



BIOMASS SECURE POWER INC.

CONSOLIDATED ANNUAL FINANCIAL REPORT
(Stated in United States Dollars)

FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

INDEPENDENT AUDITOR'S REPORT

**To the Shareholders of
Biomass Secure Power Inc.**

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Biomass Secure Power Inc. which comprise the statements of financial position as at June 30, 2015 and 2014 and the consolidated statements of loss and comprehensive loss, changes in deficiency and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Biomass Secure Power Inc. as at June 30, 2015 and 2014 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Vancouver, Canada

"Morgan & Company LLP"

October 26, 2015

Chartered Professional Accountants

BIOMASS SECURE POWER INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Stated in U.S. Dollars)

	June 30, 2015	June 30, 2014
ASSETS		
Current assets		
Cash	\$ 1,041	\$ 122,215
Other receivables	12,651	11,132
Total current assets	13,692	133,347
Non-current assets		
Equipment (Note 5)	87	1,014
Intellectual property (Note 6)	1	1
Total non-current assets	88	1,015
TOTAL ASSETS	\$ 13,780	\$ 134,362
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 191,417	\$ 169,772
Loan and advances payable (Note 7)	238,154	287,373
Due to related parties (Notes 8 and 12)	547,758	319,188
Total current liabilities	977,329	776,333
SHAREHOLDERS' DEFICIENCY		
Share capital (Note 9)	7,944,930	7,920,200
Share subscriptions received	-	35,000
Equity portion of convertible debt	12,326	12,326
Accumulated deficit	(8,920,805)	(8,609,497)
Total shareholders' deficiency	(963,549)	(641,971)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY	\$ 13,780	\$ 134,362

Nature of operations and going concern (Note 1)
Subsequent events (Note 18)

Approved by the Board of Directors on October 26 2015:

"James Carroll"

James Carroll, Director

"George Pappas"

George Pappas, Director

The accompanying notes are an integral part of these consolidated financial statements

BIOMASS SECURE POWER INC.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
For the years ended June 30, 2015 and 2014
(Stated in U.S. Dollars)

	2015	2014
Expenses		
Depreciation	\$ 927	\$ 743
Consulting	643	39,289
Interest	35,060	19,443
Management fees (Notes 8 and 12)	240,000	240,000
Non-refundable lease option	-	15,000
Other expenses (Note 11)	73,698	97,628
Operating loss before other income	(350,328)	(412,103)
Other income		
Gain on settlement of debt	-	49,687
Net loss and comprehensive loss for the year	\$ (350,328)	\$ (362,416)
Loss per share		
Basic and Diluted (Note 17)	\$ (0.00)	\$ (0.00)
Weighted average number of shares outstanding (Note 17)	609,066,564	601,643,141

The accompanying notes are an integral part of these consolidated financial statements

BIOMASS SECURE POWER INC.
CONSOLIDATED STATEMENTS OF CHANGES IN DEFICIENCY
For the years ended June 30, 2015 and 2014
(Stated in U.S. Dollars)

	Share capital		Share Subscriptions	Equity Portion of Convertible Debt	Accumulated Deficit	Total
	Number	Amount				
Balance, June 30, 2013	599,991,908	7,855,700	-	1,592	(8,247,081)	(389,789)
Common shares issued for cash	6,450,000	64,500	-	-	-	64,500
Equity imbedded in convertible debt issued	-	-	-	10,734	-	10,734
Share subscriptions received	-	-	35,000	-	-	35,000
Net loss for the year ended June 30, 2014	-	-	-	-	(362,416)	(362,416)
Balance, June 30, 2014	606,441,908	\$ 7,920,200	\$ 35,000	\$ 12,326	\$ (8,609,497)	\$ (641,971)
Common shares issued for cash	1,750,000	43,750	(35,000)	-	-	8,750
Common shares issued for debt	5,000,000	20,000	-	-	-	20,000
Common shares returned for cancellation	(3,000,000)	(39,020)	-	-	39,020	-
Net loss for the year ended June 30, 2015	-	-	-	-	(350,328)	(350,328)
Balance, June 30, 2015	610,191,908	\$ 7,944,930	\$ -	\$ 12,326	\$ (8,920,805)	\$ (963,549)

The accompanying notes are an integral part of these consolidated financial statements

BIOMASS SECURE POWER INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended June 30, 2015 and 2014
(Stated in U.S. Dollars)

