US Dollars)

	Cumulative amounts from date of inception (March 18, 1999) through March 31, 2000	For the year ended March 31, 2000	For the thirteen day period ended March 31, 1999
Expenses			
Administration fees (Note 5)	<u>\$ 64,800</u>	<u>\$ 64,800</u>	<u>\$ -</u>
Net loss for the period	<u>\$ 64,800</u>	<u>\$ 64,800</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

Chorus Motors Public Limited Company

Notes to Financial Statements

March 31, 2000 and 1999

1. Development Stage Operations and Going Concern

The Company was incorporated March 18, 1999 in Gibraltar as Borealis Motor Manufacturing Limited. The Company changed its name to Chorus Motors Limited on June 1, 2000 and further changed its name as noted upon re-registration in Gibraltar as a public limited company on July 27, 2000.

Upon incorporation on March 18, 1999, the Company issued 5,200,000 shares valued at \$52,000 to Borealis Technical Limited ("Technical") in exchange for a promissory note. Technical, the parent company, has conducted basic industrial research on its "Chorus Motor" technology since 1998 for which it has patents issued or pending. All of the research expenditures to date have been undertaken by Technical and funded by Borealis Exploration Limited, the ultimate parent of the Company, and the Company. Technical had received deposits in the current and prior year on behalf of the Company towards the issue of shares in the Company, but these additional shares were not issued effectively until March 31, 2000 (Note 4).

An Intellectual Property Agreement was signed effective January 1, 1999, whereby Technical has granted the Company the exclusive worldwide rights for sublicensing the "Chorus Motor" technology (Note 6). In consideration for the rights granted to the Company, the Company shall pay Technical a 8% royalty based on net sales of licensed products and services sold by the Company and 50% of all sublicense income. To date the "Chorus Motor" technology is still under development such that the Company has not made any related sublicense sales.

The Company has been in the development stage since its inception. The Company intends to retain its sublicense rights granted by Technical. These financial statements have been prepared in accordance with 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. From inception to March 31, 2000, the Company has lent money raised on its behalf to Technical and Borealis Exploration Limited, who are also in a development stage and have conditions subject to raising substantial doubt about their ability to continue as a going concern. These conditions also raise substantial doubt about the ability of the Company to continue as a going concern. Management of the Company has indicated they have no intention to demand repayment of the amounts owing from Technical until the "Chorus Motor" technology is being sold in the marketplace. The Company and Technical are actively working together to negotiate sales or further sublicensing of its technology to various parties, which is expected to generate profitable operations in the future. To the extent additional funds are required, the Company will attempt to raise these funds through future sales of its own shares. However, there can be no assurance that the Company will be successful in its actions. The financial statements do not contain any adjustments which might be necessary if the Company is unable to continue as a going concern.

2. Significant Accounting Policies

The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The financial statements have, in management's opinion, been properly prepared using careful judgement, with reasonable limits of materiality and within the framework of the significant accounting policies summarized below.

Chorus Motors Public Limited Company
Notes to Financial Statements

March 31, 2000 and 1999

2. Significant Accounting Policies - continued

(a) Reporting currency

The Company's financial statements are presented in US dollars, which is the functional currency for operations. Any amounts designated in Canadian dollars have been clearly identified as such (CDN\$).

(b) Foreign currency translation

At the transaction date, each asset, liability, revenue or expense is translated into US dollars by using the then prevailing exchange rate. At the end of the period, all assets and liabilities are translated into US dollars by using the exchange rate in effect at the date. Adjustments resulting from the translation of financial statements into US dollars are included in the cumulative translation adjustment component of shareholders equity.

(c) Financial instruments

The Company carries various financial instruments. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

(d) Stock based compensation

The Company accounts for its stock based compensation plans for employees using the intrinsic value method as described in Accounting Principles Board Opinion ("APB") No. 25 "Stock Based Compensation" as permitted by SFAS No. 123 "Accounting for Stock-Based Compensation." As such, compensation expense is recorded, if on the measurement date, which is generally the date of grant, the current fair value of the underlying security exceeds the exercise price.

The equity instruments issued to non-employees are accounted for at fair value. The fair value of the equity instrument is determined using either the fair value of the underlying stock or the Black-Scholes option pricing model. In the prior years, the Company had granted stock options to certain non-employees of the Company, however, no compensation expense has been recorded since there has been no trading market for these shares.

(e) Recently issued accounting standards

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. SFAS No. 133 requires companies to recognize all derivative contracts as either assets or liabilities in the balance sheet and to measure them at fair value. If certain conditions are met, a derivative may be specifically designated as a hedge, the objective of which is to match the timing of gain or loss recognition on the hedging derivative with the recognition of (i) the changes in the fair value of the hedged asset or liability that are attributable to the hedge risk or (ii) the earnings effect of the hedged forecasted transaction. For a derivative not designated as a hedging instrument, the gain or loss is recognized as income in the period of change. SFAS No. 133 as amended by SFAS No. 137 and 138 is effective for all fiscal quarters of fiscal years beginning after June 15, 2000. Based on its current and planned future activities relative to derivative instruments, the Company believes that the adoption of SFAS No. 133 will not have a significant effect on its consolidated financial statements.

In October 1998 FASB issued SFAS No. 134 and subsequently issued SFAS No. 135 in February 1999, and SFAS No. 136 in June 1999. These are statements issued for enterprises in industries other than those applicable to the industries in which the Company operates in.

