# TRUE NORTH ENERGY CORPORATION
# AND SUBSIDIARY

**Consolidated Financial Statements**
**as of April 30, 2014 and 2013**
**and for the Years Ended**
**April 30, 2014 and 2013**
**and**
**Report of Independent Registered Public Accounting Firm**

**CONTENTS**

Report of Independent Registered Public Accounting Firm ..... F-1

Consolidated Balance Sheets as of April 30, 2014 and 2013 ..... F-2

Consolidated Statements of Operations for the years ended April 30, 2014 and 2013 ..... F-3

Consolidated Statement of Stockholders' Deficit for the years ended April 30, 2014 and 2013 ..... F-4

Consolidated Statements of Cash Flows for the years ended April 30, 2014 and 2013 ..... F-5

Notes to Consolidated Financial Statements ..... F-6

M&K CPAS PLLC

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors
True North Energy Corporation

We have audited the accompanying consolidated balance sheets of True North Energy Corporation (the "Company") as of April 30, 2014 and 2013, and the related consolidated statements of operations, changes in stockholders' deficit, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of True North Energy Corporation as of April 30, 2014 and 2013, and the results of its operations and cash flows for the periods described above in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company has a history of incurring net losses, has an accumulated deficit, and has a working capital deficit, all of which raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

M&K CPAS, PLLC

M&K CPAS, PLLC

www.mkacpas.com
Houston, Texas
November 14, 2014

**True North Energy Corporation and Subsidiary**
**Consolidated Balance Sheets**

| | April 30, 2014 | April 30, 2013 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash | $ 52,152 | $ 5,096 |
| Prepaid expenses | 11,670 | 1,666 |
| Total current assets | 63,822 | 6,762 |
| Total Assets | $ 63,822 | $ 6,762 |
| **Liabilities and Stockholders' Deficit** | | |
| Current liabilities: | | |
| Accounts payable | $ 84,017 | $ 5,971 |
| Advances payable | 64,000 | - |
| Advances payable, related parties | - | 16,000 |
| Accrued expenses | 108,438 | 85,586 |
| Accrued expenses, related parties | 10,000 | 715,000 |
| Convertible settlements payable | 958,550 | - |
| Convertible notes payable, net of discount of $109,730 and $-0- at April 30, 2014 and 2013, respectively | 89,060 | - |
| Notes payable | 276,000 | 200,000 |
| Derivative liabilities | 506,180 | - |
| Total current liabilities | 2,096,245 | 1,022,557 |
| Commitments and contingencies (Note 13) | | |
| Stockholders' Deficit: | | |
| Preferred stock, $0.0001 par value, 20,000,000 shares authorized: | | |
| Series A shares, $0.0001 par value, 1,000 and -0- shares issued and outstanding at April 30, 2014 and 2013, respectively | - | - |
| Series B shares, $0.0001 par value, 50,000 and -0- shares issued and outstanding at April 30, 2014 and 2013, respectively | 5 | - |
| Common stock, $0.0001 par value, 750,000,000 shares authorized; 122,787,798 and 77,732,301 shares issued and outstanding at April 30, 2014 and 2013, respectively | 12,279 | 7,773 |
| Additional paid in capital | 23,702,573 | 22,763,104 |
| Accumulated deficit | (25,747,280) | (23,786,672) |
| Total Stockholders' Deficit | (2,032,423) | (1,015,795) |
| Total Liabilities and Stockholders' Deficit | $ 63,822 | $ 6,762 |

See accompanying notes to consolidated financial statements.

**True North Energy Corporation and Subsidiary**
**Consolidated Statements of Operations**

| | For the Years Ended April 30, 2014 | 2013 |
|---|---|---|
| Revenue | $ - | $ - |
| Expenses: | | |
| General and administrative | 708,104 | 49,066 |
| Officer and director compensation | 481,389 | 180,000 |
| Total operating expenses | 1,189,493 | 229,066 |
| Loss from operations | (1,189,493) | (229,066) |
| Other income (expense): | | |
| Loss on debt extinguishment | (249,966) | - |
| Loss on derivative liabilities | (19,132) | - |
| Amortization of debt discount | (405,933) | - |
| Interest expense | (96,084) | (27,403) |
| Net loss | $ (1,960,608) | $ (256,469) |
| Weighted average number of common shares outstanding - basic and fully diluted | 86,009,624 | 77,732,301 |
| Net loss per share - basic and fully diluted | $ (0.02) | $ (0.00) |

See accompanying notes to consolidated financial statements.

**True North Energy Corporation and Subsidiary**
**Consolidated Statement of Stockholders' Deficit**
**For the Years Ended April 30, 2014 and 2013**

| | Series A Preferred Stock | | Series B Preferred Stock | | Common Stock | | Additional Paid-in | Accumulated | |
|---|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | Shares | Amount | Shares | Amount | Capital | Deficit | Total |
| Balance at April 30, 2012 | - | $ - | - | $ - | 77,732,301 | $ 7,773 | $ 22,763,104 | $ (23,530,203) | $ (759,326) |
| Net loss | - | - | - | - | - | - | - | (256,469) | (256,469) |
| Balance at April 30, 2013 | - | - | - | - | 77,732,301 | 7,773 | 22,763,104 | (23,786,672) | (1,015,795) |
| Capital contributed by former officer | - | - | - | - | - | - | 1,900 | - | 1,900 |
| Imputed interest on non-interest bearing notes payable | - | - | - | - | - | - | 3,377 | - | 3,377 |
| Options issued to officer for services | - | - | - | - | - | - | 5,090 | - | 5,090 |
| Issuance of shares in exchange for consulting services | - | - | - | - | 3,000,000 | 300 | 74,700 | - | 75,000 |
| Issuance of shares for settlement of advances payable, related parties | - | - | 50,000 | 5 | - | - | 47,259 | - | 47,264 |
| Issuance of shares to officer in payment of accrued officer compensation | 1,000 | - | - | - | - | - | 373,000 | - | 373,000 |
| Issuance of shares to Recap in satisfaction of convertible settlements payable (Note 7) | - | - | - | - | 42,055,497 | 4,206 | 388,945 | - | 393,151 |
| Settlement of derivative liability from issuence of Recap shares | - | - | - | - | - | - | 45,198 | - | 45,198 |
| Net loss | - | - | - | - | - | - | - | (1,960,608) | (1,960,608) |
| Balance at April 30, 2014 | 1,000 | $ - | 50,000 | $ 5 | 122,787,798 | $ 12,279 | $ 23,702,573 | $ (25,747,280) | $ (2,032,423) |

See accompanying notes to consolidated financial statements.

