

AVTO METALS

PUBLIC LIMITED COMPANY

Gibraltar Registered No. 92964

Financial Statements

for the period ended 31 March 2009

AVTO METALS PUBLIC LIMITED COMPANY

Gibraltar Registered No. 92964

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 might 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.

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AVTO METALS PUBLIC LIMITED COMPANY

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DIRECTORS AND OFFICERS

Directors

Appointed

Rodney T. Cox	6 October 2004	Director, Chairman of the Board and Chief Executive Officer
Isaiah W. Cox	6 October 2004	Director, President and Chief Operating Officer
Iris Oren Cox	24 June 2008	Director
Wayne S. Marshall	6 October 2004	Director
Peter Vanderwicken	6 October 2004	Director
Stuart Harbron	6 October 2004	Resigned 24 June 2008

Secretary

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

Registered Office

Suite 3G, Eurolife Building
1 Corral Road
P.O. Box 575
Gibraltar

Auditors

Moore Stephens
Suite 5 Watergardens 4
Waterport
Gibraltar

AVTO METALS PUBLIC LIMITED COMPANY

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DIRECTORS' REPORT

The directors submit their report and the audited financial statements for the period ended 31 March 2009.

Corporate Profile

The Company was incorporated on 6 October 2004 in Gibraltar. The trading symbol for Avto Metals plc is AMPTF. A market has not yet developed for the shares in AMPTF.

Activities

The principal activity of the Company is that of researching and developing the Avto Metals™ Technology. The Avto Metals Technology is for the reduction and custom designing of the electronic properties of materials, especially the electron-volt work function. Avto Metals owns the rights to all applications of this technology except thermal management (cooling) and power generation. The applications of Avto Metals are ubiquitous throughout much of science and applications will range from military applications to industrial and consumer applications. We are working towards delivering commercial product, though funding remains a significant constraint.

Results and Review of Business

The results for the period are shown in the Profit and Loss Account on page 7.

Borealis Technical Limited ("Technical"), the parent company, has conducted basic industrial research on its Avto Metals technology since 1997, for which it has patents issued and pending. All of the research expenditures to 2007 were undertaken by Technical and funded by Borealis Exploration Limited, the ultimate parent of the Company. During FY2009, the Company was charged Consulting Fees of \$280,000 (\$280,000 – 2008), and Development Expenses of \$28,800 (\$149,716 – 2008).

An Intellectual Property Agreement was signed effective 6 October 2004, whereby Technical has granted the Company the exclusive worldwide rights for sublicensing the Avto Metals technology. In consideration for the rights granted to the Company, the Company shall pay Technical an 8% royalty based on net sales of licensed products and services sold by the Company and 50% of all sub-licence income. To date the Avto Metals technology is still under development such that the Company has not made any related sub-licence sales.

The Company has been in the development stage since its inception. The Company intends to retain its sub-licence 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 31 March 2006, the Company lent money raised on its behalf to Technical and Borealis Exploration Limited, who are also in a development stage. Since fiscal 2007 and forward Avto Metals plc is charged for overheads and for its research and development work. The present world financial circumstances raise doubts 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 Avto Metals technology is being sold in the marketplace. The Company and Technical are 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 and through the sale of product or any other financing opportunity that protects the interests of current shareholders. However, there can be no assurance that the Company will be successful in its actions. 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 period.

Directors and their Interests

The directors who served during the period were as stated on page 2.

	Shares held at 31 March 2009	Shares held at 31 March 2008	Options held at 31 March 2009
Rodney T. Cox	1	1	30,000
Isaiah W. Cox	11,501	11,501	15,500
Iris Oren Cox	1	1	-
Wayne S. Marshall	2,401	2,401	15,000
Peter Vanderwischen	6,186	6,186	7,500

The interest of the directors in the shares of the Company in the period were as follows.

Share Options

The Company created 750,000 share options on 31 December 2004, and granted 700,000 to option holders, reserving 50,000 options which can be granted by the directors prior to the options expiration on 31 December 2009. The exercise price of those options is \$10.00 per share. The options are for a five-year term, and are subject to terms and conditions on the part of the option holder. During Fiscal Year 2009, no options were exercised. As of 31 March 2009, 735,500 options remained.

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 judgements 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 was passed at the Annual General Meeting.

By order of the Board on 22 December 2009.



Isaiah W. Cox
Director



Rodney T. Cox
Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AVTO METALS PUBLIC LIMITED COMPANY

We have audited the financial statements of Avto Metals plc for the year ended 31 March 2009 set out on pages 7 to 11. These financial statements have been prepared under the Accounting Policies set out on page 9.

