

Blue Point Pellet Denmark ApS

Værftsvej 6 B, 4600 Køge

CVR no. 34 72 39 90

Annual report 2015

Approved at the annual general meeting of shareholders on 14 June 2016

Chairman:

A handwritten signature in blue ink, appearing to read 'Vest', is written over a horizontal dotted line.

Contents

Statement by the Board of Directors and the Executive Board	2
Independent auditors' report	3
Management's review	5
Company details	5
Operating review	6
Financial statements for the period 1 January - 31 December	8
Income statement	8
Balance sheet	9
Statement of changes in equity	10
Notes to the financial statements	11

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Blue Point Pellet Denmark 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 Company's financial position at 31 December 2015 and of the results of the Company's operations for the financial year 1 January - 31 December 2015.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the annual general meeting.

Copenhagen, 14 June 2016
Executive Board:



Brent Marcel Thomas Keele

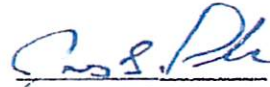
Board of Directors:



Brent Marcel Thomas Keele
Chairman



John Leslie Allen



James Lee Parke



Curtis Robert Richardson



Kurtis Arthur Hoeven

Independent auditors' report

To the shareholder of Blue Point Pellet Denmark ApS

Independent auditors' report on the financial statements

We have audited the financial statements of Blue Point Pellet Denmark ApS for the financial year 1 January - 31 December 2015, which comprise an income statement, balance sheet, statement of changes in equity and notes, including a 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 that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 regulations. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to 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 auditors consider 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 opinion.

Our audit has not resulted in any qualification.

Opinion

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

Emphasis of matter regarding matters in the financial statements

Without modifying our opinion, we wish to draw attention to note 2 to the financial statements, which describes the uncertainty associated with the valuation of the production facilities and the inventories.

Independent auditors' report

Statement on the Management's review

Pursuant to the Danish Financial Statements Act, we have read the Management's review. We have not performed any other procedures in addition to the audit of the financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the financial statements.

Copenhagen, 14 June 2016
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR No. 30 70 02 28



Poul Erik Olsen
State Authorised Public Accountant



Bo Sigurd Leinum
State Authorised Public Accountant

Management's review

Company details

Name	Blue Point Pellet Denmark ApS
Address, Postal code, City	Værftsvej 6 B, 4600 Køge
CVR No.	34 72 39 90
Established	28 September 2012
Registered office	Køge
Financial year	1 January - 31 December
Board of Directors	Brent Marcel Thomas Keele, Chairman John Leslie Allen James Lee Parke Curtis Robert Richardson Kurtis Arthur Hoeven
Executive Board	Brent Marcel Thomas Keele
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Osvald Helmutsheds Vej 4, P O Box 250, 2000 Frederiksberg, Denmark

Management's review

Operating review

The Company's business review

The Company was established on 1 October 2012. The main activity of the Company is production and sale of pellets and blocks for industrial, commercial and residential purposes.

The Company purchased the production facilities located in Køge from the parent company in late December 2014. The equipment was second hand and had not been in production for some years. Therefore, the Company needed to update and enhance the equipment. It was originally planned that the update and enhancement should have been completed in 2014 for the production to start in 2014. It was, however, during 2014 decided that the Company should produce its own steam to be used for the production, which required the installation of additional equipment postponing the launch of production.

From January 2015 through August 2015, Blue Point Pellets Denmark ApS ("BPP") conducted research and development tests on wood pellet production. At the beginning of September 2015, process improvement measures were implemented at BPP's facility as production of wood pellets for sale began at the end of the year. In October 2015, a sound dampening system was installed on the air transport system to allow the facility to operate for 24 hour shifts, three days a week. BPP began running 24 hour shifts in December 2015. In an effort to support BPP's increased production, BPP hired additional employees, and implemented an accounting, sales, and inventory system to better track sales and costs.