**True North Energy Corporation and Subsidiary**
**Consolidated Statements of Cash Flows**

| | For the Years Ended April 30, 2014 | 2013 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Net loss | $ (1,960,608) | $ (256,469) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Amortization of debt discount | 405,933 | - |
| Loss on settlement of debt | 56,500 | - |
| Loss on debt extinguishment | 249,966 | - |
| Change in fair value of derivative liability | 19,132 | - |
| Preferred stock issued to officer for accrued compensation | 373,000 | - |
| Common stock issued for consulting services | 75,000 | - |
| Common stock warrants and options issued for debt and services | 21,672 | - |
| Imputed interest on non-interest bearing notes payable | 3,377 | - |
| Advances exchanged for services | 49,190 | |
| Decrease (increase) in assets: | | |
| Prepaid expenses | (10,004) | (14) |
| Increase (decrease) in liabilities: | | |
| Accounts payable | 88,046 | (4,314) |
| Accrued expenses, related parties | 419,000 | 180,000 |
| Accrued expenses | 22,852 | 38,563 |
| Net cash used in operating activities | (186,944) | (42,234) |
| **Cash flows from financing activities** | | |
| Advances payable | 64,000 | - |
| Advances from related parties | 118,100 | 16,000 |
| Proceeds from notes payable | 50,000 | - |
| Contributed capital | 1,900 | - |
| Net cash provided by financing activities | 234,000 | 16,000 |
| Net increase (decrease) in cash | 47,056 | (26,234) |
| Cash - beginning of year | 5,096 | 31,330 |
| Cash - ending of year | $ 52,152 | $ 5,096 |
| Supplemental disclosures: | | |
| Interest paid | $ - | $ - |
| Income taxes paid | $ - | $ - |
| Non-cash investing and financing activities: | | |
| Series B preferred shares issued in exchange for short term advances | $ 25,000 | $ - |
| Accounts payable exchanged for note payable | $ 13,810 | $ - |
| Accounts payable and accrued expenses exchanged for a convertible settlements payable obligation | $ 1,124,000 | $ - |
| Common stock shares issued in payment of the convertible settlements payable obligation | $ 165,450 | $ - |
| Discounts recognized for embedded derivative on convertible notes payable and settlement payable | $ 515,650 | $ - |
| Settlement of derivative liability | $ 45,198 | $ - |

See accompanying notes to consolidated financial statements.

**True North Energy Corporation & Subsidiary**
**Notes to Consolidated Financial Statements**
**April 30, 2014 and 2013**

## Note 1 – Basis of Presentation and Significant Accounting Policies

Organization and Basis of Presentation

On June 28, 2013, True North Energy Corporation (the "Company" or "True North") had a change of control and management. The Company's common stock is traded on the Over the Counter Pink Sheets ("OTC PK") under the symbol TNEN. The accompanying consolidated financial statements include the accounts of the following entities, all of which are under common control and ownership:

| Name of Entity | Form of Entity | State of Incorporation | Relationship |
|---|---|---|---|
| True North Energy Corporation | Corporation | Nevada | Parent |
| ICF Energy Corporation | Corporation | Nevada | Subsidiary |

The consolidated financial statements herein contain the operations of the wholly owned Nevada subsidiary which was dissolved on June 3, 2013. All significant inter-company transactions have been eliminated in the preparation of these financial statements. The Company has a fiscal year end of April 30th (Note 15).

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash includes all highly liquid investments that are readily convertible to known amounts of cash and have original maturities of three months or less. The balances, at times, may exceed federally insured limits. The Company had no cash equivalents at April 30, 2014 or 2013.

Fair Value of Financial Instruments

Under Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement*, the Financial Accounting Standards Board established a framework for measuring fair value under generally accepted accounting principles and expands disclosures about fair value measurements. This Statement reaffirms that fair value is the relevant measurement attribute. The adoption of this Standard did not have a material effect on the Company's financial statements as reflected herein. The carrying amounts of cash, accounts payable and accrued expenses reported on the consolidated balance sheets are estimated by management to approximate fair value primarily due to the short term nature of the assets and liabilities Except for the Company's embedded derivative liabilities (Note 14) the Company has no other assets or liabilities that are required to be measured at fair value on a recurring basis.

The three levels of the fair value hierarchy under ASC Topic 820 are described as follows:

Level 1 inputs utilize unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access;

Level 2 inputs utilize other-than-quoted prices that are observable, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs such as interest rates and yield curves that are observable at commonly quoted intervals; and

Level 3 inputs are unobservable and are typically based on our own assumptions, including situations where there is little, if any, market activity.

The Company values its derivative instruments related to the embedded conversion features within certain of its notes payables in accordance with Level 3 guidelines. The fair value of the embedded derivative liability was estimated using the Black-Scholes pricing model. Expected volatility was based on the Company's historical volatility for its common stock. The risk-free rate was determined using the U.S. Treasury yield in effect at the issuance date based on the term of the embedded derivative (Note 14).

The following table presents the Company's liabilities that were measured and recognized at fair value as of April 30, 2014 and the year then ended on a recurring basis:

| Description | Level 1 | Level 2 | Level 3 |
|---|---|---|---|
| Embedded derivative - liability | $ - | $ - | $ 506,180 |
| Total | $ - | $ - | $ 506,180 |

As of April 30, 2013, the Company did have not any financial instruments which were re-measured at fair value on a recurring or non-recurring basis.

