

AVTO METALS

PUBLIC LIMITED COMPANY

Gibraltar Registered No. 92964

Financial Statements

for the year ended 31 March 2015

AVTO METALS PUBLIC LIMITED COMPANY

Gibraltar Registered No. 92964

About Avto Metals plc

Avto Metals plc is developing and intends to licence applications for Avto Metals™, which were discovered by our scientists. Avto Metals are a new class of materials that can be custom-designed to achieve desired electrical or physical properties. They use a new method of changing the distribution of electrons within a material, thus making possible for the first time precise changes to various electrical properties of that material.

Avto Metals are a result of the discovery of a new quantum interference effect, which we have called the Avto Effect. The Avto Effect will enable the transformation of existing materials into materials with precisely-defined properties for almost any electronic application. These new materials will give scientists, engineers, and product designers a previously unavailable range of options in creating new technologies and products. In effect, Avto Metals form entirely new materials with customized electrical properties.

Avto Metals plc is a majority-owned subsidiary of Borealis Exploration Limited (PRG: BOREY; OTC: BOREF).

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.

Contents

Directors and Officers	2
Directors' Report	3
Auditor's Report	6
Profit and Loss Account	8
Balance Sheet	9
Notes to the Financial Statements	10 - 12

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
Wayne S. Marshall	6 October 2004	Director
Peter Vanderwicken	6 October 2004	Director

Secretary

Mark Radom
Suite 2
Nachal Maor 1
Ramat Bet Shemesh
Israel 99623

Registered Office

Suite 1,
43 Main Street,
Gibraltar

Auditors

Moore Stephens Limited
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 2015.

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.

Results and Review of Business

The results for the year ended 31 March 2015 are shown on page 8. The directors do not recommend the payment of a dividend (2014: nil) and consequently the loss for the financial year has been added to the accumulated loss.

Since 1997 parent company Borealis Technical Limited, ("Technical"), has been doing basic industrial research on its Avto Metals technology. There are patents issued and pending. All past research expenditure was undertaken by Technical and funded by Borealis Exploration Limited, the ultimate parent of the Company. During FY2014, the Company was charged Consulting Fees of \$178,528 (\$181,861 – 2014), and Development Expenses of \$15,099 (\$27,791 – 2014).

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. Since its formation the Company has been in the development stage. The Company intends to retain its sub-licence rights granted by Technical. To date the Avto Metals technology is still under development such that the Company has not earned any related sub-licence income.

We are working towards completing development of a commercial product. Development work in fiscal 2014 focused on building and testing of successive samples to reduce electron-volt work function and enable construction of commercially-useful prototypes. To date, all such tests have confirmed that the scientific theory underlying Avto Metals is sound, that the technology does in fact reduce the electron-volt work function of a material, and that commercially-useful devices can be built with currently-available technology, at low cost and in large volume. Adequate funding to advance this work, however, remains a major 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 efforts. The financial statements do not contain any adjustments that might be necessary if the Company is unable to continue as a going concern.

AVTO METALS PUBLIC LIMITED COMPANY

Gibraltar Registered No. 92964

DIRECTORS' REPORT (continued)

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 has lent money raised on its behalf to Technical and to Borealis Exploration Limited, both of which remain in a development stage. Since fiscal 2007 and forward Avto Metals plc has been charged for overheads and for its research and development work. Management of the Company has indicated that it has 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.

Dividends

There were no dividends declared during the period (2014 – nil).

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.

	Shares held at 31 March 2015	Shares held at 31 March 2014
Rodney T. Cox	1	1
Isaiah W. Cox	11,478	11,501
Wayne S. Marshall	20,665	20,701
Peter Vanderwicken	9,986	9,986

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.

AVTO METALS PUBLIC LIMITED COMPANY

Gibraltar Registered No. 92964

DIRECTORS' REPORT (Continued)

The financial statements 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.

Auditor

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

By order of the Board on 28 July 2015

Wayne S. Marshall
Director

Rodney T. Cox
Director

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

Report on the financial statements

We have audited the financial statements of Avto Metals plc for the year ended 31st March 2015 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, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 182 of the Companies Act and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Directors' responsibilities for the financial statements

The directors are responsible for the preparation and true and fair presentation of these financial statements in accordance with applicable law in Gibraltar and Gibraltar Accounting Standards. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation 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.

Auditors' 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 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 auditors' judgement, 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.

AVTO METALS PUBLIC LIMITED COMPANY

Gibraltar Registered No. 92964

Independent auditors' report to the members of Avto Metals Public Limited Company - continued

Basis for qualified opinion

The financial statements do not include the Statement of Cash Flows which is required by Gibraltar Financial Reporting Standard No. 1 and by the Companies (Accounts) Act 1999.

Qualified opinion

In our opinion, except for the effects of the matter referred to in the preceding paragraph, the financial statements:

- give a true and fair view, in accordance with Gibraltar Generally Accepted Accounting Practice of the state of the company's affairs as at 31st March 2015 and of the company's loss for the year then ended; and
- have been properly prepared in accordance with the Companies Act and the Companies (Accounts) Act 1999.

Emphasis of matter

Without modifying our opinion, we draw attention to note 1(e) in the notes to the financial statements which highlights the existence of a material uncertainty relating to conditions that may cast doubt about the company's ability to continue as a going concern. The Company had net liability as at 31 March 2015 of \$1,098,749, of which represents amount due from related parties which also show signs of going concern issues.

Opinion on other matter prescribed by the Companies Act

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Except for the failure to include the Statement of Cash Flows, we have nothing to report in respect of the following matters where the Companies Act requires us to report to you if, in our opinion:

- the company has not kept proper accounting records; or
- if information specified by law regarding directors' remuneration and other transactions is not disclosed; or
- we have not received all the information and explanations we require for our audit.

