

AVTO METALS

PUBLIC LIMITED COMPANY

Gibraltar Registered No. 92964

Annual Report

Fiscal Period 2016

for the 18 months period ended 30 September 2016

About Avto Metals plc

Avto Metals plc (“the Company”) 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 call 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 customised electrical properties.

Avto Metals has been funded to date by from within the Borealis Family of Companies. Avto Metals purchased 36,000 shares of WheelTug plc during the period for US\$126/share. The offering price on the shares is now US\$180/share and we expect that price to be US\$270 share in the near future. This transaction was undertaken as a way to compensate for WheelTug plc having been given priority for all the funding within the Borealis Family. We are seeking to get funding to the subsidiary companies while also getting WheelTug plc an acceptable price for its shares.

Avto Metals plc is a majority-owned subsidiary of Borealis Technical Limited, which in turn 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 - 5
Auditor's Report	6 - 7
Profit and Loss Account	8
Balance Sheet	9
Statement of Changes in Equity	10
Notes to the Financial Statements	11 - 15

AVTO METALS PUBLIC LIMITED COMPANY

Gibraltar Registered No. 92964

DIRECTORS AND OFFICERS

Director

Appointed

Rodney T. Cox PhD	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 PhD	6 October 2004	Director
Peter Vanderwicken	6 October 2004	Director
Ing. Jan Váňa	16 February 2016	Director

Secretary

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

Registered Office

Suite 1,
43 Main Street,
GX11 1AA
Gibraltar

Auditors

Moore Stephens Limited
Suite 5 Watergardens 4
Waterport
GX11 1AA
Gibraltar

AVTO METALS PUBLIC LIMITED COMPANY

Gibraltar Registered No. 92964

DIRECTORS' REPORT

The directors submit their report and the audited financial statements for the 18-month period ended 30 September 2016. In September 2015, the Company changed its fiscal year end from 31 March to 30 September. This had the effect of extending fiscal 2016 from 12 to 18 months, from 1 April 2015 to 30 September 2016.

The reasons for changing the year-end date and extending the audit period to 30 September 2016 are as follows:

1. Management considers that it is much more practical to have the Annual General Meetings (“AGMs”) in January or February as there are many more accommodation and flight options for management to ensure these attend the AGM.
2. There are critical business meetings and conferences (e.g., Farnborough/Paris Air Show) during the four-month period after a 31 March year-end date such that the audit and AGM conflict with and become a distraction to valuable management time and focus.

All references to fiscal 2016 refer to the 18 month period ended 30 September 2016. Comparatives shown in these financial statements are for the year ended 31 March 2015 therefore not entirely comparable.

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 researching and developing the Avto Metals™ Technology. The Avto Metals Technology enables the reduction and custom design 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 18-month period ended 30 September 2016 are shown on page 8. The directors do not recommend the payment of a dividend (2015: nil) and consequently the loss for the financial year has been added to the accumulated loss.

Since 1997, the parent company Borealis Technical Limited, (“Technical”) has been performing basic industrial research on its Avto Metals technology. There are multiple 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 the 18 months ended 30 September 2016, the Company was charged consulting fees of \$216,657 (2015:\$178,448), and development expenses of \$79,251 (2015: \$15,099).

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. At present the Avto Metals technology is still under development, such that the Company has not earned any related sub-licence income.

AVTO METALS PUBLIC LIMITED COMPANY

Gibraltar Registered No. 92964

DIRECTORS' REPORT (Continued)

We are working towards completing development of a commercial product. Development work in fiscal 2016 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.

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 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 have indicated that there is 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 and/or further sublicensing of its technology to various parties, which are expected to generate profitable operations in the future.

Dividends

There were no dividends declared during the period (2015: 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 30 September 2016	Shares held at 31 March 2015
Rodney T. Cox	1	1
Isaiah W. Cox	11,456	11,478
Wayne S. Marshall	26,468	20,665
Peter Vanderwicken	1	9,986
Jan Váňa	1	-

DIRECTORS' REPORT (Continued)

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 Act 2014. In addition, the Directors have elected to prepare the financial statements in accordance with Gibraltar Accounting Standards.

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, and
- 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 Act 2014. 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

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purpose of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

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

By order of the Board on 3 January 2017:

Isaiah W. Cox
Director

Rodney T. Cox
Director

Independent auditors' report to the members of Avto Metals plc

Report on the financial statements

We have audited the financial statements of Avto Metals plc (the "company") for the 18 months period ended 30 September 2016 which comprise the profit and loss account, the balance sheet, the statement of changes in equity 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 257 of the Companies Act 2014 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 Financial Reporting Standards ("Gibraltar Generally Accepted Accounting Practice"). 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.