The following schedule reconciles the Company's Level 3 liabilities from April 30, 2013 to April 30, 2014. The Company did not have any liabilities or assets re-measured at fair value as of April 30, 2013.

| | Balance at April 30, 2013 | New Issuances | Settlements and changes in Fair Value | Balance at April 30, 2014 |
|---|---|---|---|---|
| Level 3 – Derivative liabilities from: Conversion features – embedded derivative | $ - | $ 579,549 | $ (73,369) | $ 506,180 |
| | $ - | $ 579,549 | $ (73,369) | $ 506,180 |

Changes in the unobservable input values would likely cause material changes in the fair value of the Company's Level 3 financial instruments. The most significant unobservable input used in the fair value measurement is the estimation of future volatility. A significant increase (decrease) in volatility would result in a higher (lower) fair value measurement.

**Note 1 – Basis of Presentation and Significant Accounting Policies (continued)**

Derivative Financial Instruments

The Company does not use derivative instruments to hedge exposures to cash flow, market or foreign currency risks.

The Company reviews the terms of the common stock, warrants and convertible debt it issues to determine whether there are embedded derivative instruments, including embedded conversion options, which are required to be bifurcated and accounted for separately as derivative financial instruments. In circumstances where the host instrument contains more than one embedded derivative instrument, including the conversion option, that is required to be bifurcated, the bifurcated derivative instruments are accounted for as a single, compound derivative instrument.

Bifurcated embedded derivatives are initially recorded at fair value and are then revalued at each reporting date with changes in the fair value reported as non-operating income or expense. The Company utilized a Black-Scholes model to value its embedded derivatives attributable to certain of its notes payable at issuance (Note 14). When the equity or convertible debt instruments contain embedded derivative instruments that are to be bifurcated and accounted for as liabilities, the total proceeds received are first allocated to the fair value of all the bifurcated derivative instruments. The remaining proceeds, if any, are then allocated to the host instruments themselves, usually resulting in those instruments being recorded at a discount from their face value.

The discount from the face value of the convertible debt, together with the stated interest on the instrument, is amortized over the life of the instrument through periodic charges to interest expense, using the effective interest method.

Revenue Recognition and Gas Balancing

The Company recognizes oil and gas revenues from its interests in producing wells when production is delivered to, and title has transferred to, the purchaser and to the extent the selling price is reasonably determinable. The Company uses the sales method of accounting for gas balancing of gas production and would recognize a liability if the existing proven reserves were not adequate to cover the current imbalance situation.

Non-Oil & Gas Property and Equipment

Property and equipment that are not oil and gas properties are recorded at cost and depreciated using the straight-line method over their estimated useful lives of three to seven years. Expenditures for replacements, renewals, and betterments are capitalized. Maintenance and repairs are charged to operations as incurred. Long-lived assets, other than oil and gas properties, are evaluated for impairment to determine if current circumstances and market conditions indicate the carrying amount may not be recoverable. The Company has not recognized any impairment losses on non-oil and gas long-lived assets. During the years ended April 30, 2014 and 2013, the Company did not own any such assets and, accordingly, recorded no depreciation expense.

**Note 1 – Basis of Presentation and Significant Accounting Policies (continued)**

Asset Retirement Obligations

The oil and gas industry is subject, by its nature, to environmental hazards and clean-up costs as well as the cost associated with plugging and abandoning wells. The Company records the fair value of the liability for an asset retirement obligation in the period in which the well is spudded or the asset is acquired and a corresponding increase in the carrying amount of the related long-lived asset. The liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. If the liability is settled for an amount other than the recorded amount, a gain or loss is recognized. At this time, management knows of no substantial losses from environmental accidents or events for which the Company may be currently liable. Additionally, the Company currently owns no oil and gas properties for which an asset retirement obligation would be required.

Full Cost Method

The Company follows the full cost method of accounting for oil and gas operations whereby all costs related to the exploration and development of oil and gas properties are initially capitalized into a single cost center (full cost pool). Such costs include land acquisition costs, geological and geophysical expenses, carrying charges on non-producing properties, costs of drilling directly related to acquisition, and exploration activities. Internal costs that are capitalized are directly attributable to acquisition, exploration and development activities and do not include costs related to the production, general corporate overhead or similar activities. Costs associated with production and general corporate activities are expensed in the period incurred. During the years ended April 30, 2014 and 2013, the Company incurred no exploration and development costs.

Proceeds from property sales will generally be credited to the full cost pool, with no gain or loss recognized, unless such a sale would significantly alter the relationship between capitalized costs and the proved reserves attributable to these costs.

A significant alteration would typically involve a sale of 20% or more of the proved reserves related to a single full cost pool. The Company assesses all items classified as unevaluated property on a quarterly basis for possible impairment or reduction in value. The assessment includes consideration of the following factors, among others: intent to drill; remaining lease term; geological and geophysical evaluations; drilling results and activity; the assignment of proved reserves; and the economic viability of development if proved reserves are assigned.

During any period in which these factors indicate an impairment, the cumulative drilling costs incurred to date for such property and all or a portion of the associated leasehold costs are transferred to the full cost pool and are then subject to amortization.

Capitalized costs associated with impaired properties and properties having proved reserves, estimated future development costs, and asset retirement costs under ASC Topic 410, *Extractive Industries – Oil and Gas*, are depleted and amortized on the unit-of-production method based on the estimated gross proved reserves as determined by independent petroleum engineers. The costs of unproved properties are withheld from the depletion base until such time as they are either developed or abandoned.