Kieran Power
Statutory Auditor
For and on behalf of
Moore Stephens Limited

Suite 5
Watergardens 4
Gibraltar

Date: 28 July 2015

AVTO METALS PUBLIC LIMITED COMPANY

Gibraltar Registered No. 92964

PROFIT AND LOSS ACCOUNT for the period ended 31 March 2015

	Notes	2015 \$	2014 \$
Expenditure			
Administrative fees	5	(178,528)	(181,861)
Development Expenses	5	<u>(15,099)</u>	<u>(27,791)</u>
Loss for the year		<u>\$ (193,627)</u>	<u>\$ (209,652)</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 10 to 12 form part of these Financial Statements.

AVTO METALS PUBLIC LIMITED COMPANY

Gibraltar Registered No. 92964

BALANCE SHEET as at 31 March 2015

	Notes	2015 \$	2014 \$
Current Assets			
Cash at Bank		<u>1,050</u>	<u>1,130</u>
Current Liability			
Accounts payable	2	<u>(1,099,799)</u>	<u>(906,252)</u>
Net Current Liability		(1,098,749)	(905,122)
Net Liability		<u><u>\$ (1,098,749)</u></u>	<u><u>\$ (905,122)</u></u>
Capital and Reserves			
Called up Share Capital	3,4	53,771	53,771
Share Premium Account	3,4	1,223,049	1,223,049
Profit and Loss Account	4	(2,375,569)	(2,181,942)
Total Shareholders' Funds		<u><u>\$ (1,098,749)</u></u>	<u><u>\$ (905,122)</u></u>

Signed on behalf of the Board of Directors on : 28 July 2015

Wayne S. Marshall
Director

Rodney T. Cox
Director

The notes on pages 10 to 12 form part of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS for the period ended 31 March 2015

1. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Gibraltar Generally Accepted Accounting Principles, Gibraltar Accounting Standards and the Gibraltar Companies Act and the Gibraltar (Companies Accounts) Act 1999 (together, 'Gibraltar GAAP').

a. Basis of accounting

The financial statements have been prepared under the historical cost convention and on a going concern basis. 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 generating revenue. Once trading commences, revenue will be recognized.

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 translated in US Dollars at the exchange rate ruling at the date of the transaction. Any monetary assets or liabilities denominated in foreign currencies are translated into US Dollars at the rate of exchange ruling at the balance sheet date. All translation differences are accounted for in the profit and loss account.

e. Going Concern

In order to meet future expenditures and cover administrative costs, the Company may need to raise additional financing. Although the Company has been successful in raising funds to date, there can be no assurance that adequate funding will be available in the future, or available under terms favourable to the Company. These financial statements have been prepared on a going concern basis that assumes the Company will be able to realise its assets and discharge its liabilities in the normal course of business. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. Further information is set out in the Directors' Report on pages 3 to 5.

AVTO METALS PUBLIC LIMITED COMPANY

Gibraltar Registered No. 92964

NOTES TO THE FINANCIAL STATEMENTS for the period ended 31 March 2015 (Continued)

2. ACCOUNTS PAYABLE

	2015 \$	2014 \$
Loan from parent company	<u>\$(1,099,799)</u>	<u>\$(906,252)</u>

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

3. CALLED UP SHARE CAPITAL

	2015 \$	2014 \$
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 2013	5,377,115	53,771	1,223,049	1,276,820
Shares issued during the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 31 March 2014	5,377,115	53,771	1,223,049	1,276,820
Shares issued during the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 31 March 2015	<u>5,377,115</u>	<u>\$ 53,771</u>	<u>\$ 1,223,049</u>	<u>\$ 1,276,820</u>

AVTO METALS PUBLIC LIMITED COMPANY

Gibraltar Registered No. 92964

NOTES TO THE FINANCIAL STATEMENTS for the period ended 31 March 2014 (Continued)

4. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

	Share Capital \$	Share Premium Account \$	Profit & Loss Account \$	Total \$
At 31 March 2013	53,771	1,223,049	(1,972,290)	(695,470)
Shares issued during the year	-	-	-	-
Loss for the year	-	-	(209,652)	(209,652)
At 31 March 2014	53,771	1,223,049	(2,181,942)	(905,122)
Shares issued during the year	-	-	-	-
Loss for the year	-	-	(193,627)	(193,627)
At 31 March 2015	<u>\$ 53,771</u>	<u>\$ 1,223,049</u>	<u>\$ (2,375,569)</u>	<u>\$ (1,098,749)</u>

5. RELATED PARTY TRANSACTIONS

In addition to related party transactions disclosed elsewhere in these financial statements, during the period ended 31 March 2015, the Company was charged US\$193,627 (2014 - US\$209,652) in fees for administrative services and development fees provided by the ultimate Parent Company.

6. CONTROLLING PARTY

The ultimate controlling party is Borealis Exploration Limited, a company incorporated in Gibraltar whose registered office is Suite 1, 43 Main Street, Gibraltar.

The immediate controlling party is Borealis Technical, a majority owned company by Borealis Exploration Limited.

7. STATEMENT OF CASH FLOWS

The financial statements do not include the Statement of Cash Flows which is required by Gibraltar Financial Reporting Standard No. 1 and by the Companies (Accounts) Act 1999. This represents a departure from Gibraltar Generally Accepted Accounting Practice. The statement has been omitted as the consolidated financial statements of the Family contain consolidated statement of cash flows. It is noted that the movement on the bank account during the year was limited to bank charges