

COOL CHIPS

PUBLIC LIMITED COMPANY

Gibraltar Registered No. 57885

Financial Statements

for the year ended 31 March 2011

COOL CHIPS PUBLIC LIMITED COMPANY

Gibraltar Registered No. 57885

About Cool Chips plc

Cool Chips plc has created "Cool Chips" which use electrons to carry heat from one side of a vacuum diode to the other. The system, currently under development, contains no moving parts or motors and can be miniaturized for use in micro-electronic applications. In almost every electronics cooling application, an active cooling system powered by Cool Chips™ technology will be superior to the more conventional passive solutions.

Cool Chips plc is a majority-owned subsidiary of Borealis Exploration Limited (BOREF OTC), and is publicly traded on the Pink Sheets (COLCF OTC).

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

COOL CHIPS PUBLIC LIMITED COMPANY

Gibraltar Registered No. 57885

DIRECTORS AND OFFICERS

Directors

Appointed

Rodney T. Cox	21 Dec 1999	Director, Chairman of the Board, and Chief Executive Officer
Isaiah W. Cox	21 Dec 1999	Director, President and Chief Operating Officer
Wayne S. Marshall	21 Dec 1999	Director
Peter Vanderwicken	06 Sept 2000	Director
Nechama J. Cox	01 Aug 2001	Director
Giulio Pontecorvo	28 Aug 2003	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

COOL CHIPS PUBLIC LIMITED COMPANY

Gibraltar Registered No. 57885

DIRECTORS' REPORT

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

Corporate Profile

The Company was incorporated on 23 April 1996 in Gibraltar. The Company's shares are publicly traded in the United States over-the-counter (OTC) market and quoted as COLCF on the Pink Sheets at www.pinksheets.com.

Activities

The principal activity of the Company is that of researching, developing and building Cool Chips™. We are working on building Cool Chips using several technologies. We now feel that Avto Metals™, which we have licensed and which allow us to custom design electron volt work functions (eV), are key to an efficient mass produced build technology. We have exclusive rights to use this technology for Cool Chips. Within a year of Avto Metal commercialization, we can expect our first Cool Chips to be available for testing by a few of our many potential customers.

Results and Review of Business

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

Borealis Technical Limited ("Technical"), the parent company, has conducted basic industrial research on its Cool Chips technology since 1995, for which it has patents issued and pending. All of the research expenditures to this year have been undertaken by Technical and funded by Borealis Exploration Limited, the ultimate parent of the Company. The Company is now being charged for overheads and for research work carried out.

Cool Chips Military Sales plc was incorporated on 8 February 2005, as a subsidiary of the Company, as it is expected that the first sales of Cool Chips technology will be delivery of products to US military contractors and to the US Department of Defense.

An Intellectual Property Agreement was signed effective 1 January 1999, whereby Technical has granted the Company the exclusive worldwide rights for sublicensing the Cool 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 Cool Chips technology is still under development such that the Company has not made any related sublicense sales. Cool Chips plc has licensed Avto Metals plc technology exclusively for the manufacture of Cool Chips™

The Company has been in the development stage since its inception. The Company intends to retain its sublicense rights granted by Borealis Technical Limited and Avto Metals plc.. 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 a fair share of management and project costs. The present circumstances of a very difficult environment for money raising raise certain doubts about the ability of the Company to continue as a going concern. The Company is a publicly traded company. We expect to raise money from sale of license agreements, sale of subsidiary company shares and sales of Cool Chips plc shares. We are open to and willing to explore, creative transactions for funding company operations.

COOL CHIPS PUBLIC LIMITED COMPANY

Gibraltar Registered No. 57885

DIRECTORS' REPORT (Continued)

Management of Borealis Technical have indicated they have no intention to demand repayment of the amounts owing from Cool Chips plc until the Cool Chips Technology is being licensed in the marketplace and Cool Chips plc is profitable and can afford the repayment without any financial distress. 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, sales of products, sale of shares in subsidiary companies and issues of further shares. 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 interests of the directors in the shares of the Company in the year were as follows.

	Shares held at 31 March 2011	Shares held at 31 March 2010
Rodney T. Cox	179,287	169,000
Isaiah W. Cox	21,750	22,600
Wayne S. Marshall	57,003	64,303
Peter Vanderwicken	13,259	13,259
Nechama J. Cox	17,275	17,275
Giulio Pontecorvo	6,000	6,000

Share Options

As of 31 March 2011, there were no share options outstanding.

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;

COOL CHIPS PUBLIC LIMITED COMPANY

Gibraltar Registered No. 57885

DIRECTORS' REPORT (Continued)

- 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.

Investor Information

Extensive information for investors can be found on our Website at www.coolchips.gi. Our annual and quarterly reports for the past several years are posted there, as well as much information about the Company and our technologies. Under NDA we are disclosing substantial information to prospective investors and licensees. The site also has links to quotation systems that report our current share prices.

If you have a question about Cool Chips, or interest in licensing or in development work or participation, please write to us at pr@coolchips.gi.