**Note 1 – Basis of Presentation and Significant Accounting Policies (continued)**

Capitalization costs of oil and gas properties (net of related deferred income taxes) may not exceed an amount equal to the present value, discounted at 10% per annum, of the estimated future net cash flows from proved oil and gas reserves plus the cost of unproved properties (adjusted for related income tax effects). Should capitalized costs exceed this ceiling an impairment charge is recognized. The present value of estimated future net cash flows is computed by applying the arithmetic average first day price of oil and natural gas for the preceding twelve months to estimated future production of proved oil and gas reserves as of the end of the period, less estimated future expenditures to be incurred in developing and producing the proved reserves and assuming continuation of existing economic conditions. Such present value of proved reserves' future net cash flows excludes future cash outflows associated with settling asset retirement obligations. Should this comparison indicate an excess carrying value, the excess is charged to earnings as an impairment expense. During the years ended April 30, 2014 and 2013, the Company did not recognize any impairment costs.

Impairment

ASC Topic 360, *Property, Plant and Equipment*, requires that assets to be held and used be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Oil and gas properties accounted for using the full cost method of accounting (which the Company uses) are excluded from this requirement but continue to be subject to the full cost method's impairment rules.

Stock-Based Compensation

Under ASC Topic 718, *Compensation – Stock Compensation*, all share-based payments to employees, including grants of employee stock options, are to be recognized in the consolidated statements of operations based on their fair values. For the years ended April 30, 2014 and 2013, the fair values of common and preferred stock shares issued for services and compensation totaled $448,000 and $0, respectively.

Basic and Diluted Loss Per Share

Basic earnings per share (EPS) are computed by dividing net income (the numerator) by the weighted average number of common shares outstanding for the period (the denominator). Diluted EPS is computed by dividing net income by the weighted average number of common shares and potential common shares outstanding (if dilutive) during each period. Potential common shares include stock options, warrants and restricted stock. The number of potential common shares outstanding relating to stock options, warrants and restricted stock is computed using the treasury stock method.

For the year ended April 30, 2014, approximately 33,000,000 potentially dilutive securities were excluded from the EPS calculation because they would have had an anti-dilutive effect. For the year ended April 30, 2013, there were no potentially dilutive securities outstanding.

**Note 1 – Basis of Presentation and Significant Accounting Policies (continued)**

Income Taxes

The Company recognizes deferred tax assets and liabilities based on differences between the financial reporting and tax basis of assets and liabilities using the enacted tax rates and laws that are expected to be in effect when the differences are expected to be recovered. The Company provides a valuation allowance for deferred tax assets for which it does not consider realization of such assets to be more likely than not.

Uncertain Tax Positions

In accordance with ASC Topic 740, *Income Taxes*, the Company recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be capable of withstanding examination by the taxing authorities based on the technical merits of the position. These standards prescribe a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. These standards also provide guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition.

Various taxing authorities periodically audit the Company's income tax returns. These audits include questions regarding the Company's tax filing positions, including the timing and amount of deductions and the allocation of income to various tax jurisdictions. In evaluating the exposures connected with these various tax filing positions, including state and local taxes, the Company records allowances for probable exposures. A number of years may elapse before a particular matter, for which an allowance has been established, is audited and fully resolved. The Company has not yet undergone an examination by any taxing authorities.

The assessment of the Company's tax position relies on the judgment of management to estimate the exposures associated with the Company's various filing positions. The Company had no uncertain tax positions as of April 30, 2014 and 2013.

Recently Issued Accounting Pronouncements

In June 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-10, "Development Stage Entities". The amendments in this update remove the definition of a development stage entity from the Master Glossary of the ASC thereby removing the financial reporting distinction between development stage entities and other reporting entities from U.S. GAAP. In addition, the amendments eliminate the requirements for development stage entities to (1) present inception-to-date information in the statements of income, cash flows, and shareholder equity, (2) label the financial statements as those of a development stage entity, (3) disclose a description of the development stage activities in which the entity is engaged, and (4) disclose in the first year in which the entity is no longer a development stage entity that in prior years it had been in the development stage. The amendments in this update are applied retrospectively. The early adoption of ASU 2014-10 removed the development stage entity financial reporting requirements from the Company.

**Note 1 – Basis of Presentation and Significant Accounting Policies (continued)**

The Company has evaluated all other recent accounting pronouncements through October 31, 2014, as issued by the FASB in the form of ASU's and does not believe any of these accounting pronouncements has had or will have a material impact on the Company's financial statements.

**Note 2 – Going Concern**

As shown in the accompanying consolidated financial statements, the Company has incurred recurring losses from operations resulting in an accumulated deficit of approximately $25,750,000, and as of April 30, 2014, the Company's current and total liabilities exceeded its current and total assets by approximately $2,032,423.

These factors raise substantial doubt about the Company's ability to continue as a going concern. Management is actively pursuing new ventures to recommence operations, set up an operating subsidiary, in addition to holding its over-riding royalty interests in oil and gas assets.

In addition, the Company is currently seeking additional sources of capital to fund short term operations. Management has plans to seek additional capital through loans, private offerings, and potentially through public offerings of its common stock.

The consolidated financial statements do not include any adjustments that might result from the outcome of any uncertainty as to the Company's ability to continue as a going concern. These consolidated financial statements also do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or amounts and classifications of liabilities that might be necessary should the Company be unable to continue as a going concern.

**Note 3 – Related Party Transactions**

On July 3, 2013, the Company granted 1,000 shares of Series A Preferred Stock to the Company's CEO, Gilbert Steedley in exchange for services valued at $373,000. The preferred stock is not entitled to dividends or liquidation preferences and has no conversion rights. The Holder of the Preferred Stock has voting rights. For so long as any shares of the Preferred Stock remain issued and outstanding, the Holders thereof, voting separately as a class, have the right to vote on all shareholder matters (including, but not limited to, at every meeting of the stockholders of the Company and upon any votes actually taken by stockholders of the Company with or without a meeting) equal to fifty-one percent (51%) of the total vote.

On July 3, 2013, the Company's former CEO, John Folnovic, contributed capital in the amount of $1,900 which was used to pay expenses for operations.