Chorus Motors Public Limited Company
Notes to Financial Statements

March 31, 2000 and 1999

3. Due from Borealis Technical Limited

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

4. Share Capital

(a) Authorized

10,000,000 common shares with a par value of \$0.01 per share

(b) Issued

	Number of Shares	Amount
Shares issued on inception in exchange for note from Borealis Technical Limited (Note 1)	5,200,000	\$ 52,000
Balance, March 31, 1999 and 2000	5,200,000	52,000
Shares to be issued in exchange for privately raised funds held on deposit by Borealis Technical Limited Note 4(c)	459,429	3,146,283
	<u>5,659,429</u>	<u>\$ 3,198,283</u>

The company issued 875,000 options on February 1, 1999. The exercise price of those options is US \$ 7.70 per share. The options are for a five year term, and are subject to terms and conditions on the part of the option holder. Effective March 31, 2000 194,196 options were exercised leaving 680,804 options outstanding at that date.

(c) Shares issued subsequent to year-end

Subsequent to year-end, the above noted 459,429 shares of the Company were issued for cash previously received by Technical of \$532,183, in settlement of accounts payable of \$1,709,008 of Technical to date, in exchange for services provided to Technical to date of \$623,992, and in consideration for \$281,100 of bonuses granted by Technical (Note 4(d)). In addition a further 26,727 shares of the Company, net of shares repurchased, were issued for net proceeds of \$255,301 received by Technical in cash, in settlement of accounts payable, and in exchange for services. Technical is indebted to the Company for the share consideration amounts received on behalf of the Company.

(d) Stock compensation on behalf of Technical

During the year ended March 31, 2000, Technical issued bonuses for services rendered to certain officers, employees, and consultants of Technical whereby the Company effectively issued 51,500 shares for \$281,100, on behalf of Technical. The Company has measured this stock compensation paid on behalf of Technical based on an estimate of fair value determined by using the most recent share prices being sold privately for cash by the Company as of the date of the bonus being declared.

Chorus Motors Public Limited Company Notes to Financial Statements

March 31, 2000 and 1999

5. Related Party Transactions

In addition to related party transactions disclosed elsewhere in these financial statements, during the year ended March 31, 2000, the Company was charged \$64,800 (1999 - \$Nil) in fees for administrative services provided by Technical.

6. Commitments

Technical granted the exclusive worldwide rights for sublicensing the "Chorus Motor" technology to the Company in the prior year as detailed in Note 1. However, during the 2000 fiscal year the Company further entered into an agreement with a certain contractor of Technical. Pursuant to this agreement the Company is granting the contractor certain sublicensing rights for the "Chorus motor" technologies in the Canadian market. In consideration for the rights granted to this contractor, the Company will be entitled to a 4% royalty based on net sales of licensed products and services sold by the contractor and 50% of all sublicense income in the Canadian market. The Company will have the right to terminate such sublicense rights to the contractor, on or before April 1, 2004, should the value of certain stock and stock options of the Company already issued to the contractor and further any cash or securities paid to the contractor exceed \$10,000,000 CDN.

7. Canadian GAAP Reconciliation

The financial statements of the Company have been prepared in accordance with United States generally accepted accounting principles ("US GAAP"). The financial statements conform in all material respects with generally accepted accounting principles in Canada ("Canadian GAAP") except for the following:

Uncertainty Due to Year 2000 Issue

Under US GAAP, there is no further disclosure of this issue after 1999, however Canadian GAAP still requires the following disclosure:

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect the entity, including those related to customers, suppliers, or other third parties, have been fully resolved.

8. Cash Flow Statements

No cash flow statements have been presented as the Company does not maintain a bank account. All operating, investing, and financing activities undertaken since inception of the Company have transactions with or on behalf of the Company by Technical and its related companies.

Corporate Information

Other Members of the Borealis Family of Companies:

Borealis Exploration Limited

Borealis Technical Limited

Cool Chips plc

Power Chips plc

Photon Power Limited

Roche Bay Holdings Limited

Roche Bay Mining Company Limited

Credit Holdings Limited

Borealis Roche Bay Limited

BOARD OF DIRECTORS

Rodney T. Cox, Ph.D.

Isaiah W. Cox, A.B.

Wayne S. Marshall, Ph.D.

John Klys

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Isaiah W. Cox, President/Chief Operating Officer

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AUDITORS 2000

BDO Dunwoody LLP

Chartered Accountants

STOCK EXCHANGE LISTING

Presently not Trading on any Exchange

CUSIP #X1305M 10 5

REGISTRAR AND TRANSFER AGENT

ORT. INC

SECURITIES TRANSFER AGENT AND REGISTRAR

317 SW Alder, Suite 1120

Portland, OR 97204

INCORPORATED

Gibraltar Company Number 68312

18 March 1999

HEAD OFFICE

Suite 3 C, Centre Plaza

Horse Barrack Lane

Gibraltar

DATE OF ANNUAL GENERAL MEETING OF MEMBERS

6 September 2000

To Vote via standard mail, mail proxy to any Office of the Company

To Vote via telecopier, fax proxy to any Office of the Company

Proxy forms are printed with the Notice of Meeting, and

can also be downloaded from www.borealis.com