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

Respective responsibilities of directors and auditors

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

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

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

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

Basis of opinion

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

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

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

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AUDITORS' REPORT (Continued)

In connection with the other information provided by the Company, we also draw attention to the content of the Forward-Looking Statement on page 1.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company as at 31 March 2009, and of the loss for the year then ended in accordance with Gibraltar Accounting Standards and have been properly prepared in accordance with Gibraltar Companies Act 1930, the Gibraltar Companies (Accounts) Act 1999, and the Gibraltar Companies (Consolidated Accounts) Act 1999.



Gibraltar
22 December 2009

Moore Stephens
CHARTERED ACCOUNTANTS

AVTO METALS PUBLIC LIMITED COMPANY

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PROFIT AND LOSS ACCOUNT for the period ended 31 March 2009

	Notes	2009 \$	2008 \$
Expenditure			
Administrative fees	5	(280,000)	(280,000)
Development Expenses	5	<u>(28,800)</u>	<u>(149,716)</u>
Loss for the year		(308,800)	(429,716)
Accumulated loss 1 April 2008		<u>(713,561)</u>	<u>(283,845)</u>
Accumulated loss 31 March 2009		<u><u>\$(1,022,361)</u></u>	<u><u>\$(713,561)</u></u>

The Company has had no discontinued activities during the period, accordingly, the above result for the Company relates solely to continuing activities.

No statement of recognised gains and losses has been produced as the only recognised gains and losses occurring in the period are those disclosed in the Profit and Loss Account.

The notes on pages 9 to 11 form part of these Financial Statements.

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BALANCE SHEET as at 31 March 2009

	Notes	2009 \$	2008 \$
Current Assets			
Debtors	2	<u>204,459</u>	<u>513,259</u>
Total Net Assets		<u><u>\$204,459</u></u>	<u><u>\$513,259</u></u>
Capital and Reserves			
Called up Share Capital	3,4	53,671	53,671
Share Premium Account	3,4	1,173,149	1,173,149
Accumulated Loss	4	<u>(1,022,361)</u>	<u>(713,561)</u>
Total Shareholders' Funds		<u><u>\$204,459</u></u>	<u><u>\$513,259</u></u>

Signed on behalf of the Board of Directors on 22 December 2009



Isaiah W. Cox
Director



Rodney T. Cox
Director

The notes on pages 9 to 11 form part of these Financial Statements.

AVTO METALS PUBLIC LIMITED COMPANY

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NOTES TO THE FINANCIAL STATEMENTS for the period ended 31 March 2009

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 Accounting Policies set out.

b. Reporting currency

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

c. Foreign currency translation

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

d. 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 3 to 4.

e. 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. DEBTORS

	2009	2008
	\$	\$
Loan to parent company	<u>\$204,459</u>	<u>\$513,259</u>

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

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NOTES TO THE FINANCIAL STATEMENTS for the period ended 31 March 2009 (Continued)

3. CALLED UP SHARE CAPITAL

			2009	2008
			\$	\$
Authorised share capital				
10,000,000 ordinary shares @ \$0.01 each			<u>\$100,000</u>	<u>\$100,000</u>
	Number of	Share	Share	
	Shares	Capital	Premium	Total
		\$	Account	\$
			\$	
At 31 March 2007	5,367,115	53,671	1,173,149	1,226,820
Shares issued during the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 31 March 2008	5,367,115	53,671	1,173,149	1,226,820
Shares issued during the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 31 March 2009	<u>5,367,115</u>	<u>\$53,671</u>	<u>\$1,173,149</u>	<u>\$1,226,820</u>

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NOTES TO THE FINANCIAL STATEMENTS for the period ended 31 March 2009 (Continued)

4. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

	Share	Share Premium Account	Profit & Loss Account	Total
	\$	\$	\$	\$
At 31 March 2007	53,671	1,173,149	(283,845)	942,975
Share issued during the year	-	-	-	-
Loss for the year	-	-	(429,716)	(429,716)
At 31 March 2008	53,671	1,173,149	(713,561)	513,259
Shares issued during the year	-	-	-	-
Loss for the year	-	-	(308,800)	(308,800)
At 31 March 2009	<u>\$53,671</u>	<u>###</u>	<u>\$(1,022,361)</u>	<u>\$204,459</u>

5. RELATED PARTY TRANSACTIONS

In addition to related party transactions disclosed elsewhere in these financial statements, during the period ended 31 March 2009, the Company was charged US\$308,800 (2008 - US\$429,716) 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 3G, Eurolife Building, 1 Corral Road, P.O. Box 575 Gibraltar.