



# Borealis Exploration Limited

Gibraltar Company Number 66632

INFORMATION CIRCULAR

Fiscal Year 2003

## 1. SOLICITATION OF PROXIES:

This information circular is furnished in connection with the solicitation of proxies by the Management of Borealis Exploration Limited ("Company") for use at its Annual Meeting of Members to be held 25 June 2003 in Gibraltar and via the Internet at [www.borealis.gi](http://www.borealis.gi), with the Record Date of the meeting being 25 April 2003, for the purposes set forth in the Notice of Meeting. It is expected that the solicitation will be by mail, e-mail, fax, Internet web site, telephone or in person by Officers and Directors of the Company. The cost of solicitation will be borne by the Company. The information contained herein is given as of 31 March 2003, unless otherwise indicated. All dollar figures set forth are expressed in United States Dollars. All accounting is done in accordance with Gibraltar Generally Accepted Accounting Principles (GAAP).

## 2. QUORUMS AND VOTING:

The authorised share capital of the Company is \$50,000 USD, consisting solely of one class of common shares divided into 5,000,000 shares with par value of \$0.01 USD per share, of which 4,982,605 shares were outstanding at the close of business 31 March 2003.

Each holder of record of a common share as of the Record Date for the meeting is entitled to attend the meeting and to cast one vote for each share. Proxies are being accepted by hand delivery, mail, e-mail, fax, and the Company's Internet website at [www.borealis.gi](http://www.borealis.gi). Any resolution to be voted upon at the meeting must be approved by a majority of the votes cast, unless the Company's Articles of Association stipulate a number or proportion of the votes cast in excess of a majority. The meeting will proceed as long as there is a quorum at the meeting place including the voted proxies.

## 3. REVOCATION OF PROXIES:

Each shareholder has the power to revoke a proxy at any time as long as it has not been exercised. In addition to revocation in any other manner permitted by law, a member giving a proxy pursuant to this solicitation who wishes to revoke the proxy instrument may do so in writing. This revocation must be executed by the member, or by his attorney authorized in writing, or, if the member is a Corporation, under its Corporate seal or by an officer or attorney thereof duly authorized, and received by mailed, or deposited, at any office of the Company, via e-mail to [proxy@borealis.gi](mailto:proxy@borealis.gi), or by fax to +350-59059 at any time up to and including the last business day preceding the day of the meeting, or any adjournment thereof at which the proxy is to be used, or with the Chairman of such meeting on the day of the meeting, or adjournment thereof.

## 4. PRINCIPAL HOLDERS OF VOTING SHARES:

To the knowledge of the Directors and Officers of the Company there is no person who beneficially owns or exercises control or direction over shares carrying more than ten percent of the votes attached to shares of the Company as of 31 March 2003.

## 5. ELECTION OF DIRECTORS:

### Present Directors

Rodney T. Cox, Ph.D.  
Benjamin J. Cox, MBA  
Iris Oren Cox, J.D.  
Joseph J. Cox, B.A.  
Isaiah W. Cox, A.B.  
Rebecca D. Cox, M.S.  
Donald N. Jones, M.Sc.  
A. Asher Turin, Ph.D.  
Nechama J. Cox, Ph.D.  
David M. Goldenberg, LLB  
Wayne S. Marshall, Ph.D.  
Peter Vanderwicken, A.B.

### Remaining Term

up for election  
up for election  
up for election  
up for election  
1 year  
1 year  
1 year  
1 year  
2 years  
2 years  
2 years  
2 years

The proxy will be voted for the following proposed nominees (or for a substitute nominee in the event of contingencies not known at present) who will serve for a period of 1, 2 or 3 years, or their successors if they are elected or appointed in accordance with the Articles of Association of the Company. Respective reported share totals are as at 31 March 2003.

**RODNEY T. COX** became a Director of the Company on 27 December 1978. Dr. Cox is Chief Executive Officer and Chairman of the Board of the Company. He is a member of the Executive, Audit and Compensation Committees. He was a Partner in The Parmenides Group until February 2000. He is currently also a Director of Borealis Technical Limited, Cool Chips plc, Chorus Motors plc, Faraway plc, Photon Power plc, Power Chips plc, Roche Bay Holdings Limited, Roche Bay Holdings (Barbados) Limited, Roche Bay plc, Credits Holdings Limited and Borealis Roche Bay Limited. Rodney T. Cox beneficially owns directly or indirectly 161,600 shares of Borealis Exploration Limited.

**BENJAMIN J. COX** became a Director of the Company on 31 March 2003. He is the Founder and Chief Executive Penguin of the LinuxFund.org, a charity devoted to advancing Linux and other Open Source Software, where he worked from March 1999 to February 2002. From June 2000 to November 2000 he was Vice President of Business Development of New Sphere Inc. He is currently also a Director of Roche Bay plc. Benjamin J. Cox beneficially owns directly or indirectly 39,353 shares of Borealis Exploration Limited.