Currently, BPP has two main product lines, bulk wood pellets and bagged wood pellets. BPP is pleased to announce that they sold their first shipload of bulk pellets in the first quarter of 2016. In an effort to increase sales and open BPP up to new markets, BPP is in the process of obtaining raw material sustainability certifications on both bulk and bagged wood pellets.

BPP is also exploring new markets in the area of plastic pellet production. Accordingly, plastic pellet line installations at the BPP facility are nearly complete, and manufacturing will begin early in the second quarter of 2016. The market for plastic pellets is very young and is continuing to be developed. BPP has strategic partners helping with procurement, sales, and market development. In connection to the plastic pellet line, BPP is also exploring markets in the area of pallet block production. BPP is installing a pallet block press line, which is anticipated to be completed and in production by the end of 2016. Plastic pallet blocks are a new technology and markets will need to be developed alongside the product.

We, at Blue Point Pellets, are excited for the future of our pellets in the bulk wood, bagged wood, plastic, and plastic block markets. We will be continually working on streamlining processes, fulfillment, logistics, and sales to better serve our customers and their increasing demands.

The premises, on which the production facilities are located, are rented from GGD Global Green Developer ApS. The Company has entered into an agreement with an option to buy part of the premises. The option expires no later than 30 September 2018.

Recognition and measurement uncertainties

The valuation of the production facilities are based on expected future cash flow. The future cash flow is subject to uncertainty as it is dependent on successful future production and on entering commercial sales contracts with customers.

The annual report is based on the assumption of the Company being a going concern. The parent company has, as in the past, financed the operations in the first part of 2016 and has confirmed to continue to do this for the remaining part of 2016 as required.

Furthermore, the parent company will not demand any repayment of the advances made to the Company unless the funds of the Company permit repayment.

Reference is made to note 2 and 5 for more details.

Post balance sheet events

No significant events have occurred subsequent to the financial year.

Management's review

Operating review

Outlook

For 2016, a reduced loss is expected. It is Management's assessment that the Company in 2017 will reach a break-even and from 2018 will generate profit.

Financial statements for the period 1 January - 31 December

Income statement

Note	DKK	2015	2014
	Gross profit/loss	-26,447,063	-12,423,728
	Administrative expenses	-17,294,560	-3,076,581
	Operating profit/loss	-43,741,623	-15,500,309
	Financial income	123,510	28,649
3	Financial expenses	-13,034,529	-6,310,282
	Profit/loss before tax	-56,652,642	-21,781,942
	Tax for the year	0	0
	Profit/loss for the year	<u>-56,652,642</u>	<u>-21,781,942</u>
	Proposed profit appropriation/distribution of loss		
	Retained earnings/accumulated loss	<u>-56,652,642</u>	<u>-21,781,942</u>

Financial statements for the period 1 January - 31 December

Balance sheet

Note	DKK	2015	2014
	ASSETS		
	Non-current assets		
4	Property, plant and equipment		
	Plant and machinery	53,804,462	0
	Other fixtures and fittings, tools and equipment	3,729,595	39,886
	Property, plant and equipment in progress	17,552,337	54,164,352
		<u>75,086,394</u>	<u>54,204,238</u>
	Investments		
	Deposits	5,832,979	3,580,302
		<u>5,832,979</u>	<u>3,580,302</u>
	Total non-current assets	<u>80,919,373</u>	<u>57,784,540</u>
	Current assets		
	Inventories		
	Raw materials and consumables	5,187,422	0
	Finished goods and goods for resale	13,546,779	0
		<u>18,734,201</u>	<u>0</u>
	Receivables		
	Trade receivables	2,051,538	0
	Other receivables	11,578,135	8,078,414
		<u>13,629,673</u>	<u>8,078,414</u>
	Cash	11,733,454	1,581,295
	Total current assets	<u>44,097,328</u>	<u>9,659,709</u>
	TOTAL ASSETS	<u>125,016,701</u>	<u>67,444,249</u>
	EQUITY AND LIABILITIES		
	Equity		
5	Share capital	80,000	80,000
	Retained earnings	-87,882,807	-31,230,165
	Total equity	<u>-87,802,807</u>	<u>-31,150,165</u>
	Liabilities other than provisions		
	Current liabilities other than provisions		
	Trade payables	13,730,526	6,070,248
	Payables to group entities	198,756,582	92,419,128
	Other payables	332,400	105,038
		<u>212,819,508</u>	<u>98,594,414</u>
	Total liabilities other than provisions	<u>212,819,508</u>	<u>98,594,414</u>
	TOTAL EQUITY AND LIABILITIES	<u>125,016,701</u>	<u>67,444,249</u>