	2015	2014
Cash Flows Provided By (Used In) Operating Activities		
Net Loss for the year	\$ (350,328)	\$ (362,416)
Items not involving cash		
Depreciation	927	743
Accrued interest	25,448	19,358
Foreign exchange change on loans payable	(32,514)	-
Accrued management fees	240,000	240,000
Amortization of deferred financing costs	8,684	-
Gain on settlement of debt	-	(49,687)
Accretion included in interest	9,611	2,139
Change in non-cash operating working capital items:		
Other receivables	(1,519)	10,503
Prepaid expenses and deposit	-	1,481
Accounts payable and accrued liabilities	13,070	(4,980)
Net cash used in operating activities	(86,621)	(142,859)
Cash Flows Used In Investing Activities		
Purchase of equipment	-	(1,105)
Cash Flows Provided By (Used In) Financing Activities		
Loan proceeds	-	164,594
Loan repayments to related parties	(11,430)	(9,681)
Issuance of share capital	8,750	64,500
Share subscriptions received	-	35,000
Repayment of convertible debenture	(31,873)	-
Net cash flow used in financing activities	(34,553)	254,413
(Decrease) increase in cash	(121,174)	110,449
Cash, beginning of year	122,215	11,766
Cash, end of year	\$ 1,041	\$ 122,215
Supplemental Cash Flow Information		
Shares issued for		
Settlement of convertible debenture	\$ 20,000	\$ -
Interest Paid	\$ -	\$ -
Income Taxes Paid	\$ -	\$ -

The accompanying notes are an integral part of these consolidated financial statements

BIOMASS SECURE POWER INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended June 30, 2015 and 2014
(Stated in US Dollars)

1. CORPORATE INFORMATION AND GOING CONCERN

Biomass Secure Power Inc. ("the Company") was incorporated under the British Columbia *Business Corporation Act* on August 24, 1989. On June 30, 2009, we acquired all the outstanding shares of 0625920 BC Ltd. ("0625920") and on that date was legally amalgamated with 0625920 B.C. Ltd. ("0625920") under the British Columbia *Business Corporations Act* (the "Amalgamation"). STET continued operations as Biomass Secure Power Inc. (the "Company")

The consolidated financial statements of the Company comprise the Company and its wholly-owned subsidiary Biomass Power Louisiana LLC, a company incorporated in the State of Louisiana, United States of America on February 1, 2013.

The Company is listed on the OTC-BB Pink Sheets, having the symbol BMSPF.OTC and its primary business is the development of a wood pellet plant in Louisiana.

The address of the Company's registered office is Suite 800, 885 West Georgia Street, Vancouver, British Columbia, Canada, V6C 3H1. The address of the Company's principal place of business is 40218 Wellsline Road, Abbotsford, British Columbia, V3G 2K7.

Going Concern of Operations

The consolidated financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realization of assets and discharge of liabilities in the normal course of business. The Company has not generated revenues from operations. The Company is considered to be in the development stage as it has not realized any income from its current business activities. The underlying value of the Company's intangible assets and its proposed business operations is dependent upon management's ability to implement the Company's business plan in the future and the ability of the Company to raise financing to implement that business plan, including meeting option payment requirements as they fall due.

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern. This assumes the Company will operate for the foreseeable future and will be able to realize its assets and meet its obligations in the normal course of operations. The Company has incurred operating losses since inception, and as at June 30, 2015, had a working capital deficit of \$963,637 and an accumulated deficit of \$8,920,805. These factors may cast significant doubt on the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuances, asset sales or a combination thereof. There is no assurance that such financing will be sufficient to sustain operations in the foreseeable future. These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts that might be necessary, should the Company be unable to continue as a going concern. Such adjustments could be material.

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

Statement of Compliance

The consolidated financial statements of the Company for the year ending June 30, 2015 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements of the Company as at June 30, 2015 were authorized for issue by the Board of Directors on October 26, 2015.

Basis of measurement

The consolidated financial statements have been prepared using the historical cost convention using the accrual basis of accounting except for financial instruments which have been measured at fair value. In the opinion of management all adjustments (including normal recurring accruals) considered necessary for a fair presentation have been made.

The consolidated financial statements are presented in United States dollars, which is also the Company's functional currency, and all values are rounded to the nearest dollar, unless otherwise indicated.

