

STEEPER ENERGY ApS

CVR-NO. 33 38 38 35

ANNUAL REPORT

1 JANUARY – 31 DECEMBER 2015

The Annual Report was presented and adopted at
the Annual General Meeting of the Company on

/ 2016

Chairman

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Management's Statement

The Executive Board has today considered and adopted the Annual Report of Steeper Energy ApS for the financial year 1 January – 31 December 2015.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2015 of the Company and of the results of the Company operations for 2015.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Rudersdal, 30 May 2016

Executive Board

Steen Brummerstedt Iversen
Chief Technology Officer

Perry Edwards Toms
Chief Executive Officer

Board of Directors

Steen Brummerstedt Iversen

Perry Edwards Toms

Anthony F. W. Grenon

Independent Auditor's Report on the Financial Statements

To the Shareholder of Steeper Energy ApS

Report on the Financial Statements

We have audited the Financial Statements of Steeper Energy ApS for the financial year 1 January – 31 December 2015, which comprise income statement, balance sheet, notes and summary of significant accounting policies. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires 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 audit procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditor's 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 Company's preparation of Financial Statements that give a true and fair view 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 Company'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.

Our audit has not resulted in any qualification.

Independent Auditor's Report on the Financial Statements

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2015 and of the results of the Company operations for the financial year 1 January – 31 December 2015 in accordance with the Danish Financial Statements Act.

Statement on Management's Review

We have read Management's Review in accordance with the Danish Financial Statements Act. We have not performed any procedures additional to the audit of the Financial Statements. On this basis, in our opinion, the information provided in Management's Review is in accordance with the Financial Statements.

Aalborg, 30 May 2016

Beierholm

Statsautoriseret Revisionspartnerselskab



Peter Thor Kellmer

State Authorised Public Accountant

Company Information

The Company

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MR No. 33 38 335

Financial period: January – 31 December

Municipality of office: Rudersdal

Executive Board

Steen Brummerstedt Iversen

Perry Edwards Toms

Board of Directors

Steen Brummerstedt Iversen

Perry Edwards Toms

Anthony F.W. Grenon

Auditors

Review

Main activity

The purpose of the Company is to directly, or through holdings of shares in other companies, conduct technology based business and other activities deemed by the Board to be associated with such business.

Development in the year

This income statement of the Company for 2015 shows a loss of DKK 378.387, and at 31 December 2015 the balance sheet of the Company shows equity of DKK 26.419.876.

Subsequent events

No other events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Accounting Policies

Basis of Preparation

The Annual Report of Steeper Energy ApS for 2015 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C.

The accounting policies applied remain unchanged from last year.

The Annual Report for 2015 is presented in DKK.

Recognition and measurement

The Financial Statements have been prepared under the historical cost method.

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortization, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Danish kroner are used as the measurement currency. All other currencies are regarded as foreign currencies.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Gains and losses arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange

Accounting Policies

rates at the balance sheet date and the transaction date rates are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Income Statement

Gross profit

With reference to section 32 of the Danish Financial Statements Act, revenue has not been disclosed in the Annual Report.

Revenue

Revenue from the sale of goods for resale and finished goods is recognised in the income statement when delivery and transfer of risk has been made before year end.

Revenue is recognised exclusive of VAT and net of discounts relating to sales.

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

Expenses for raw materials and consumables also include research and development costs that do not qualify for capitalization.

Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortization, depreciation and impairment of property, plant and equipment.

Accounting Policies

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the core activities of the enterprise, including gains and losses on the sale of intangible assets and property, plant and equipment.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

Balance Sheet

Intangible assets

Patents and licenses are measured at the lower of cost less accumulated amortisation and recoverable amount. Patents are amortised over the remaining patent period, and licenses are amortised over the license period; however not exceeding 8 years.

Development projects in progress and prepayments for intangible assets are measured at the lower of cost less accumulated amortisation and recoverable amount.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Other fixtures and fittings, tools and equipment	3-5 years
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Assets costing less the DKK 12,300 are expensed in the year of acquisition.

Accounting Policies

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realizable value, which corresponds to nominal value less provisions for bad debts. Provisions for bad debts are determined on the basis of an individual assessment of each receivable, and in respect of trade receivables, a general provision is also made based on the Company's experience from previous years.

Contract work in progress

Contract work in progress is measured at the lower of cost and net realizable value. Prepayments received are set off against the balance sheet value.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance, subscriptions and interest.

Equity

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realized, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Accounting Policies

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on account taxation scheme are recognised in the income statement in financial income and expense.

Financial liabilities

Fixed-interest loans are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Other liabilities are measured at amortised cost, substantially corresponding to nominal value.

Income Statement 1 January - 31 December

	Note	<u>2015</u>	<u>2014</u>
		DKK	DKK
Gross profit		1.011.060	-861.336
Staff expenses	1	-201.768	-21.746
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-40.980	-37.453
Profit/loss before financial income and expenses		768.312	-920.535
Financial income	2	293.732	511.039
Financial expenses	3	-1.440.431	-275.606
Profit/loss before tax		-378.387	-685.102
Tax on profit/loss for the year		-465.916	0
Net profit/loss for the year		-844.303	-685.102

Distribution of profit

Proposed distribution of profit

Proposed dividend for the year		0	0
Retained earnings		-844.303	-685.102
		-844.303	-685.102