Auditor

A resolution to reappoint Moore Stephens Limited will be proposed 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 Cool Chips Public Limited Company

We have audited the financial statements of Cool Chips 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.

COOL CHIPS PUBLIC LIMITED COMPANY

Gibraltar Registered No. 57885

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

COOL CHIPS PUBLIC LIMITED COMPANY

Gibraltar Registered No. 57885

Financial Statements and Notes

PROFIT AND LOSS ACCOUNT For the year ended 31 March 2011

	Notes	2011 \$	2010 \$
Expenditure			
Administrative fees	6	(280,000)	(280,000)
Development Expenses	6	<u>-</u>	<u>(50,000)</u>
Loss for the year		<u><u>\$ (280,000)</u></u>	<u><u>\$ (330,000)</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.

COOL CHIPS PUBLIC LIMITED COMPANY

Gibraltar Registered No. 57885

BALANCE SHEET

as at 31 March 2011

	Notes	2011 \$	2010 \$
Investments	2	69,333	69,333
Current Assets			
Debtors	3	6,723,133	7,003,133
Net current assets		<u>6,723,133</u>	<u>7,003,133</u>
Total Net Assets		<u>\$ 6,792,466</u>	<u>\$ 7,072,466</u>
Capital and Reserves			
Called up Share Capital	4,5	126,752	126,752
Share Premium Account	4,5	8,657,765	8,657,765
Accumulated Loss	5	<u>(1,992,051)</u>	<u>(1,712,051)</u>
Total Shareholders' Funds		<u>\$ 6,792,466</u>	<u>\$ 7,072,466</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 10 to 13 form part of these Financial Statements.

COOL CHIPS PUBLIC LIMITED COMPANY

Gibraltar Registered No. 57885

NOTES TO THE FINANCIAL STATEMENTS for the year 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 under the historical cost convention and applying 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. Consolidation

In terms of an exemption under Section 8 of the Companies (Consolidated Accounts) Act consolidated accounts are not presented since the accounts of the company and its subsidiaries are consolidated in the accounts of the ultimate parent company.

f. 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 5.

g. 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 Standards 1, Cash Flow Statements, it has not prepared a cash flow statement.

h. Taxation

The company was granted exempt status under the Gibraltar Companies (Taxation and Concessions) Act. Under such status, save for the payment of an annual government charge of £450, it was not be subject to Gibraltar Corporation Tax. From January 2011, the status of all Gibraltar exempt companies 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.

i. Investment

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.

COOL CHIPS PUBLIC LIMITED COMPANY

Gibraltar Registered No. 57885

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

2. INTERESTS IN GROUP UNDERTAKING

The Company has the principal ownership interests and invested amounts in its subsidiary:

	Ownership Interest		Investments	
	2011	2010	2011	2010
	\$	\$	\$	\$
Cool Chips Military Sales plc	100.00%	100.00%	\$69,333	\$69,333

The investments were acquired at par, representing 6,933,348 shares at \$0.01 each.

3. DEBTORS

	2011	2010
	\$	\$
Loan to parent company	5,672,466	6,232,467
Loan to subsidiary company		
Cool Chips Military Sales plc	1,050,667	770,666
	<u>\$ 6,723,133</u>	<u>\$ 7,003,133</u>

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

COOL CHIPS PUBLIC LIMITED COMPANY

Gibraltar Registered No. 57885

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

4. CALLED UP SHARE CAPITAL

	2011 \$	2010 \$
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 2009	8,251,947	126,752	8,657,765	8,784,517
Shares issued during the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 31 March 2010	8,251,947	126,752	8,657,765	8,784,517
Shares issued during the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 31 March 2011	<u>8,251,947</u>	<u>\$126,752</u>	<u>\$8,657,765</u>	<u>\$8,784,517</u>

5. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

	Share Capital \$	Share Premium Account \$	Profit & Loss Account \$	Total \$
At 31 March 2009	126,752	8,657,765	(1,382,051)	7,402,466
Share issued during the year	-	-	-	-
Loss for the year	<u>-</u>	<u>-</u>	<u>(330,000)</u>	<u>(330,000)</u>
At 31 March 2010	126,752	8,657,765	(1,712,051)	7,072,466
Shares issued during the year	-	-	-	-
Loss for the year	<u>-</u>	<u>-</u>	<u>(280,000)</u>	<u>(280,000)</u>
At 31 March 2011	<u>\$126,752</u>	<u>\$8,657,765</u>	<u>\$(1,992,051)</u>	<u>\$6,792,466</u>

COOL CHIPS PUBLIC LIMITED COMPANY

Gibraltar Registered No. 57885

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

6. RELATED PARTY TRANSACTIONS

In addition to related party transactions disclosed elsewhere in these financial statements, during the year ended 31 March 2011, the Company was charged US\$280,000 (2010 - US\$330,000) in fees for administrative services and development costs provided by Borealis Technical Ltd.

7. 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.