On June 28, 2013, our CEO and Chairman of the Board, John Folnovic, and our Director, Massimiliano Pozzoni, resigned, and Gilbert Steedley was appointed as the Company's CEO, President and sole Director. At June 28, 2013, Mr. Folnovic and Mr. Pozzoni were owed unpaid compensation prior to their resignations of $480,000 and $255,000, respectively, and a total of $470,000 and $245,000, respectively, of unpaid compensation at April 30, 2013. These debts were subsequently sold and assigned (Note 8).

**Note 3 – Related Party Transactions (continued)**

From time to time, the Company's former CEO, John Folnovic, also advanced funds to the Company for operations. These advances, presented within accounts payable, totaled $16,000 at April 30, 2013 and were subsequently secured by a promissory note on May 29, 2013 (Note 10). On October 10, 2013, this note was sold to an unrelated party. The note matured on May 15, 2014 and bore interest at 5% compounded monthly. The debt remains secured by the Company's Overriding Royalty Interest in the Colorado leases (Note 4).

**Note 4 – Oil and Gas Properties**

The Company is engaged in the acquisition, exploration, development and production of oil and gas in Alaska, Colorado and Texas. The Company first became an oil and gas exploration and development company in February 2006, but until September 2007 had no developed reserves or production, and had not realized any revenues from its operations. Our producing properties from September of 2007 were foreclosed upon in July of 2009, and we have not held any producing properties since (Note 15).

Alaska Properties

True North's principal Alaska assets consisted of oil and gas leases covering approximately 34,910 acres in the Cook Inlet and Beaufort Sea (North Slope) areas of Alaska. The Company held a 100% working interest in its Alaska leases. The Cook Inlet leases provided for a net revenue interest of 87.5% prior to an overriding 5% royalty. The North Slope leases provided for a net revenue interest of approximately 83.3% prior to an overriding 5% royalty. The Cook Inlet leases had expiration dates ranging from November 27, 2010 to September 30, 2013 and have all fully expired. The North Slope leases, which were held by production or drilling activity, expired on March 1, 2012. However, on August 5, 2011, the Company sold these leases for total proceeds of $460,280, resulting in a loss of $305,694 on the sale during the year ended April 30, 2012.

Colorado Properties

In June 2007 True North acquired certain non-producing oil and gas interests and properties in northwest Colorado in an area covering more than 17,000 acres. The Company held a 100% working interest in the underlying oil and gas leases, which expire in 2016. On April 27, 2010, these leases were suspended by the U.S. Department of the Interior Bureau of Land Management pending an Environmental Assessment which has not yet been completed. On June 20, 2010, the Company sold these leases for total proceeds of $350,000, resulting in a loss of $1,074,235 on the sale during the year ended April 30, 2011. The Company retained an Overriding Royalty Interest of 0.375% on the leasehold interests.

## Note 5 – Asset Retirement Obligations

From time to time the Company has asset retirement obligations associated with the future plugging and abandonment of proved properties and related facilities. Under the provisions of ASC Topic 410, *Asset Retirement and Environmental Obligations*, the fair value of a liability for an asset retirement obligation is recorded in the period in which it is incurred and a corresponding increase in the carrying amount of the related long lived asset. The liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. If the liability is settled for an amount other than the recorded amount, a gain or loss is recognized. The Company has no assets that are legally restricted for purposes of settling asset retirement obligations. At April 30, 2014 and 2013, the Company did not have any asset retirement obligations.

## Note 6 – Accrued Expenses

Accrued expenses consisted of the following as of April 30, 2014 and 2013, respectively:

| | 2014 | 2013 |
|---|---|---|
| Accrued Compensation, Officer and Directors | $ 10,000 | $ 715,000 |
| Accrued Other Expenses | - | 13,131 |
| Accrued Interest | 108,438 | 72,455 |
| | $ 118,438 | $ 800,586 |

## Note 7 – Convertible Settlements Payable

On October 10, 2013, the Circuit Court of the Second Judicial Circuit in and for Leon County, Florida approved the September 5, 2013 Settlement Agreement entered into between the Company and ASC Recap LLC (Recap) whereby a total of $1,124,000 of outstanding debts were acquired by Recap from various creditors, including $735,000 of outstanding compensation previously owed to our former Officers and Directors that was previously sold and assigned to an unrelated third party and $83,000 owed to our current CEO, Gilbert Steedley. In satisfaction of the outstanding debts acquired by Recap, we agreed to issue Recap shares of our common stock (Settlement Shares) in various tranches and from which 75% of the proceeds from the sale of these shares by Recap will be used to satisfy the outstanding debts until such time as the debts are satisfied.

The exact number of Settlement Shares to be issued pursuant to the Settlement Agreement is indeterminable, and Recap is precluded from owning more than 9.99% of the Company's common stock in aggregate at any given time. Recap does not bear the risk of market loss. The difference between the amount of proceeds used to satisfy the outstanding debts and the fair value of the common stock shares issued will result in a gain or loss on debt settlement. The Company evaluated the conversion feature contained in this contract and determined that it represented an embedded derivative which was bifurcated and valued using the Black-Scholes pricing model. A discount of approximately $298,000 was recognized at issuance and immediately expensed (Note 14).

**Note 7 – Convertible Settlements Payable (continued)**

On October 30, 2013, January 9, 2014, February 24, 2014, March 25, 2014 and April 15, 2014, the Company issued Recap 7,695,497, 6,290,000, 6,950,000, 10,060,000 and 11,060,000, respectively, shares of common stock pursuant to the Settlement Agreement. The shares were sold by Recap and 75% of the net proceeds, totaling $35,410, $41,672, $41,931, $20,000 and $26,437, respectively, were used to settle the outstanding debts as ordered by the court resulting in a loss on the debt extinguishment totaling $249,966. As a result of these issuances, $45,198 of the derivative liability was relieved through additional paid in capital. At April 30, 2014, the convertible settlements payable outstanding totaled $958,550. On January 10, 2014, the Company also granted Recap a warrant to purchase common stock (Note 12).

