

STEEPER ENERGY SCANDINAVIA ApS

CVR-NO. 35 63 48 43

ANNUAL REPORT

1 JANUARY – 31 DECEMBER 2016

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

/ 2017

Chairman

Contents	<u>Page</u>
Management's Statement and Auditor's Report	
Management's Statement	2
Independent Auditor's Report on the Financial Statements	3
Management's Review	
Company Information	6
Review	7
Financial Statements	
Accounting Policies	9
Income Statement 1 January – 31 December	11
Balance Sheet 31 December	12
Equity	14
Notes to the Annual Report	15

Management's Statement

The Executive Board has today considered and adopted the Annual Report of Steeper Energy Scandinavia ApS for the financial year 1 January – 31 December 2016.

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 2016 of the Company and of the results of the Company operations for 2016.

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, 16 Marts 2017

Executive Board

Perry Edwards Toms

Chief Executive Officer

Independent Auditor's Report on the Financial Statements

To the capital owners of Steeper Energy Scandinavia ApS

Opinion

We have audited the financial statements of Steeper Energy Scandinavia ApS for the financial year 1 January 2016 to 31 December 2016, which comprise income statement, balance sheet, statement of changes in equity and notes, including summary of significant accounting policies. The financial statements are prepared under 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 2016, and of the results of the company operations for the financial year 1 January 2016 to 31 December 2016 in accordance with the Danish Financial Statements Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing 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 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 requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on management's review

Management is responsible for management's review.

Our opinion on the financial statements does not cover 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 management's review and, in doing so, consider whether 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 management's review provides the information required under the Danish Financial Statements Act.

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

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 and 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 about 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 International Standards on Auditing 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 these financial statements.

As part of an audit conducted in accordance with International Standards on Auditing and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- 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 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.

Aalborg, 16. March 2017

Beierholm

Statsautoriseret Revisionspartnerselskab
CVR no. 32 89 54 68

Peter Thor Kellmer

State Authorised Public Accountant

Company Information

The Company

Steeper Energy Scandinavia ApS
Sandbjergvej 11
2970 Hørsholm

CVR No. 35 63 48 43

Financial period: 1 January – 31 December

Municipality of reg. office: Rudersdal

Executive Board

Perry Edwards Toms

Auditors

Beierholm

Statsautoriseret Revisionspartnerselskab

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 2016 shows a loss of DKK 61.769, and at 31 December 2016 the balance sheet of the Company shows negative equity of DKK 563.935.

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 Scandinavia ApS for 2016 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 Annual Report for 2016 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.

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.

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.

Accounting Policies

Balance Sheet

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.

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.

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 debts

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

Income Statement 1 January - 31 December

	Note	<u>2016</u>	<u>2015</u>
		DKK	DKK
Gross profit		-11.000	-14.125
Profit/loss before financial income and expenses		-11.000	-14.125
Financial income		0	39.878
Financial expenses	1	-50.769	-12.245
Profit/loss before tax		-61.769	-13.508
Tax on profit/loss for the year		0	0
Net profit/loss for the year		-61.769	13.508

Distribution of profit

Proposed distribution of profit

Retained earnings		-61.769	13.508
		-61.769	13.508

Balance Sheet 31 December

Assets

	Note	<u>2016</u>	<u>2015</u>
		DKK	DKK
Other receivables		2.750	1.532
Receivables		<u>2.750</u>	<u>1.532</u>
Cash at bank and in hand		<u>-163</u>	<u>76.129</u>
Current assets		<u>2.587</u>	<u>77.661</u>
Assets		<u>2.587</u>	<u>77.661</u>

Balance Sheet 31 December

Liabilities and equity

	Note	<u>2016</u> DKK	<u>2015</u> DKK
Share capital	2	50.000	50.000
Retained earnings		-613.935	-552.166
Equity		<u>-563.935</u>	<u>-502.166</u>
Trade payables		5.000	5.000
Payables to group enterprises		561.522	574.827
Short-term debt		<u>566.522</u>	<u>579.827</u>
Debt		<u>566.522</u>	<u>579.827</u>
Liabilities and equity		<u>2.587</u>	<u>77.661</u>
Contingent assets, liabilities and other financial obligations	3		
Related parties and ownership	4		

Equity

	Share capital	Retained earnings	Total
	DKK	DKK	DKK
Paid in share capital	50.000	-552.166	-502.166
Net profit/loss for the year	0	-61.769	-61.769
Equity at 31 December	50.000	-613.935	-563.935

It is managements expectation that the company's equity will be reestablished through future activities.

Notes to the Annual Report

Note	<u>2016</u>	<u>2015</u>
	DKK	DKK
1 Financial expenses		
Financial expenses group enterprises	10.885	11.245
Other financial expenses	1.050	1.000
Exchange loss	38.834	0
	<u>50.769</u>	<u>12.245</u>

2 Share capital

The share capital consists of:

Shares of a nominal value of DKK 1.000

50.000	50.000
<u>50.000</u>	<u>50.000</u>

No shares carry any special rights.

3 Contingent assets, liabilities and other financial obligations

None.

4 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 Energy Canada Ltd.