**IRIS OREN COX** became a Director of the Company on 24 July 2001. Ms. Cox was appointed General Counsel on 1 October 2002 and is a member of the Oregon State Bar and the US Patent Bar. She is currently also a Director of Chorus Motors plc, Cool Chips plc, Faraway plc, Photon Power plc, Power Chips plc and Roche Bay plc. Iris Oren Cox beneficially owns directly or indirectly 2,000 shares of Borealis Exploration Limited.

**JOSEPH J. COX** became a Director of the Company on 16 September 1998. Mr. Cox is a technical contractor for the Company. He was an independent technical contractor from June 1993 until March 1999. He was a Product Manager at PinPoint Corporation from March 1999 to September 2000. From November 2000 to June 2002, he was with Sabirx, Inc. where he worked in the field of international taxation. He is currently also a Director of Chorus Motors plc, Cool Chips plc, Photon Power plc, Power Chips plc and Roche Bay plc. Joseph J. Cox beneficially owns directly or indirectly 31,729 shares of Borealis Exploration Limited.

**THE PRESENT POSITION AND OFFICE WITH THE COMPANY IF APPLICABLE, AND THE PRESENT PRINCIPAL OCCUPATION OR EMPLOYMENT OF THE INCUMBENT DIRECTORS AND OFFICERS ARE AS FOLLOWS. UNLESS OTHERWISE STATED, SUCH OCCUPATION OR EMPLOYMENT HAS CONTINUED FOR MORE THAN THE LAST FIVE YEARS.**

**ISAIAH W. COX** became a Director of the Company on 15 February 1994. Mr. Cox is President, Chief Operating Officer, a member of the Executive Committee and Compensation Committee of the Company. He is currently also a Director of Borealis Technical Limited, Chorus Motors plc, Cool Chips plc, Photon Power plc, Power Chips plc, Roche Bay Holdings Limited, Roche Bay Holdings (Barbados) Limited, Credits Holdings Limited, Borealis Roche Bay Limited and Faraway plc. Isaiah W. Cox beneficially owns directly or indirectly 243,165 shares of Borealis Exploration Limited.

**REBECCA D. COX** became a Director of the Company on 31 March 2003. Ms. Cox has been an audiological scientist from January 2001 until the present. She has worked with Australian Hearing (January 2001 - January 2002) as well as Great Britain's National Health Service (May 2002 - October 2002). At present, she is a research audiologist for the National Centre for Rehabilitative Auditory Research at the US Veteran's Administration. Rebecca D. Cox beneficially owns directly or indirectly 2,000 shares of Borealis Exploration Limited.

**DONALD N. JONES** became a Director of the Company on 19 December 1991. Mr. Jones retired from the Victoria School System in June 1999 as a teacher and school administrator. In March 1999 he founded North American Teaching Technologies Inc., a software company, for which he serves as a Director and CFO. He also manages personal investments and engages in venture capital activities. Donald N. Jones beneficially owns directly or indirectly 55,548 shares of Borealis Exploration Limited.

**A. ASHER TURIN** became a Director of the Company on 6 April 1988. Dr. Turin is a member of the Audit Committee. He has been consultant to the Company from 1985 to present. He is Executive Director of the Zvi Institute for Manuscript Research from 1978 to present. A. Asher Turin beneficially owns directly or indirectly 100 common shares of the Company.

**NECHAMA J. COX** became a Director of the Company on 1 August 2001. In 1999, she founded the Mishkan School as well as being a Founding Governor of the Noam Primary School. Dr. Cox is currently also a Director of Chorus Motors plc, Cool Chips plc, Photon Power plc and Power Chips plc. Nechama J. Cox beneficially owns directly or indirectly 16,700 shares of Borealis Exploration Limited.

**DAVID M. GOLDENBERG** became a Director of the Company on 18 September 1996, having previously been a director from 15 April 1988 until 1994. Mr. Goldenberg is currently retired as a Barrister and Solicitor. Previously he was with the firm Goldenberg Crisfield Zimmerman Barristers & Solicitors, which grew out of David M. Goldenberg, Professional Corporation. He was previously a Partner in the law firm of Beaumont Church until 1998. David M. Goldenberg beneficially owns directly or indirectly 100 shares of Borealis Exploration Limited.

**WAYNE S. MARSHALL** became a Director of the Company on 11 September 1985. Dr. Marshall is Chairman of the Executive, Audit and Compensation Committees of the Company. He is currently also a Director of Borealis Technical Limited, Chorus Motors plc, Cool Chips plc, Photon Power plc, Power Chips plc, Roche Bay Holdings Limited, Roche Bay Holdings (Barbados) Limited, Roche Bay plc, Credits Holdings Limited, Borealis Roche Bay Limited and Faraway plc. Wayne S. Marshall beneficially owns directly or indirectly 114,040 shares of Borealis Exploration Limited.

