

Blue Point Pellet Denmark ApS

Værftsvej 6 B, 4600 Køge

CVR no. 34 72 39 90

Annual report 2019

Approved at the Company's annual general meeting on

Chairman:


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Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Blue Point Pellet Denmark ApS for the financial year 1 January - 31 December 2019.

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 of the Company at 31 December 2019 and of the results of the Company's operations for the financial year 1 January - 31 December 2019.

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.

Fort Collins,
Executive Board:



Brent Marcel Thomas Keele

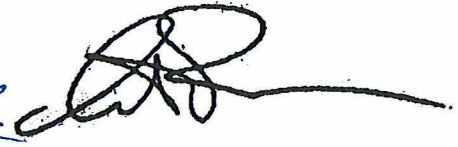
Board of Directors:



Brent Marcel Thomas Keele
Chairman



James Lee Parke



Curtis Robert Richardson

Independent auditor's report

To the shareholder of Blue Point Pellet Denmark ApS

Opinion

We have audited the financial statements of Blue Point Pellet Denmark ApS for the financial year 1 January - 31 December 2019, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are 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 of the Company at 31 December 2019 and of the results of the Company's operations for the financial year 1 January - 31 December 2019 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Material uncertainty related to going concern

We draw attention to note 2 to the financial statements, which shows that the Company recorded a loss of DKK 102.7 million in the financial year 2019 and that the Company's liabilities at 31 December 2019 exceed the Company's assets by DKK 6.7 million. This, combined with the other matters described in note 2, indicates a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. We have not modified our opinion in respect of this matter.

Management's responsibilities 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.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

Independent auditor's report

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit 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.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- ▶ Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen,
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28



Bo Leinum
State Authorised Public Accountant
mne10087

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 James Lee Parke Curtis Robert Richardson
Executive Board	Brent Marcel Thomas Keele
Auditors	EY Godkendt Revisionspartnerselskab Dirch Passers Allé 36, P.O. Box 250, 2000 Frederiksberg, Denmark

Management's review

Business review

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

In 2019, the company has vacated the premises in Køge as part of a shutdown of the company's activities. Following the vacation of the premises, the landlord has brought preliminary claims against the company for breach of leases and the restoration of the premises totaling DKK 30.5 million. Blue Point Pellets Denmark ApS has similarly filed a preliminary claim against the landlord in the amount of DKK 27.5 million. None of the claims raised are currently referred to the courts.

The claim raised by the landlord has been rejected by the company as being unjustified. The demands raised remain at an initial stage and the final outcome of negotiations, alternatively a legal decision, is therefore subject to great uncertainty.

Financial review

The income statement for 2019 shows a loss of DKK 102,741,264 against a loss of DKK 68,300,602 last year, and the balance sheet at 31 December 2019 shows a negative equity of DKK 6,688,242.

Capital resources

Since the close-down, the Company's operations have been financed by the Parent Company. Management has not obtained any commitment for further financing of the day-to-day operations, and consequently, the financing of the Company's operations is subject to considerable uncertainty, which may cast significant doubt on the Company's ability to continue as a going concern. If such commitment is not obtained, the Company may not be able to realise its assets and settle its liabilities in the ordinary course of business. Management believes that the necessary financing and liquidity will be made available, and therefore, the financial statements have been prepared on a going concern basis.

Events after the balance sheet date

No events materially affecting the assessment of the annual report have occurred after the balance sheet date.

Financial statements 1 January - 31 December

Income statement

Note	DKK	2019	2018
	Gross loss	-55,267,147	-56,920,388
	Administrative expenses	-15,234,930	-7,433,084
	Operating profit/loss	-70,502,077	-64,353,472
3	Other operating expenses	-31,469,166	0
	Profit/loss before net financials	-101,971,243	-64,353,472
4	Financial expenses	-770,021	-3,947,130
	Profit/loss before tax	-102,741,264	-68,300,602
	Tax for the year	0	0
	Profit/loss for the year	<u>-102,741,264</u>	<u>-68,300,602</u>
	Recommended appropriation of profit/loss		
	Retained earnings/accumulated loss	<u>-102,741,264</u>	<u>-68,300,602</u>