- 1 Accounting policies
- 2 Material uncertainties regarding recognition and measurement
- 6 Collateral
- 7 Contractual obligations and contingencies, etc.
- 8 Related parties

Financial statements for the period 1 January - 31 December

Statement of changes in equity

DKK	<u>Share capital</u>	<u>Retained earnings</u>	<u>Total</u>
Equity at 1 January 2014	80,000	-9,448,223	-9,368,223
Profit/loss for the year	0	-21,781,942	-21,781,942
Equity at 1 January 2015	80,000	-31,230,165	-31,150,165
Profit/loss for the year	0	-56,652,642	-56,652,642
Equity at 31 December 2015	<u>80,000</u>	<u>-87,882,807</u>	<u>-87,802,807</u>

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Blue Point Pellet Denmark ApS for 2015 has been prepared in accordance with the provisions applying to reporting class B enterprises under the Danish Financial Statements Act.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Income statement

Revenue

Income from the sale of wood pellets is recognised in revenue when transfer of the most significant rewards and risks to the buyer has taken place and provided that the income can be reliably measured and payment is expected to be received. The date of the transfer of the most significant rewards and risks is based on standardised terms of delivery based on Incoterms® 2010.

Revenue is measured at fair value of the agreed consideration exclusive of VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

Gross profit/loss

In the income statement, revenue, production expenses and other operating income have been aggregated into one item called 'gross margin', cf. section 32 of the Danish Financial Statements Act.

Production costs

Production costs include expenses incurred to generate the year's revenue and expenses incurred during test productions. The item includes direct and indirect expenses relating to raw materials, consumables, labour, rent and leasing as well as depreciation of production equipment.

Research costs, development costs not satisfying the criteria for capitalisation and depreciation of capitalised development costs are also recognised under production costs.

Administrative expenses

Administrative expenses comprise staff costs for the administration, rental costs, consultant fees, travel expenses, insurance and other administration costs, etc.

Financial income and expenses

Financial income and expenses are recognised in the income statements at the amounts that concern the financial year. Net financials include interest income and expenses as well as allowances and surcharges under the advance-payment-of-tax scheme, etc.

Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Balance sheet

Property, plant and equipment

On initial recognition, property, plant and equipment are measured at cost.

The basis of depreciation is cost less expected residual value at the end of the useful life.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

Depreciation is provided on a straight-line basis over the expected useful lives of the assets. The expected useful lives are as follows:

Plant and machinery: 10 years
Furniture and equipment: 3-5 years

Gains and losses on the disposal of property, plant and equipment are calculated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. The gains or losses are recognised in the income statement as other operating income or other operating costs, respectively.

Impairment of non-current assets

The carrying amount of property, plant and equipment is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the anticipated net cash flows from the use of the asset or group of assets.

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value. The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to effect the sale and is determined taking into account marketability, obsolescence and development in the expected selling price.

The cost of raw materials and consumables comprises the cost of acquisition plus delivery costs.

The cost of finished goods and work in progress includes the cost of raw materials, consumables, direct labour and indirect production overheads.

