

AVTO METALS

PUBLIC LIMITED COMPANY

Gibraltar Registered No. 92964

Financial Statements

for the period ended 31 March 2011

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

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

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DIRECTORS' REPORT

The directors submit their report and the audited financial statements for the period ended 31 March 2011.

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 have just announced the Avto Quantum Transistor in a public press release.

Results and Review of Business

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

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 FY2011, the Company was charged Consulting Fees of \$280,000 (\$280,000 – 2010), and Development Expenses of \$0 (\$50,000 – 2010).

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. The AVTO Quantum Transistor patents are possibly very important for Avto Metals plc. Below is an extract of the announcement.

DIRECTORS' REPORT (Continued)

Avto Metals Discloses Features of Its Avto Quantum Transistor

GIBRALTAR--(Marketwire - Jun 14, 2011) - Avto Metals plc today disclosed several key features of the quantum transistor for which it recently received a U.S. patent. The Avto Quantum Transistor™ (AQT) is the first disclosed transistor to exploit the ability of a tunneling electron to either constructively or destructively interfere with the wave function of electrons in a gate material to modulate an electrical signal.

The AQT is expected to be smaller and faster, use less power, generate less heat, and be easier to manufacture than any thus-far announced transistor, including advanced-concept transistors being pursued by several semiconductor companies, such as Intel Corporation's recently-announced 3-D transistor, which is manufactured using a 22-nanometer process.

According to Dr. Hans Walitzki, the company's director of product development, "The AQT design exploits the unique Avto surface geometry to harness electron wave properties and manipulate current flow.

"We expect this transistor design to be of interest to many parties pursuing energy-efficient, cooler-running and faster-switching transistor products. We anticipate especially substantial benefits accruing to OEMs and users of space-based electronic systems, military electronics, and other customers for whom low energy-consumption, high performance and system reliability are mission enablers."

For the complete press release go to:

www.avtometals.gi/technology/AvtoTransistorRelease14June2011final.pdf or

<http://www.marketwire.com/press-release/avto-metals-discloses-features-of-its-avto-quantum-transistor-pinksheets-boref-1526186.htm>

We are working towards delivering commercial product, though funding remains a significant constraint.

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.

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.

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

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DIRECTORS' REPORT (Continued)

	Shares held at 31 March 2011	Shares held at 31 March 2010
Rodney T. Cox	1	1
Isaiah W. Cox	1,501	11,501
Iris Oren Cox	1	1
Wayne S. Marshall	8,401	2,401
Peter Vanderwischen	10,186	6,186

Share Options

During the year, the company issued 12,000 share options. Conversion prices of these options are \$5 for 6,000 and \$10 for the remaining 6,000. These options expire on 1 June 2013.

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.

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Auditor

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

By order of the Board on 28 June 2011.



Isaiah W. Cox
Director



Rodney T. Cox
Director

Independent auditors' report to the shareholders of Avto Metals Public Limited Company

We have audited the financial statements of Avto Metals 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.

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

AVTO METALS PUBLIC LIMITED COMPANY

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PROFIT AND LOSS ACCOUNT for the period ended 31 March 2011

	Notes	2011 \$	2010 \$
Expenditure			
Administrative fees	5	(280,000)	(280,000)
Development Expenses	5	-	(50,000)
Loss for the year		<u>\$ (280,000)</u>	<u>\$ (330,000)</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 11 to 13 form part of these Financial Statements.

AVTO METALS PUBLIC LIMITED COMPANY

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BALANCE SHEET

as at 31 March 2011

		2011	2010
	Notes	\$	\$
Current Liabilities			
Accounts payable	2	(355,541)	(125,541)
Net Liabilities		<u>\$ (355,541)</u>	<u>\$ (125,541)</u>
Capital and Reserves			
Called up Share Capital	3,4	53,771	53,671
Share Premium Account	3,4	1,223,049	1,173,149
Accumulated Loss	4	(1,632,361)	(1,352,361)
Total Shareholders' Funds		<u>\$ (355,541)</u>	<u>\$ (125,541)</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 11 to 13 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 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 on the historical cost convention and under 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 3 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 the Gibraltar Financial Reporting Standard 1: Cash Flow Statements, it has not prepared a cash flow statement.

2. ACCOUNTS PAYABLE

	2011	2010
	\$	\$
Loan from parent company	<u>\$(355,541)</u>	<u>\$(125,541)</u>

Amount due to 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 2011 (Continued)

3. CALLED UP SHARE CAPITAL

			2011 \$	2010 \$
Authorised share capital 10,000,000 ordinary shares @ \$0.01 each			<u>\$ 100,000</u>	<u>\$ 100,000</u>
	Number of Shares	Share Capital \$	Share Premium Account \$	Total \$
At 31 March 2009	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 2010	5,367,115	53,671	1,173,149	1,226,820
Shares issued during the year	<u>10,000</u>	<u>100</u>	<u>49,900</u>	<u>50,000</u>
At 31 March 2011	<u>5,377,115</u>	<u>\$ 53,771</u>	<u>\$ 1,223,049</u>	<u>\$ 1,276,820</u>

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

4. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

	Share Capital \$	Share Premium Account \$	Profit & Loss Account \$	Total \$
At 31 March 2009	53,671	1,173,149	(1,022,361)	204,459
Shares issued during the year	-	-	-	-
Loss for the year	-	-	(330,000)	(330,000)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2010	53,671	1,173,149	(1,352,361)	(125,541)
Shares issued during the year	100	49,900	-	50,000
Loss for the year	-	-	(280,000)	(280,000)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2011	<u>\$ 53,771</u>	<u>\$ 1,223,049</u>	<u>\$ (1,632,361)</u>	<u>\$ (355,541)</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\$280,000 (2010 - US\$330,000) 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.