**Note 8 – Convertible Notes Payable**

On July 25, 2013, the Company issued Recap a $25,000 non-interest bearing convertible promissory note which was due on demand, in satisfaction of consulting services performed. The principal balance of the note is convertible at the option of the holder with a 50% discount to the trading price of the Company's common stock. The Company evaluated the conversion feature contained in this note and determined that it represented an embedded derivative which was bifurcated and valued using the Black-Scholes pricing model. A discount of approximately $27,000 was recognized at issuance with the excess of the discount over the principal balance being recognized as a component of the net change in the fair value of the related derivative liability (Note 14). During the year ended April 30, 2014, this discount was fully amortized.

Pursuant to the September 5, 2013, settlement agreement and subsequent Court Order on October 10, 2013 as disclosed in Note 7, above, we agreed to issue Recap a non-interest bearing convertible promissory note, of which the terms were finalized on November 1, 2013, in the amount of $56,500 payable at maturity on May 1, 2014. The convertible note carries no registration rights and is convertible at a price equal to the greater of (i) 50% of the low closing bid price for the twenty (20) days prior to conversion or (ii) $0.002 per share. The Company evaluated the conversion feature contained in this note and determined that it represented an embedded derivative which was bifurcated and valued using the Black-Scholes pricing model. A discount of approximately $67,000 was recognized at issuance with the excess of the discount over the principal balance being recognized as a component of the net change in the fair value of the related derivative liability (Note 14). During the year ended April 30, 2014, the Company fully amortized the debt discount and charged interest expense in the amount of $56,500.

The convertible note, consisting of a total original face value of $56,500 from Recap carries a provision that places a "maximum share amount" on the note holder. A maximum of 9.99% of the Company's common stock in aggregate at any given time can be owned as a result of the conversions.

Additionally, the Company recognized $3,377 of imputed interest related to the above non-interest bearing notes. The imputed interest was determined by reference to the Company's other interest bearing notes.

**Note 8 – Convertible Notes Payable (continued)**

On January 20, 2014, the Company granted an unrelated party a convertible promissory note in the amount of $117,290 bearing interest at 6.0% and maturing on July 30, 2015. The principal balance and any accrued interest associated with this note is convertible at the option of the holder at the lesser of $0.01 per share or 70% of the trading price of the Company's common stock. The Company evaluated the conversion feature contained in this note and determined that it represented an embedded derivative which was bifurcated and valued using the Black-Scholes pricing model (Note 14). A discount of approximately $113,000 was recognized at issuance. During the year ended April 30, 2014, $19,306 of this discount was amortized leaving a remaining unamortized balance at April 30, 2014 of $93,243.

**Note 9 – Notes Payable**

On April 25, 2014, the Company executed a note payable to a vendor in the amount of $10,000 in exchange for services previously recorded as accounts payable. The note matures on October 25, 2014, bears interest at 4.0% and is unsecured.

On January 15, 2014 the Company executed a note payable to an unrelated party in the amount of $50,000. The note matures on January 14, 2015, bears interest at 4.0% and is unsecured. In connection with the note, the Company issued a warrant to purchase a variable number of shares of the Company's common stock (Notes 11). A discount equal to the fair value of the warrants of approximately $23,000 and was recorded as a component of the derivative liability (Note 14). During the year ended April 30, 2014, $6,748 of this discount was amortized leaving a remaining unamortized balance at April 30, 2014 of $16,487. On May 7, 2014, this note and accrued interest was repaid and the warrant was cancelled effective April 30, 2014.

On July 7, 2009, the Company granted Valens U.S. SPVI, LLC an unsecured promissory note, bearing interest at 8% in the amount of $200,000, maturing on July 7, 2012. The note is currently in default, and carries a 15% interest rate upon default.

**Note 10 – Changes in Stockholders' Deficit**

On October 24, 2013, the Company's CEO, Gilbert Steedley, holding 51% of the Company's voting rights, authorized the amendment to the Company's Articles of Incorporation to increase the authorized shares of common stock from 250,000,000 shares to 750,000,000 shares of $0.0001 par value common stock and increased the authorized preferred stock to 20,000,000 shares of $0.0001 par value preferred stock (Note 15).

**Note 10 – Changes in Stockholders' Deficit (continued)**

Preferred Stock

On July 3, 2013, the Company granted 1,000 shares of Series A Preferred Stock to the Company's CEO, Gilbert Steedley. The preferred shares, which were issued on February 3, 2014, are not entitled to dividends, or liquidation preferences. The Holder of the Preferred Stock has voting rights. For so long as any shares of the Preferred Stock remain issued and outstanding, the Holders thereof, voting separately as a class, have the right to vote on all shareholder matters (including, but not limited to at every meeting of the stockholders of the Company and upon any action taken by stockholders of the Company with or without a meeting) equal to fifty-one percent (51%) of the total vote. Following the 3rd anniversary of the original issuance date of the Preferred Stock to any Holder, the Company shall have the option in its sole discretion, with (1) the unanimous consent or approval of all members of the Board of Directors of the Company; (2) the approval of the Holder of the Preferred Stock; and (3) the approval of any interest or option holder(s) of such Preferred Stock, to redeem any and all outstanding shares of Preferred Stock, by paying the Holder of such Preferred Stock a redemption price of $1.00 per share for such Preferred Stock shares redeemed (the "Redemption Amount", each a "Redemption"). We recognized officer compensation expense of $373,000 based on the fair value of the shares and the stated redemption value.

