

POWER CHIPS

PUBLIC LIMITED COMPANY

Gibraltar Registered No. 60528

Financial Statements

for the year ended 31 March 2009

POWER CHIPS PUBLIC LIMITED COMPANY

Gibraltar Registered No. 60528

About Power Chips plc

Power Chips plc has created "Power Chips" which use thermionics to convert heat into electricity. Power Chips plc is a majority-owned subsidiary of Borealis Exploration Limited (BOREF OTC-US), and is publicly traded on the Pink Sheets (PWCHF OTC). The high for the year was US\$3.00/share the low US\$0.01/share and the close was US\$1.50/share.

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
Auditors' Report	6
Financial Statements and Notes	8

POWER CHIPS PUBLIC LIMITED COMPANY

Gibraltar Registered No. 60528

DIRECTORS AND OFFICERS

Directors

Appointed

Rodney T. Cox	23 Mar 2000	Director, Chairman of the Board and Chief Executive Officer
Isaiah W. Cox	23 Mar 2000	Director, President and Chief Operating Officer
Wayne S. Marshall	23 Mar 2000	Director
Peter Vanderwicken	06 Sept 2000	Director
Nechama J. Cox	01 Aug 2001	Director
Giulio Pontecorvo	28 Aug 2003	Director
Stuart Harbron	23 July 2002	Resigned 24 June 2008

Secretary

STM Fidecs Management 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

POWER CHIPS PUBLIC LIMITED COMPANY

Gibraltar Registered No. 60528

DIRECTORS' REPORT

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

Corporate Profile

The Company was incorporated on 11 February 1997 in Gibraltar. The Company's shares are publicly traded in the United States over-the-counter (OTC) market and quoted as PWCHF on the Pink Sheets at www.pinksheets.com. As of year-end, the last reported trade was at \$1.50 per share, with the yearly high at \$ 3.00 per share, and the low at \$ 0.01 per share.

Activities

The principal activity of the Company is that of researching, developing and marketing Power Chips™ Technology. Power Chips are devices that absorb heat and use it to produce electrical power. They are silent, non-polluting, scalable, portable, and can operate anywhere there is a source of heat. We expect them to replace many existing technologies for generating electricity.

Results and Review of Business

The results for the year are shown in the Profit and Loss Account on page 8.

Power Chips plc lost \$ 280,000 last year. This compares to our loss of \$ 429,715 in 2008. Our cumulative loss carry forward is now \$ 1,308,451 compared to \$ 1,028,451 in 2008.

Power Chips plc is a member of the Borealis Family of Companies and is a publicly traded indirect majority-owned subsidiary of Borealis Exploration Limited. Borealis Technical Limited, our direct parent company, owns 5,222,983 of our 8,035,11 outstanding shares, or 65% of our shares. Like our parent and most Family companies, Power Chips plc is incorporated in Gibraltar. Power Chips plc owns almost ten million Asamera Limited shares which has the license for stationary power units of over 1 Mega Watt.

Our parent company, Borealis Technical Limited, owes us \$ 4,161,109 compared to \$4,441,109 in the previous year.

Borealis Technical Limited ("Technical"), the parent company, has conducted basic industrial research on its Power Chips technology since 1996, for which it has patents issued and pending. All of the research expenditures to this year that have been undertaken by Technical are funded by Borealis Exploration Limited, the ultimate parent of the Company. Technical had received deposits in the current and prior years on behalf of the Company towards the issue of shares in the Company which deposits were then due back to Power Chips plc. During FY2009, the Company was charged Consulting Fees of \$280,000 (\$280,000 – 2008).

An Intellectual Property Agreement was signed effective 1 January 1999, whereby Technical has granted the Company the exclusive worldwide rights for sublicensing the Power Chips 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 sublicense income. To date the Power Chips technology is still under development such that the Company has not made any related sublicense sales.

We are negotiating to sell licenses and product using various corporate structures under favourable terms for all parties involved. Power Chips plc has issued one licence to Asamera Limited. It now appears that selling shares in Asamera Limited and in Power Chips plc will give us the funds to be a manufacturer and supplier of Power Chips to most of our markets including the high value market. Under NDA Business Plans are available.

POWER CHIPS PUBLIC LIMITED COMPANY

Gibraltar Registered No. 60528

DIRECTORS' REPORT (Continued)

The Company has been in the development stage since its inception. The Company intends to retain its sublicence 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. Now the Company is being charged for management and project fees, and is also paying its direct costs of research. The economic climate circumstances raise doubts about the ability of the Company to continue as a going concern. The Company is a publicly traded company.

Management of the Company has indicated they have no intention to demand repayment of the amounts owing from Technical until the Power Chips technology is being licensed in the marketplace. The Company and Technical are actively 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 licences, of products, sale of shares in Asamera Limited and the sale of further shares of the Company. 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 year.

Directors and their Interests

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

The interest of the directors in the shares of the Company at the year end were as follows:

	Shares held at 31 March 2009	Shares held at 31 March 2008
Rodney T. Cox	114,280	114,280
Isaiah W. Cox	25,600	25,600
Wayne S. Marshall	73,164	72,664
Peter Vanderwicken	18,758	18,758
Nechama J. Cox	20,275	20,275
Giulio Pontecorvo	5,000	5,000

Share Options

As of 31 March 2009, there were no share options outstanding.

POWER CHIPS PUBLIC LIMITED COMPANY

Gibraltar Registered No. 60528

DIRECTORS' REPORT (Continued)

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.