Preparation of consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

BIOMASS SECURE POWER INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended June 30, 2015 and 2014
(Stated in US Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Presentation Currency and Functional Currency

The Company's presentation currency is the United States dollar. The functional currency of the Company is the United States dollar.

b) Foreign Currency Transactions

Transactions in foreign currencies are translated to United States dollars, the functional currency of each company in the group, as follows:

At the transaction date, each asset, liability, revenue and expense denominated in a foreign currency is translated into United States dollars by the use of the exchange rate in effect at that date. At the year-end date, unsettled monetary assets and liabilities are translated into United States dollars by using the exchange rate in effect at the year-end date and the related translation differences are recognized in net income. Exchange gains and losses arising on the retranslation of monetary available-for-sale financial assets are treated as a separate component of the change in fair value and recognized in net income. Exchange gains and losses on non-monetary available-for-sale financial assets form part of the overall gain or loss recognized in respect of the financial instrument.

Non-monetary assets and liabilities that are measured at historical cost are translated into United States dollars by using the exchange rate in effect at the date of the initial transaction and are not subsequently restated. Non-monetary assets and liabilities that are measured at fair value or revalued amount are translated into United States dollars by using the exchange rate in effect at the date the value is determined and the related translation differences are recognized in net income or other comprehensive loss consistent with where the gain or loss on the underlying non-monetary asset or liability has been recognized.

c) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value. For cash flow statement presentation purposes, cash and cash equivalents includes bank overdrafts. As at June 30, 2015, the Company had no cash equivalents.

d) Equipment

Recognition and Measurement

On initial recognition, plant and equipment are valued at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

Plant and equipment is subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses, with the exception of land which is not depreciated.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent Costs

The cost of replacing part of an item of plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its costs can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Major Maintenance and Repairs

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Gains and Losses

Gains and losses on disposal of an item of plant and equipment are determined by comparing the proceeds from disposal with the carrying amount, and are recognized net within other income in profit or loss.

BIOMASS SECURE POWER INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended June 30, 2015 and 2014
(Stated in US Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

d) Equipment - continued

Depreciation

Depreciation is recognized in profit or loss and is provided for over the asset's estimated useful life, as follows:

Equipment	33.33% Straight line basis
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Depreciation methods, estimated useful lives and residual values are reviewed at each year end and adjusted if appropriate. The effect of any changes in estimate is accounted for on a prospective basis.

e) Intangible Assets

Recognition and Measurement

Intangible assets are comprised of acquired intellectual property. Such intellectual property is valued at cost and amortized over its useful life. Impairment is recorded if the carrying amount of the assets exceeds the recoverable amount.

Amortization

Amortization is recognized in profit or loss and is provided for over the asset's estimated useful life, as follows:

Intellectual property	10% Straight line basis
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Amortization method, estimated useful lives and residual values are reviewed at each year end and adjusted if appropriate. The effect of any changes in estimate is accounted for on a prospective basis.

f) Impairment of Non-Financial Assets

Carrying values of long-lived non-financial assets are reviewed at each reporting period as to whether indicators of impairment exist. If any indication of impairment exists an estimate of an asset's recoverable amount is calculated. An impairment loss is recognized when the carrying value of an asset or its cash-generating unit exceeds the recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell.

Intangible assets are assessed for impairment if facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Impairment losses recognized in prior periods are assessed each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. The amount of the reversal cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior periods.

g) Financial Instruments

Financial Assets

Financial assets are classified into the following category based on the purpose for which the asset was acquired. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

Loans and receivables – Loans and receivables are comprised of cash and cash equivalents. These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the profit or loss when the loans and receivable are derecognized or impaired, as well as through the amortization process.

Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset of the group of financial assets.

BIOMASS SECURE POWER INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended June 30, 2015 and 2014
(Stated in US Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

g) Financial Instruments - continued

Financial Liabilities

Financial liabilities are classified as other financial liabilities, based on the purpose for which the liability was incurred, and comprise trade payable and accrued liabilities. These liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method, which ensures that net interest expense over the period to repayment is at a constant rate on the balance of the liability carrying in the statement of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Accounts payable and accrued liabilities represent liabilities for goods and services provided to the Company prior to the end of the period which are unpaid. Accounts payable and accrued liabilities are unsecured and are usually due within 30 days of recognition.