On January 17, 2014, the Company issued 50,000 of Series B Convertible Preferred Stock to an unrelated company in exchange for $25,000 forgiveness of advances. The shares are not entitled to dividends, receive a preference in liquidation over the common stockholders but behind the Series A Preferred stockholders and are convertible into 4.99% of the Company's common stock on a non-dilutable basis (i.e., 4.99% of the Company's outstanding common stock from time to time at the time of any conversion or conversions until 4.99% of the Company's common stock has been issued to holder upon such conversion(s), with such percentage of shares issuable upon conversion decreasing in proportion to the percentage of outstanding shares of the company then converted by the holder at any time), provided that the holder is prohibited from owning more than a 9.99% beneficial ownership of the Company's common stock upon any conversion. The fair value of the shares recognized totaled approximately $47,260 and resulted in a loss of approximately $22,260. The Company evaluated the conversion feature contained in the Series A Preferred Stock and determined that it represented an embedded derivative which was bifurcated and valued using the Black-Scholes pricing model. Approximately $35,000 was recognized at issuance attributable to the conversion feature and is included in the derivative liabilities on the accompanying balance sheets (Note 14).

Common Stock

On November 12, 2013, the Company entered into an agreement with an unrelated company to provide investor relations services. The agreement provides for a monthly fee of $7,500 over a three month term with an option to renew for an additional three or six month period. In addition, the agreement provided for the issuance of 3,000,000 shares of common stock. The shares were issued on December 12, 2013, valued at $.25 per share based on the quoted market price of the shares on the date of the agreement and the $75,000 value of the shares were charged to expense over the original three month term of the agreement. The Company elected to renew the agreement for an additional six month period ending on August 12, 2014.

**Note 10 – Changes in Stockholders' Deficit (continued)**

Other than the shares described in the preceding paragraph and those issued to Recap in satisfaction of the Convertible Settlements Payable (Notes 7 and 15), no other shares of common stock were issued during the years ended April 30, 2014 and 2013.

**Note 11 – Warrants**

On January 10, 2014, in connection with an employment agreement with its CEO (Note 12), the Company granted its CEO a warrant to purchase up to 1,000,000 common stock shares at a purchase price of $.01 per share. The warrant expires on January 10, 2016 and may be exercised in cash or via a cashless exercise, subject to certain restrictions as provided for in the Common Stock Purchase Warrant. As of April 30, 2014, no shares had been exercised.

On January 10, 2014, the Company granted Recap (Note 7) a warrant to purchase up to 1,000,000 common stock shares at a price of $.01 per share. The warrant expires January 9, 2016 and may be exercised in cash or via a cashless exercise, subject to certain restrictions as provided for in the Common Stock Purchase Warrant. As of April 30, 2014, no shares had been exercised.

Also on January 10, 2014, the Company granted an unrelated third party a warrant to purchase up to 1,000,000 common stock shares at a price of $.01 per share. The warrant expired January 10, 2016 and could have been exercised in cash or a cashless exercise, subject to certain restrictions as provided for in the Common Stock Purchase Warrant. As of April 30, 2014, no shares had been exercised.

Also on January 10, 2014, the Company granted an unrelated third party a warrant to purchase up to 500,000 common stock shares at a price of $.01 per share. The warrant expires January 9, 2017 and may be exercised in cash or via a cashless exercise, subject to certain restrictions as provided for in the Common Stock Purchase Warrant. As of April 30, 2014, no shares had been exercised.

On January 10, 2014, the Company granted an unrelated third party a warrant to purchase up to 4.99% of the Company's common stock shares at a price of $.01 per share. The warrant expires January 10, 2019 and may be exercised in cash or via a cashless exercise, subject to certain restrictions as provided for in the Common Stock Purchase Warrant. On April 30, 2014, the third party and the Company mutually agreed to cancel this warrant for nominal consideration.

The Company evaluated the warrants above and determined, except for the warrants issued to its CEO, that they represented derivatives which were valued using the Black-Scholes pricing model. The variables used in the Black-Scholes pricing model during the year ended April 30, 2014, were an exercise price of $0.01, discount rates ranging from .02% to .87%, an average expected life of 2-3 years, and volatility of 130%. The estimated fair value of the warrants issued approximated $22,000 of which approximately $17,000 was included in the derivative liability.

The following is a summary of outstanding stock warrants at April 30, 2014 and 2013 and activity during the years then ended:

| | Number of Shares | Exercise Price | Weighted Average Price |
|---|---|---|---|
| Warrants as of April 30, 2012 | - | $ - | $ - |
| Issued | - | $ - | $ - |
| Exercised | - | $ - | $ - |
| Warrants as of April 30, 2013 | - | $ - | $ - |
| Issued | 8,226,418 | $ 0.01 | $ 0.01 |
| Cancelled | ( 4,726,418) | $ - | $ - |
| Exercised | - | $ - | $ - |
| Warrants as of April 30, 2014 | 3,500,000 | $ 0.01 | $ 0.01 |

**Note 12 – Commitments and Contingencies**

Although the Company is unaware of any legal matters, the Company may be involved in various inquiries, administrative proceedings and litigation relating to matters arising from our operations prior to the change in management on June 28, 2013. The Company is not currently a defendant in any litigation and is not aware of any threatened litigation that could have a material effect on the Company. Management is not able to estimate the minimum loss to be incurred, if any, as a result of the final outcome of these matters but believes they are not likely to have a material adverse effect upon the Company's financial position or results of operations and, accordingly, no provision for loss has been recorded.

On January 1, 2014, the Company entered into an employment agreement with its CEO, Gilbert Steedley. The agreement provides for monthly compensation of $2,500 and expires December 31, 2014 but automatically renews annually unless terminated by either party pursuant to the agreement. In addition, the agreement provides a common stock warrant (Note 11).

**Note 13 – Income Taxes**

Deferred tax assets and liabilities reflect the net income tax effect of temporary differences between the carrying amounts of the assets and liabilities for financial reporting purposes and the amounts used for income tax reporting purposes.