Investor Information

Extensive information for investors can be found on our Website at www.powerchips.gi. Our annual and quarterly reports for the past several years are posted there, as well as full information about the Company and our technologies. The site also has links to quotation systems that report our current stock prices.

If you have a question about Power Chips, please write to us at pr@powerchips.gi.

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 POWER CHIPS PUBLIC LIMITED COMPANY

We have audited the financial statements of Power Chips plc for the year ended 31 March 2009 set out on pages 8 to 13. These financial statements have been prepared under the accounting policies set out on page 10.

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.

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.

POWER CHIPS PUBLIC LIMITED COMPANY

Gibraltar Registered No. 60528

AUDITORS' REPORT (Continued)

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.



Gibraltar
22 December 2009

Moore Stephens
CHARTERED ACCOUNTANTS

POWER CHIPS PUBLIC LIMITED COMPANY

Gibraltar Registered No. 60528

PROFIT AND LOSS ACCOUNT for the year ended 31 March 2008

	Notes	2009 \$	2008 \$
Expenditure			
Administrative fees	7	(280,000)	(280,000)
Development Expenses		<u>-</u>	<u>(149,716)</u>
Loss for the year		(280,000)	(429,716)
Accumulated loss at 1 April 2008		<u>(1,028,451)</u>	<u>(598,735)</u>
Accumulated loss at 31 March 2009		<u><u>\$(1,308,451)</u></u>	<u><u>\$(1,028,451)</u></u>

The Company has had no discontinued activities during the year, 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 year are those disclosed in the Profit and Loss Account.

The notes on pages 10 to 13 form part of these Financial Statements.

POWER CHIPS PUBLIC LIMITED COMPANY

Gibraltar Registered No. 60528

BALANCE SHEET as at 31 March 2009

	Notes	2009 \$	2008 \$
Investments	2	<u>100,000</u>	<u>-</u>
Current Assets			
Debtors	3	<u>4,161,109</u>	<u>4,441,109</u>
Current Liabilities			
Creditors	4	<u>(100,000)</u>	<u>-</u>
Total Current Assets		<u>4,061,109</u>	<u>4,441,109</u>
Total Net Assets		<u><u>\$4,161,109</u></u>	<u><u>\$4,441,109</u></u>
Capital and Reserves			
Called up Share Capital	5,6	123,781	123,781
Share Premium Account	5,6	5,345,779	5,345,779
Accumulated Loss	6	<u><u>\$(1,308,451)</u></u>	<u><u>\$(1,028,451)</u></u>
Total Shareholders' Funds		<u><u>\$4,161,109</u></u>	<u><u>\$4,441,109</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 10 to 13 form part of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS for the year 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

The financial statements are 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 4 to 5.

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.

f. Taxation

The Company has been granted exempt status under the Gibraltar Companies (Taxation and Concessions) Act. Providing the Company continues to satisfy the criteria for such status, including the payment of an annual government charge of £450 it will not be subject to Gibraltar Corporation Tax until 2010, the date at which the status of all Gibraltar exempt companies will be subject to new legislation.

g. Investments

Investments in the shares of subsidiary companies or other group companies are stated at average cost and the profit or loss on disposals is calculated based on this historical average cost of the inventory.

POWER CHIPS PUBLIC LIMITED COMPANY

Gibraltar Registered No. 60528

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

2. INVESTMENTS

	Ownership Interest		Investments	
	2009	2008	2009	2008
	\$	\$	\$	\$
Asamera Limited	<u>100.00%</u>	<u>0.00%</u>	<u>\$100,000</u>	<u>\$-</u>

3. DEBTORS

	2009	2008
	\$	\$
Loan to parent company	<u>\$4,161,109</u>	<u>\$4,441,109</u>

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

4. CREDITORS

	2009	2008
	\$	\$
Loan from subsidiary company	<u>\$100,000</u>	<u>\$-</u>

POWER CHIPS PUBLIC LIMITED COMPANY

Gibraltar Registered No. 60528

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

5. CALLED UP SHARE CAPITAL

	2009 \$	2008 \$
Authorised share capital 10,000,000 ordinary shares @ £0.01 each	<u>\$160,000</u>	<u>\$160,000</u>

	Number of Shares	Share Capital \$	Share Premium Account \$	Total \$
At 31 March 2007	8,035,118	123,781	5,345,779	5,469,560
Shares issued during the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 31 March 2008	8,035,118	123,781	5,345,779	5,469,560
Shares issued during the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 31 March 2009	<u>8,035,118</u>	<u>\$123,781</u>	<u>\$5,345,779</u>	<u>\$5,469,560</u>

POWER CHIPS PUBLIC LIMITED COMPANY

Gibraltar Registered No. 60528

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

6. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

	Share Capital	Share Premium Account	Profit & Loss Account	Total
	\$	\$	\$	\$
At 31 March 2007	123,781	5,345,779	(598,735)	4,870,825
Share issued during the year	-	-	-	-
Loss for the year	-	-	(429,716)	(429,716)
At 31 March 2008	123,781	5,345,779	(1,028,451)	4,441,109
Shares issued during the year	-	-	-	-
Loss for the year	-	-	(280,000)	(280,000)
At 31 March 2009	<u>\$123,781</u>	<u>\$5,345,779</u>	<u>\$(1,308,451)</u>	<u>\$4,161,109</u>

7. RELATED PARTY TRANSACTIONS

In addition to related party transactions disclosed elsewhere in these financial statements, during the year ended 31 March 2009 the Company was charged US\$280,000 (2008 - US\$429,716) in fees for administrative services and development expenses provided by Technical.

8. 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, Box 575, Gibraltar.