**Independent auditors' report to the members of
Avto Metals plc - continued Opinion**

Opinion

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2016 and of the company's loss for the period then ended;
- have been properly prepared in accordance with Gibraltar Financial Reporting Standards; and
- have been properly prepared in accordance with the Companies Act 2014.

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 liabilities as at 30 September 2016 of \$1,384,001 of which \$5,895,707 represents amounts due to related parties which also show signs of going concern issues.

Opinion on other matter prescribed by the Companies Act 2014

In our opinion the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matter where the Companies Act 2014 requires us to report to you if, in our opinion:

- 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

Date: 03 January 2017

AVTO METALS PUBLIC LIMITED COMPANY

Gibraltar Registered No. 92964

PROFIT AND LOSS ACCOUNT for the 18 months period ended 30 September 2016

	Notes	2016 \$	2015 \$
Expenditure			
Administrative fees	7	(216,801)	(178,528)
Development expenses	7	<u>(79,251)</u>	<u>(15,099)</u>
Loss for the period/year		(296,052)	(193,627)
Profit on sale of shares in subsidiary under common control		10,800	-
		<u>10,800</u>	<u>-</u>
Loss for the period/year		<u><u>\$ (285,252)</u></u>	<u><u>\$ (193,627)</u></u>

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

The notes on pages 11-15 form part of these Financial Statements.

AVTO METALS PUBLIC LIMITED COMPANY

Gibraltar Registered No. 92964

BALANCE SHEET at 30 September 2016

	Notes	2016 \$	2015 \$
Investment in subsidiary under common control	4	<u>4,510,800</u>	<u>-</u>
Current Assets			
Cash at bank		<u>906</u>	<u>1,050</u>
		-	-
Current Liability			
Accounts payable	5	<u>(5,895,707)</u>	<u>(1,099,799)</u>
Net Current Liability		<u>(5,894,801)</u>	<u>(1,098,749)</u>
Net Liabilities		<u><u>\$ (1,384,001)</u></u>	<u><u>\$ (1,098,749)</u></u>
Capital and Reserves			
Called up share capital	6	53,771	53,771
Share premium account	6	1,223,049	1,223,049
Profit and loss account		(2,660,821)	(2,375,569)
Total Shareholders' Funds		<u><u>\$ (1,384,001)</u></u>	<u><u>\$ (1,098,749)</u></u>

The financial statements have been prepared in accordance with the provision of the Financial Reporting Standard 102 (effective 1st January 2015).

These financial statements were approved and authorized for issue by the board on 3 January 2017:

Isaiah W. Cox
Director

Rodney T. Cox
Director

The notes on pages 11-15 form part of these Financial Statements.

AVTO METALS PUBLIC LIMITED COMPANY

Gibraltar Registered No. 92964

STATEMENT OF CHANGES IN EQUITY for the 18 months period ended 30 September 2016

	Share Capital	Share Premium Account	Profit & Loss Account	Total
	\$	\$	\$	\$
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	53,771	1,223,049	(2,375,569)	(1,098,749)
Shares issued during the period	-	-	-	-
Loss for the period	-	-	(282,252)	(282,252)
At 30 September 2016	<u>\$ 53,771</u>	<u>\$ 1,223,049</u>	<u>\$ (2,660,821)</u>	<u>\$ (1,384,001)</u>

The notes on pages 11-15 form part of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS for the 18 months period ended 30 September 2016

1. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention and on a going concern basis. The financial statements have been prepared in accordance with Gibraltar Financial Reporting Standard 102 ("GFRS 102") and the Gibraltar Companies Act 2014.

These are the company's first set of financial statements prepared in accordance with GFRS102. The previous financial statements were prepared in accordance with Gibraltar Generally Accepted Accounting Practice ("GAAP").

a. Basis of accounting

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 has a presentational currency of US dollars (USD).

The Company has determined that USD is its functional currency, as this is the currency of the economic environment in which the Company predominantly operates.

d. Foreign currency translation

Transactions in currencies other than USD are recorded at the rate of exchange at the date of the transaction. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on exchange are included in profit or loss.

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 3-5.

f. Cash Flow Statements

The company has taken advantage of the exemption available for subsidiaries under GFRS 102, section 1.8, not to present a cash flow statement as these are presented in the consolidated financial statements of the ultimate parent company, Borealis Exploration Limited.