**PETER VANDERWICKEN** became a Director of the Company on 3 August 1999. Mr. Vanderwicken is a member of the Audit Committee of the Company. He is president of Plumstead Group, Inc., a publishing and consulting firm, and is publisher of its Financial Digest, a newsletter for corporate financial executives. He is currently also a Director of Chorus Motors plc, Cool Chips plc, Power Chips plc, Photon Power plc, Faraway plc and Roche Bay plc. Peter Vanderwicken beneficially owns directly or indirectly 32,500 shares of Borealis Exploration Limited.

**BDO Fidecs Management Limited** became Corporate Secretary of the Company on 21 May 2001.

**6. APPOINTMENT OF AUDITORS:**

Unless otherwise specified therein, it is presently intended to vote the proxy to appoint Moore Stephens, Chartered Accountants, Gibraltar, as auditors of the Company, to hold office until the next annual meeting of shareholders, and to authorize the Directors to fix their remuneration.

**7. OPTIONS:**

There are now 199,300 shares from exercises of options that are the obligation of the Company to issue on a timely basis. It should be noted that, as the Company has authorized capitalization of 5,000,000 shares, the Company will have to acquire shares from private purchases or public transactions in order to honour its obligation to deliver these 199,300 shares. Although the Company could increase its capitalization under the Company's Memorandum of Association and Articles of Association, Management has chosen not to do so. The Company intends to honour its obligations to deliver shares under these option agreements by acquiring the shares in the market when it is able to do so. No demand for the delivery of the exercised shares has been made and none is expected to be made until it can be made in the normal course of business. The Company has no other options authorized or outstanding.

**8. INSURANCE:**

The Company has liability insurance for its various office and facilities worldwide. The Company indemnifies all of its Officers and Directors against any legal actions or threatened legal actions that are in any way related to their relationship to the Company. The indemnification includes paying all legal bills and all costs of any kind relating to any such claims.

**9. INTEREST OF LARGE SHAREHOLDERS IN MATERIAL TRANSACTIONS WITH THE COMPANY:**

Through the years, Rodney T. Cox and The Parmenides Group have paid many Company bills without reimbursement, guaranteed Company obligations without compensation, delivered gifts of shares, all under the \$10,000 gift tax exemptions, to numerous people associated with the Company and its affiliated companies, and has lent funds and guaranteed Company obligations without interest or any fees being charged for these services. The Company's U.S. accountant estimates that these direct cash and share payments, without any value being assigned to the guarantee services provided by The Parmenides Group and Rodney T. Cox, without compensation, to protect their investment in the Company and its affiliated companies, have totaled at least \$4 million over the past 24 years. The Parmenides Group was paid \$360,000 in 2003 compared to \$360,000 in 2002 for consulting services. The Parmenides Group, since February 2000, is owned by the Jeremiah Toyam Cox Foundation Limited. Rodney T. Cox has leased to the Company office space in the U.S. and England. In 2003, rents totaled approximately \$103,000 compared to \$102,000 in 2002. In addition, the Company and its affiliated companies have engaged in numerous transactions with the above parties, all of which in the opinion of Management and the Board of Directors have been in the best interest of the Company and its affiliated companies.

For 2003, the Directors or Foundations, totaling 23 separate entities, were paid a total of \$1,472,400 for services.

Members of the Executive Committee and a Principal Scientist have agreed to lend to Borealis Technical Limited (which is a 99% owned subsidiary of Borealis Exploration Limited) up to a total of 350,000 common shares of Borealis Exploration Limited to be used in funding the operations of the Company. In the fiscal year ended 31 March 2003, a total of 25,862 shares were repurchased. There have been no shares delivered to their owners to date.

The market value of shares sold and from the non-delivery of option exercise shares that need to be replaced as of 31 March 2003 was approximately \$1,480,654 compared to \$2,200,000 for 2002. This obligation is marked to market. The Company is buying shares on the open market and from private shareholders to cover this position. Shares for the period ending 31 March 2003 totaling 25,862 shares were repurchased. The Parmenides Group is of the opinion that these share totals are possibly misstated, both for the non-delivery of option shares that were exercised and for the short sale figures. The differences are not material to The Parmenides Group nor to the Company and The Parmenides Group will, as it always has, accept any decision by the auditors and the accountants for the Company concerning any accounting issues between the Company and The Parmenides Group. No demand for the delivery of the borrowed shares has been made and none is expected to be made until it can be made in the normal course of business.