Financial statements 1 January - 31 December

Balance sheet

Note	DKK	<u>2019</u>	<u>2018</u>
	ASSETS		
	Fixed assets		
5	Intangible assets		
	Software	12,637	16,375
		<u>12,637</u>	<u>16,375</u>
6	Property, plant and equipment		
	Plant and machinery	500,001	72,564,825
	Other fixtures and fittings, tools and equipment	0	4,973,039
	Plant and machinery in progress	0	1,907,331
		<u>500,001</u>	<u>79,445,195</u>
	Investments		
	Deposits	5,944,841	5,947,377
		<u>5,944,841</u>	<u>5,947,377</u>
	Total fixed assets	<u>6,457,479</u>	<u>85,408,947</u>
	Non-fixed assets		
	Inventories		
	Raw materials and consumables	0	6,412,332
	Finished goods and goods for resale	0	13,065,156
		<u>0</u>	<u>19,477,488</u>
	Receivables		
	Trade receivables	482,217	5,520,117
	Other receivables	150,000	4,020,811
	Prepayments	0	578,287
		<u>632,217</u>	<u>10,119,215</u>
	Cash	4,812,710	3,015,140
	Total non-fixed assets	<u>5,444,927</u>	<u>32,611,843</u>
	TOTAL ASSETS	<u>11,902,406</u>	<u>118,020,790</u>

Financial statements 1 January - 31 December

Balance sheet

Note	DKK	<u>2019</u>	<u>2018</u>
	EQUITY AND LIABILITIES		
	Equity		
7	Share capital	209,000	209,000
	Share premium account	388,794,010	388,794,010
	Retained earnings	<u>-395,691,252</u>	<u>-292,949,988</u>
	Total equity	<u>-6,688,242</u>	<u>96,053,022</u>
	Provisions		
	Other provisions	<u>0</u>	<u>6,865,226</u>
	Total provisions	<u>0</u>	<u>6,865,226</u>
	Liabilities other than provisions		
	Current liabilities other than provisions		
	Trade payables	433,853	13,456,171
	Payables to group entities	6,400,805	0
	Other payables	<u>11,755,990</u>	<u>1,646,371</u>
		<u>18,590,648</u>	<u>15,102,542</u>
	Total liabilities other than provisions	<u>18,590,648</u>	<u>15,102,542</u>
	TOTAL EQUITY AND LIABILITIES	<u>11,902,406</u>	<u>118,020,790</u>

- 1 Accounting policies
- 2 Material uncertainties over going concern
- 9 Contractual obligations and contingencies, etc.
- 10 Collateral
- 11 Related parties

Financial statements 1 January - 31 December

Statement of changes in equity

DKK	<u>Share capital</u>	<u>Share premium account</u>	<u>Retained earnings</u>	<u>Total</u>
Equity at 1 January 2018	180,000	302,149,268	-224,649,386	77,679,882
Capital increase	29,000	86,644,742	0	86,673,742
Transfer through appropriation of loss	<u>0</u>	<u>0</u>	<u>-68,300,602</u>	<u>-68,300,602</u>
Equity at 1 January 2019	209,000	388,794,010	-292,949,988	96,053,022
Transfer through appropriation of loss	<u>0</u>	<u>0</u>	<u>-102,741,264</u>	<u>-102,741,264</u>
Equity at 31 December 2019	<u>209,000</u>	<u>388,794,010</u>	<u>-395,691,252</u>	<u>-6,688,242</u>

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Blue Point Pellet Denmark ApS for 2019 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class B entities and elective choice of certain provisions applying to reporting class C entities.

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

Reporting currency

The financial statements are presented in Danish kroner (DKK).

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Non-current assets acquired in foreign currencies are measured at the exchange rate at the transactions date.

Income statement

Revenue

The Company has chosen IAS 11/IAS 18 as interpretation for revenue recognition.

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 the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

Gross loss

The items revenue, production costs and other operating income have been aggregated into one item in the income statement called gross loss in accordance with 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

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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

Other operating expenses

Other operating expenses comprise items of a secondary nature relative to the Company's core activities, including gains or losses on the sale of fixed assets.

Financial expenses

Financial income and expenses are recognised in the income statement 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.

Balance sheet

Intangible assets

Intangible assets include software licences.

Intangible assets are measured at cost less accumulated amortisation and impairment losses.

Property, plant and equipment

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

Plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation.

The basis of depreciation is based on the residual value of the asset at the end of its useful life and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

In case of changes in the depreciation period or the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. Production overheads and borrowing costs are not included in cost.

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, which are as follows:

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

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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

Impairment of fixed assets

The carrying amount of property, plant and equipment is assessed for impairment on an annual basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

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 expenses required 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 included in the cost price.

Receivables

Receivables are measured at amortised cost.

The Company has chosen IAS 39 as interpretation for impairment of financial receivables.

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.

Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

Provisions

Provisions comprise anticipated expenses relating to onerous contracts. Provisions are recognised when the Company has a legal or constructive obligation at the balance sheet date as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Provisions are measured at net realisable value or at fair value if the obligation is expected to be settled far into the future.

Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and 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 over going concern

In 2019, the Company closed down its activities and sold the majority of its assets. In connection with the close-down and the sale of assets, the Company realised a loss of DKK 102.7 million in 2019, and thus, the Company's liabilities of DKK 18.6 million exceed the Company's assets by DKK 6.7 million. In connection with the close-down, the Company vacated the premises in Køge. Following the vacation of the premises, the landlord has brought preliminary claims against the Company for breach of leases and the restoration of the premises totaling DKK 30.5 million. Blue Point Pellets Denmark ApS has similarly filed a preliminary claim against the landlord in the amount of DKK 27.5 million. None of the claims raised are currently referred to the courts. The claim raised by the landlord has been rejected by the Company as being unjustified. The demands raised remain at an initial stage and the final outcome of negotiations, alternatively a legal decision, is therefore subject to great uncertainty. Since the close-down, the Company's operations have been financed by the Parent Company. Management has not obtained any commitment for further financing of the day-to-day operations, and consequently, the financing of the Company's operations is subject to considerable uncertainty, which may cast significant doubt on the Company's ability to continue as a going concern. If such commitment is not obtained, the Company may not be able to realise its assets and settle its liabilities in the ordinary course of business. Management believes that the necessary financing and liquidity will be made available, and therefore, the financial statements have been prepared on a going concern basis.

3 Other operating expenses

Other operating expenses include losses on the sale of property, plant and equipment, including other operating equipment, totalling 31,5 MDKK.

DKK	2019	2018
4 Financial expenses		
Interest expenses, group entities	0	432,699
Exchange losses	0	3,514,431
Other financial expenses	770,021	0
	770,021	3,947,130

5 Intangible assets

Financial statements 1 January - 31 December

Notes to the financial statements

DKK	<u>Software</u>
Cost at 1 January 2019	<u>32,750</u>
Cost at 31 December 2019	<u>32,750</u>
Impairment losses and amortisation at 1 January 2019	16,375
Amortisation/depreciation in the year	<u>3,738</u>
Impairment losses and amortisation at 31 December 2019	<u>20,113</u>
Carrying amount at 31 December 2019	<u>12,637</u>
Amortised over	<u>2,5 years</u>

Financial statements 1 January - 31 December

Notes to the financial statements

6 Property, plant and equipment

DKK	Plant and machinery	Other fixtures and fittings, tools and equipment	Plant and machinery in progress	Total
Cost at 1 January 2019	93,493,094	9,861,721	3,370,185	106,725,000
Additions for the year	0	5,999	0	5,999
Disposals for the year	-80,894,053	-9,860,541	0	-90,754,594
Transfer from other accounts	3,370,185	0	-3,370,185	0
Cost at 31 December 2019	15,969,226	7,179	0	15,976,405
Impairment losses and depreciation at 1 January 2019	20,928,269	4,888,682	1,462,854	27,279,805
Impairment losses in the year	11,233,322	0	0	11,233,322
Amortisation/depreciation in the year	5,157,061	1,607,567	0	6,764,628
Reversal of amortisation/depreciation and impairment of disposals	-23,312,281	-6,489,070	0	-29,801,351
Transferred	1,462,854	0	-1,462,854	0
Impairment losses and depreciation at 31 December 2019	15,469,225	7,179	0	15,476,404
Carrying amount at 31 December 2019	500,001	0	0	500,001

7 Share capital

Analysis of changes in the share capital over the past 5 years:

DKK	2019	2018	2017	2016	2015
Opening balance	209,000	180,000	80,000	80,000	80,000
Capital increase	0	29,000	100,000	0	0
	209,000	209,000	180,000	80,000	80,000

8 Staff costs

	2019	2018
Average number of full-time employees	2	23

Financial statements 1 January - 31 December

Notes to the financial statements

9 Contractual obligations and contingencies, etc.

Other financial obligations

There are no other financial obligations that Blue Point Pellets ApS is currently liable for other than the obligations that are already recognized in the balance sheet. The primary financial obligation is related to the rent payable during the notice period for the port lease and the lease of production premises. These are already recognized under other payables.

Potential financial obligations are present based on the outcome of the pending discussions with the landlord. Please refer to the management review section for the same.

10 Collateral

An amount of DKK 900 thousand has been placed on an escrow account as a guarantee against silo leases.

11 Related parties

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