NOTES TO THE FINANCIAL STATEMENTS for the 18 months period ended 30 September 2016 (Continued)

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

g. Taxation

The company is subject to the Gibraltar Tax Act 2010 which requires companies with businesses managed and controlled in Gibraltar, to pay 10% Gibraltar Corporation Tax on profits to the extent that they accrue in or derive from Gibraltar.

h. Investments

Investments relates to subsidiary undertakings and are stated at cost, less any provision for impairment, where recoverable amount is considered to be less than cost. The recoverable amount is reviewed at each balance sheet date to determine if there are any indicators of impairment. If such indicators exist then the assets recoverable amount is estimated. Impairment losses are recognised in the profit and loss account.

i. Financial assets and liabilities

General

Financial instruments are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument. Financial instruments are initially measured at transaction price unless the arrangement constitutes a financing transaction which includes transaction costs for financial instruments not subsequently measured at fair value. Subsequent to initial recognition, they are measured as set out below. A financing transaction is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Classification

Financial instruments are classified as either 'basic' or 'other' in accordance with Chapter 11 of FRS 102.

Subsequent measurement

At the end of each reporting period, debt instruments classified as basic are measured at amortised cost using the effective interest rate method. All financial instruments not classified as basic are measured at fair value at the end of the reporting period, with the resulting changes recognised in profit or loss. Where their fair value cannot be reliably measured, they are recognised at cost less impairment.

Derecognition

Financial assets are derecognised when the contractual rights to the cash flows from the asset expire, or when the Company has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised only once the liability has been extinguished through discharge, cancellation or expiry.

j. Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and balances with banks, and investments in money market instruments which are readily convertible, being those with original maturities of three months or less.

Cash and cash equivalents are measured at fair value, based on the relevant exchange rates at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS for the 18 months period ended 30 September 2016 (Continued)

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

k. Accounts payable

Accounts payable are classified as creditors falling due within one year if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as creditors falling due after more than one year.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing the financial statements, management is required to make estimates and assumptions which affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and application of judgement are inherent in the formation of estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates.

Administrative services – these represent recharges from ultimate parent company Borealis Exploration Limited. The parent company incurs all administrative expenses and recharges on a quarterly basis between 9 subsidiaries (2015: 8).

3. FINANCIAL RISK MANAGEMENT

The Company has exposure to the following risks from its use of financial instruments:

Liquidity risk

The board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

Liquidity risk management

The Company manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

The Company uses revenues and costs from other activities that are predictable contractually. This assists with monitoring cash flow requirements and optimising treasury strategies.

The Company has not made any significant guarantees of third party or related party actual or potential obligations.

AVTO METALS PUBLIC LIMITED COMPANY

Gibraltar Registered No. 92964

NOTES TO THE FINANCIAL STATEMENTS for the 18 months period ended 30 September 2016 (Continued)

4. INVESTMENTS

	2016	2015
	\$	\$
Investment in subsidiary under common control	<u>\$4,510,800</u>	<u>\$-</u>

5. ACCOUNTS PAYABLE

	2016	2015
	\$	\$
Loan from parent company	(1,359,707)	(1,099,799)
Loan from subsidiary under common control	(4,536,000)	-
	<u>\$(5,895,707)</u>	<u>\$(1,099,799)</u>

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

6. CALLED UP SHARE CAPITAL

		2016	2015	
		\$	\$	
Authorised share capital 10,000,000 ordinary shares @ \$0.01 each		\$100,000	\$100,000	
	Number of Shares	Share Capital \$	Share Premium Account \$	Total \$
At 31 March 2014	5,377,115	53,771	1,223,049	1,276,820
Shares issued during the year	-	-	-	-
At 31 March 2015	5,377,115	53,771	1,223,049	1,276,820
Shares issued during the year	-	-	-	-
At 30 September 2016	<u>5,377,115</u>	<u>\$ 53,771</u>	<u>\$1,223,049</u>	<u>\$1,276,820</u>

NOTES TO THE FINANCIAL STATEMENTS for the 18 months ended 30 September 2016 (Continued)

7. RELATED PARTY TRANSACTIONS

In addition to related party transactions disclosed elsewhere in these financial statements, during the 18 months ended 30 September 2016, the Company was charged \$295,908 (2015: \$193,547) in fees for administrative services and development fees provided by Borealis Technical Limited. Amounts due to Borealis Technical Limited, parent Company, as at 30 September 2016 was \$1,359,707 (2015: \$1,099,799).

During the period, the Company bought investment of 36,000 shares in subsidiary under common control, Wheeltug plc, held by subsidiary under common control, Chorus Motors plc at \$180 per share and amount due to Chorus Motors plc as at 30 September 2016 was \$4,536,000 (2015: nil).

8. 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 Limited, of which Borealis Exploration Limited is in turn the majority owner.

9. SUBSEQUENT EVENTS

The directors have nothing to report under this section.

10. TRANSITION TO GFRS 102

This is the first period that the company has presented its results under GFRS 102. The last financial statements under Gibraltar GAAP were for the year ended 31 March 2015. The date of transition to GFRS 102 was 1 April 2014.

No adjustments are required to reflect the transition in the accounting standards to GFRS 102.