Balance Sheet 31 December

Assets

	Note	<u>2015</u>	<u>2014</u>
		DKK	DKK
Acquired patents	4	3.015.699	1.726.843
Development projects in progress and prepayments for intangible assets	5	<u>4.830.038</u>	<u>3.971.741</u>
Intangible assets		<u>7.845.737</u>	<u>5.698.584</u>
Other fixtures and fittings, tools and equipment		<u>103.899</u>	<u>112.462</u>
Property, plant and equipment	6	<u>103.899</u>	<u>112.462</u>
Deposits		<u>153.240</u>	<u>51.000</u>
Fixed assets investments		<u>153.240</u>	<u>51.000</u>
Fixed assets		<u>8.102.876</u>	<u>5.862.046</u>
Trade receivables		0	6.386.628
Other receivables		<u>15.273.464</u>	<u>281.737</u>
Receivables		<u>15.273.464</u>	<u>6.668.365</u>
Cash at bank and in hand		<u>3.558.340</u>	<u>693.175</u>
Current assets		<u>18.831.804</u>	<u>7.361.540</u>
Assets		<u>26.934.680</u>	<u>13.223.586</u>

Balance Sheet 31 December

Liabilities and equity

	Note	<u>2015</u> DKK	<u>2014</u> DKK
Share capital	7	145.000	80.000
Share premium		27.967.680	0
Retained earnings		-2.158.720	-1.314.417
Equity		<u>25.953.960</u>	<u>-1.234.417</u>
Provisions for deferred tax		465.916	0
Provisions		<u>465.916</u>	<u>0</u>
Convertible and profit-yielding instruments of debt		0	14.162.424
Long-term liabilities	8	<u>0</u>	<u>14.162.424</u>
Trade payables		36.112	39.513
Other payables		478.692	256.066
Short-term liabilities		<u>514.804</u>	<u>295.579</u>
Liabilities		<u>514.804</u>	<u>14.458.003</u>
Liabilities and equity		<u>26.934.680</u>	<u>13.223.586</u>
Contingent assets, liabilities and other financial obligations	9		
Related parties and ownership	10		

Equity

	Share capital	Share premium	Retained earnings	Total
	DKK	DKK	DKK	DKK
Equity at 1 January	80.000	0	-1.314.417	-1.234.417
Conversion of debt	65.000	27.967.680	0	28.032.680
Net profit/loss for the year	0	0	-844.303	-844.303
Equity at 31 December	145.000	27.967.680	-2.158.720	25.953.960

Notes to the Annual Report

Note	<u>2015</u>	<u>2014</u>
	DKK	DKK
1 Staff expenses		
Wages and salaries	3.431.315	2.224.758
Pension	199.264	0
Other social security expenses	45.830	27.147
	<u>3.676.409</u>	<u>2.251.905</u>
Transferred to development projects	-3.474.641	-2.230.159
	<u>201.768</u>	<u>21.746</u>
2 Financial income		
Other financial income	293.732	511.039
	<u>293.732</u>	<u>511.039</u>
3 Financial expenses		
Other financial expenses	1.440.431	905.850
Transferred to development projects	0	-630.244
	<u>1.440.431</u>	<u>275.606</u>
4 Acquired patents		
Cost at 1 January	1.726.843	1.223.911
Additions for the year	1.288.856	502.932
Disposals for the year	0	0
Cost at 31 December	<u>3.015.699</u>	<u>1.726.843</u>
Carrying amount at 31 December	<u>3.015.699</u>	<u>1.726.843</u>

Notes to the Annual Report

Note	<u>2015</u>	<u>2014</u>
	DKK	DKK
5 Development projects in progress and prepayments for intangible assets		
Cost at 1 January	3.971.741	433.924
Additions for the year	858.297	3.537.817
Disposals for the year	0	0
Cost at 31 December	<u>4.830.038</u>	<u>3.971.741</u>
Carrying amount at 31 December	<u>4.830.038</u>	<u>3.971.741</u>
6 Property, plant and equipment		
Other fixtures and fittings, tools and equipment		
Cost at 1 January	182.292	144.062
Additions for the year	32.417	38.230
Disposals for the year	0	0
Cost at 31 December	<u>214.709</u>	<u>182.292</u>
Impairment losses and depreciation at 1 January	69.830	32.377
Depreciation for the year	40.980	37.453
Disposals on depreciation	0	0
Impairment losses and depreciation at 31 December	<u>110.810</u>	<u>69.830</u>
Carrying amount at 31 December	<u>103.899</u>	<u>112.462</u>
7 Share capital		
The share capital consists of:		
Shares of a nominal value of DKK 1.000	145.000	80.000
	<u>145.000</u>	<u>80.000</u>

No shares carry any special rights.

The share capital has been increased with 65.000 DKK in 2015.

Notes to the Annual Report

Note

8 Long-term debt

	<u>Primo</u>	<u>Ultimo</u>	<u>Between 1 and 5 years</u>	<u>Within 1 year</u>
Convertible and profit-yielding instruments of debt	14.162.424	0	0	0
	<u>14.162.424</u>	<u>0</u>	<u>0</u>	<u>0</u>

9 Contingent assets, liabilities and other financial obligations

	<u>2015</u>	<u>2014</u>
	DKK	DKK
Security		
The following assets have been placed as security with Tom Capital Associates Inc.:		
Letter of indemnity	<u>0</u>	<u>7.000.000</u>

Contingent liabilities

Movable assets secured as intangible assets and security in the company's assets in the form of company charge has been granted. The charges have happened in connection with obtained credit facility for financing of operation and projects.

Furthermore the company has entered into an agreement regarding plant lease for a period of 3 years with an annual rent of DKK 480k.

The Company has a rental obligation totaling DKK 48k.

10 Related parties and ownership

The following shareholders are recorded in the Company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital:

Steeper Holding ApS, Rudersdal
TOM Capital Associates Inc., Canada