The following table summarizes the Company's deferred tax assets.

| | 2014 | 2013 |
|---|---|---|
| Net operating losses | $ 403,000 | $ 87,000 |
| Stock based compensation | 152,000 | - |
| Derivative changes and debt discounts | 54,000 | - |
| Loss on conversion of debt | 36,000 | - |
| Total deferred tax assets | 645,000 | 87,000 |
| Valuation allowance | ( 645,000) | ( 87,000) |
| Total deferred tax assets, net | $ - | $ - |

**Note 13 – Income Taxes (continued)**

The Company has recognized no tax benefit for the losses generated for the periods through April 30, 2014. ASC Topic 740 requires that a valuation allowance be provided if it is more likely than not that some portion or all of a deferred tax asset will not be realized. The Company's ability to realize the benefit of its deferred tax asset will depend on the generation of future taxable income. Because the Company has yet to recognize revenue, we believe that the full valuation allowance should be provided.

As of April 30, 2014, we have an estimated federal and state income tax net operating loss ("NOL") carry-forward of approximately $1,187,000 which was incurred since the change in control (Note 1) and which will expire through the year 2034. We do not estimate we will derive any income tax benefit from losses incurred prior to the change of control due to the limitations imposed by Internal Revenue Code Section 382 pertaining to the use of net operating losses when changes in control take place.

| | 2014 | | 2013 | |
|---|---|---|---|---|
| | Amount | Percent | Amount | Percent |
| Benefits for income tax at federal statutory rate | $ 558,000 | 34% | $ 87,000 | 34% |
| Change in valuation allowance | ( 558,000) | ( 34) | ( 87,000) | ( 34) |
| | $ - | -% | $ - | -% |

**Note 14 – Derivative Liabilities**

As discussed in Note 8, several of the Company's notes payable contain conversion features which include floating conversion prices based on the quoted price of the Company's common stock. Additionally, as discussed in Note 11, the Company has common stock warrants which were outstanding as of April 30, 2014. Management evaluated these instruments and determined that they represented derivatives, including embedded derivatives which required bifurcation. The fair value of the related derivative liability was estimated at issuance using a Black-Scholes pricing model and $579,549 was recorded as a derivative liability.

The fair value of the embedded derivative liability was estimated using the Black-Scholes option-pricing model. Expected volatility was based on the Company's historical volatility for its common stock. The risk-free rate was determined using the U.S. Treasury yield in effect at the issuance date based on the term of the embedded derivative. The expected life was based on the term of the individual note payable and assumed the note holders would convert at or prior to the maturity date of the individual notes. For notes which were due on demand, an expected life of 6 months was used. The Company has never declared or paid cash dividends and has no plans to do so in the foreseeable future. The following weighted-average assumptions were utilized to value the embedded derivatives:

| | |
|---|---|
| Expected life (in years) | 0.77 |
| Weighted average volatility | 136.16% |
| Weighted average risk-free interest rate | 0.001% |
| Expected dividend rate | -0- |

**Note 14 – Derivative Liabilities (continued)**

The following schedule includes the changes in the derivative liability measured on a recurring basis for the year ended April 30, 2014. There were no derivative liabilities outstanding as of April 30, 2013.

| | | |
|---|---|---|
| Derivative Liability at April 30, 2013 | $ | - |
| Additions to derivative liability | | 579,549 |
| Settlements of derivative liability | | (45,198) |
| Gain on Derivative Liability | | (28,171) |
| Derivative Liability at April 30, 2014 | $ | 506,180 |

**Note 15 – Subsequent Events**

New subsidiary corporations (Note 1)

On June 4, 2014, the Company acquired all of the outstanding shares of a recently formed and inactive corporation, Marco Capital Limited, which was organized pursuant to the Hong Kong Companies Ordinance. Headquartered in Hong Kong, Marco Capital Limited is planned to explore emerging markets, including China, opportunities in various industries.

On July 30, 2014, the Company formed a wholly owned subsidiary, TN Energy, Inc., under the laws of the state of Texas for the purpose of acquiring, owning and/or operating oil and gas properties. On July 30, 2014, the Company's overriding royalty interests in its Colorado properties were assigned to this subsidiary (Note 4).

Acquisition of oil and gas properties (Note 4)

On September 1, 2014, the Company, through its TN Energy, Inc. subsidiary (Note 1), purchased a .051416% royalty interest in oil and gas properties located in Payne County, Oklahoma.

Amended promissory notes payable

On July 23, 2014, the convertible note payable between the Company and an unrelated party (Note 8) was amended effective to January 20, 2014 changing the maturity date from July 30, 2015 to August 31, 2014 as well as amended the conversion rights under the note. This amendment corrected an typographical error in the original document as was agreed to by the parties.

On September 30, 2014, a promissory note payable of $16,000 with a maturity date of May 15, 2014 was amended to extend the maturity to March 31, 2015.

Additional share issuances

During the period from April 30, 2014 through October 14, 2014, the Company issued Recap an additional 248,731,167 common stock shares pursuant to the Settlement Agreement (Note 7). The amount of sales proceeds from the sale of these shares, and therefore the reduction in the amount of outstanding debts, has not been determined as of this date.

**Note 15 – Subsequent Events (continued)**

Other transactions

On August 27, 2014, Recap exercised its right under this note and submitted to the Company a Notice of Conversion to convert $13,625 of principal and accrued interest into 24,772,727 shares of common stock (Note 8).

On July 8, 2014, the Company received $50,000 from an unrelated party and issued a convertible promissory note payable in exchange. The note bears interest at 4.0%, is nonredeemable by the Company and matures on July 8, 2015 at which time the note automatically converts into the Company's common stock shares at a conversion price equal to 65% of the average closing prices of the shares for the 5 trading days preceding the conversion date.

Change in authorized shares (Note 10)

On September 8, 2014, the Company filed a Certificate of Amendment with the Nevada Secretary of State to increase the number of authorized shares of common stock to 2,500,000,000 with a par value of $.0001 per share. The number of authorized shares of preferred stock did not change and remained at 20,000,000 shares with a par value of $.0001 per share.