Production overheads include the indirect cost of material and labour as well as maintenance and depreciation of production machinery, buildings and equipment and expenses relating to plant administration and management. Borrowing costs are not recognised in the cost price.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective indication that a receivable is impaired. If there is objective indication that an individual receivable has been impaired, write-down is made on an individual basis.

Corporation tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Provisions for deferred tax are calculated, based on the liability method, of all temporary differences between carrying amounts and tax values, with the exception of temporary differences occurring at the time of acquisition of assets and liabilities neither affecting the results of operations nor the taxable income.

Deferred tax is measured according to the taxation rules and taxation rates in the respective countries applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the value at which they are expected to be utilised.

Other payables

Other payables are measured at net realisable value.

2 Material uncertainties regarding recognition and measurement

Material accounting estimates relate to the valuation of the production facilities and the inventories.

The valuation of the production facilities are encumbered with considerable uncertainty. The carrying amount of the production facilities is subject to a test for indications of impairment. The recoverable amount of the production facilities and the inventories, based on the future cash flow is however encumbered with considerable uncertainty as the future cash flow is dependent on succesful future production and on entering commercial sales contracts with costumers. It is Management's expectation that commercial contracts will be entered into during autumn 2016.

DKK	2015	2014
3 Financial expenses		
Interest expenses, group entities	706,509	0
Other interest expenses	0	47,933
Exchange adjustments	12,328,020	6,262,349
	<u>13,034,529</u>	<u>6,310,282</u>

Financial statements for the period 1 January - 31 December

Notes to the financial statements

4 Property, plant and equipment

DKK	Plant and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment in progress	Total
Cost at 1 January 2015	0	39,886	54,164,352	54,204,238
Additions in the year	7,915,551	3,488,642	14,599,518	26,003,711
Transfer from other accounts	50,178,481	439,194	-50,617,675	0
Cost at 31 December 2015	58,094,032	3,967,722	18,146,195	80,207,949
Impairment losses in the year	2,479,022	14,266	593,858	3,087,146
Amortisation/depreciation in the year	1,810,548	223,861	0	2,034,409
Impairment losses and depreciation at 31 December 2015	4,289,570	238,127	593,858	5,121,555
Carrying amount at 31 December 2015	53,804,462	3,729,595	17,552,337	75,086,394

5 Share capital

The net equity was at 31 December 2015 negative by DKK 87,802,807 and consequently, the Company has lost its share capital. For 2016, a reduced loss is expected. It is Management's assessment that the Company in 2017 will reach a break-even and from 2018 will generate profit. It is Management's expectation that the Company within the next few years will be able to re-establish the share capital through own earnings.

Management has presented the annual report based on an assumption of going concern. The parent company has, as in the past, financed the operations in the first part of 2016 and intends to continue to do this as required. The parent company and the investor behind the parent company have confirmed that they will continue to provide financial support as and when it may be required for the Company to meet the liabilities until and after 31 December 2016. In addition, the parent company will not recall or demand any repayment whatsoever of the advances made to the Company unless the funds of the Company permit repayment.

The share capital, nominal DKK 80,000 divided into 80,000 shares of DKK 1.00, has been unchanged since the establishment of the Company.

6 Collateral

DKK 1,350 thousand has been placed on an escrow account as a guarantee for future purchase of electricity.

7 Contractual obligations and contingencies, etc.

Other financial obligations

Rent and lease liabilities include a rent obligation totalling DKK 22,159 thousand in interminable rent agreements with remaining contract terms of 5 years. Furthermore, the Company has liabilities under operating leases for production machines, totalling DKK 5,893 thousand, with remaining contract terms of 3-5 years.

8 Related parties

Blue Point Pellet Denmark ApS' related parties comprise the following:

Financial statements for the period 1 January - 31 December

Notes to the financial statements

Ownership

The following shareholders are registered in the Company's register of shareholders as holding minimum 5% of the share capital:

<u>Name</u>	<u>Domicile</u>
Blue Point Pellet, LLC	Colorado, USA