Borealis has entered into two long-term contracts, with members of its technical staff, having 10-year periods with two 10-year renewals. The first of these contracts is in its second 10-year period, with one 10-year period remaining. This first contract comes with

substantial penalties if control of the Company should change. The penalty is a \$27 million cash payment, adjusted by inflation, to a Principal Scientist of the Company. The Company's policy, within the limits of its financial resources, is to offer all consultants lifetime work with the Company and its affiliated companies, subject only to the consultant's continued satisfactory work for the Company and its affiliated companies, and the Company being able to afford the services provided.

**10. MEMORANDUM OF ASSOCIATION AND ARTICLES OF ASSOCIATION:**

The Board of Directors is proposing to the Members to amend the Company's Memorandum of Association and Articles of Association. Please carefully review the proposed amended Memorandum and Articles of your Company, which can be found at [www.borealis.gi/investor/corpinfo.shtml](http://www.borealis.gi/investor/corpinfo.shtml).

**11. SUMMARY OF PRINCIPAL SUBSIDIARY COMPANIES IN THE BOREALIS FAMILY OF COMPANIES**

**Borealis Technical Limited**, Gibraltar Company Number 57884, was incorporated 23 April 1996. It is 99% owned by Borealis Exploration Limited. Borealis Technical Limited owns the patent portfolio in the Borealis Family of Companies and owns among other shares:

5,219,872 shares of Chorus Motors plc, 5,212,022 shares of Cool Chips plc, 5,217,022 shares of Power Chips plc, and 5,200,000 shares of Photon Power plc.

**Chorus Motors plc**, Gibraltar Company Number 68312, CUSIP # X1305M 10 5, was incorporated 18 March 1999. It has 10,000,000 shares authorized, with 6,044,289 shares outstanding, of which Borealis Technical Limited owns 5,219,872.

**Cool Chips plc**, Gibraltar Company Number 57885, CUSIP # X16065 10 8, was incorporated 23 April 1996. It has 10,000,000 shares authorized, with 7,997,138 shares outstanding, of which Borealis Technical Limited owns 5,212,022.

**Power Chips plc**, Gibraltar Company Number 60528, CUSIP #X6919W 10 0, was incorporated 11 February 1997. It has 10,000,000 shares authorized, with 7,751,589 shares outstanding, of which Borealis Technical Limited owns 5,217,022.

**Photon Power plc**, Gibraltar Company Number 68278, CUSIP # X 8698W 10 3, was incorporated 16 March 1999. It has 10,000,000 shares authorized, with 5,211,742 shares outstanding, of which Borealis Technical Limited owns 5,200,000.

**Roche Bay Holdings Limited**, Gibraltar Company Number 50515, was incorporated 4 February 1994. It is 99% owned by Borealis Exploration Limited, and itself owns 100 shares of Roche Bay Holdings (Barbados) Limited.

**Roche Bay Holdings (Barbados) Limited**, Barbados Company Number 21740 was incorporated on 31 October 2002. It has 100 shares issued which Roche Bay Holdings Limited owns. It owns 5,200,000 shares of Roche Bay plc.

**Roche Bay plc**, Gibraltar Company Number 60527, CUSIP # X73580 10 6, was incorporated 11 February 1997. It has 10,000,000 shares authorized, with 5,850,800 shares outstanding, of which Roche Bay Holdings (Barbados) Limited owns 5,200,000.

**Credits Holdings Limited**, Gibraltar Company Number 50526, was incorporated 7 February 1994. It is 99% owned by Borealis Exploration Limited, and is itself sole owner of Borealis Roche Bay Limited.

**Borealis Roche Bay Limited**, Gibraltar Company Number 57886, was incorporated 23 April 1996. It is 100% owned by Credits Holdings Limited.

**Faraway plc**, Gibraltar Company Number 57887, was incorporated 23 April 1996. It has 10,000,000 shares authorized, with 5,210,006 shares outstanding, of which Borealis Exploration Limited owns 5,200,000.

**12. GENERAL:**

The Management knows of no matter to come before the Annual Meeting other than the matters referred to in the Notice of the Meeting. If any matters that are not now known to the Management should properly come before the meeting, the accompanying proxy instrument will be voted on such matters in accordance with the best judgment of the person or persons voting it.

The contents and sending of this information have been approved by the Directors of the Company.

Dated 30 May 2003

**Borealis Exploration Limited**

A handwritten signature in black ink, appearing to read 'Rodney T. Cox'. The signature is stylized with a large initial 'R' and 'C'.

**Rodney T. Cox, Ph.D.**  
Chairman of the Board and CEO

A handwritten signature in black ink, appearing to read 'Isaiah W. Cox'. The signature is stylized with a large initial 'I' and 'C'.

**Isaiah W. Cox**  
President and COO