Derivative Financial Instruments

The Company reviews the terms of its equity instruments and other financing arrangements to determine whether there are embedded derivative instruments that are required to be accounted for separately as a derivative financial instrument. Also, in connection with the issuance of financing instruments, the Company may issue freestanding options or warrants that may, depending upon their terms, be accounted for as derivative instrument liabilities because they are exercised in a currency other than the functional currency of the Company.

Derivative financial instruments are initially measured at their fair value. For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value and is then re-valued at each reporting date, with changes in the fair value reported as charges or credits to income. For warrant-based derivative financial instruments, the Company uses the Black-Scholes option pricing model to value the derivative instruments.

h) Provisions

Provisions are recognized for liabilities on uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

i) Income Taxes

Income tax expense comprises of current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive loss/income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss of the current year and any adjustment to income taxes payable in respect of previous years.

Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transactions affects neither accounting of taxable profit or loss.

Recognition of deferred tax assets on unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

j) Share capital and warrants

Share Capital

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares and share warrants are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

BIOMASS SECURE POWER INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended June 30, 2015 and 2014
(Stated in US Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

j) Share capital and warrants - continued

Warrants

The Company uses the residual value method to value any warrants issued as part of private placement units. The fair value of warrants is calculated by deducting the fair value of the share component of the unit from the total unit price. The fair value assigned to warrants is recorded as a reduction to share capital and an increase in warrant reserve. If the warrants are exercised the entry is reversed. If the warrants expire unexercised, the value is reallocated to retained earnings / deficit.

The fair value of warrants determined to be financial instruments is calculated and recorded as a derivative liability as discussed above under derivative financial instruments.

k) Share-based payments

Options

From time to time the Company may grant stock options to directors, employees, consultants and service providers.

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in Share-based Payment Reserve over the vesting period, described as the period during which all the vesting conditions are to be satisfied. The Company uses the Black-Scholes option pricing model to estimate the fair value of each stock option at the grant date. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted.

Where the terms and conditions of options are modified before they vest, the increase in fair value of the options, measured immediately before and after the modification, is also charged to the Share-based Payment Reserve over the remaining vesting period.

For equity-settled share-based payments to non-employees, the Company measures the value of the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably. When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations. Amounts related to the issuance of shares are recorded as a reduction of share capital.

All equity-settled share based payments are reflected in Share-based Payment Reserve, until exercised. Upon exercise shares are issued from treasury and the amount reflected in Share-based Payment Reserve is credited to Share Capital along with any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of the vesting and recognized the amount that otherwise would have been recognized for the services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

The Company had no cash-settled share based payment transactions during the year.

l) Share issuance costs

Costs directly identifiable with the raising of share capital financing are charged against share capital. Share issuance costs incurred in advance of share subscriptions are recorded as equity. Share issuance costs related to uncompleted share subscriptions are charged to operations.

m) Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing the net income (loss) available to common shareholders of the Company by the weighted average number of shares outstanding during the reporting period.

Diluted earnings (loss) per common share is computed similar to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and share purchase warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting period.

BIOMASS SECURE POWER INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended June 30, 2015 and 2014
(Stated in US Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

n) Standards, Amendments and Interpretations

New standards, interpretations and amendments adopted in the current year

None of the new standards, interpretations and amendments has had a material effect on the consolidated financial statements:

IFRS 7 *Financial Instruments: Disclosures* requires disclosure of information about the significance of financial instruments to an entity, and the nature and extent of risks arising from those financial instruments, both in qualitative and quantitative terms. Specific disclosures are required in relation to transferred financial assets and a number of other matters.

IFRS 10 *Consolidated Financial Statements* builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

IFRS 11 *Joint Arrangements* describes the accounting for arrangements in which there is joint control; proportionate consolidation is not permitted for joint ventures (as newly defined). IFRS 11 replaces IAS 31 *Interest in Joint Ventures* and SIC 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*.

IFRS 12 *Disclosure of Interest in Other Entities* includes the disclosure requirements for all forms of interest in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

IFRS 13 *Fair Value Measurement* aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards with IFRSs or US GAAP.

IAS 32 *Financial Instruments: Presentation* outlines the accounting requirements for the presentation of financial instruments, particularly as to the classification of such instruments into financial assets, financial liabilities and equity instruments. The standard also provides guidance on the classification of related interest, dividends and gains/losses, and when financial assets and financial liabilities can be offset.

New standards, interpretations and amendments not yet effective

Certain pronouncements were issued by the IASB of the IFRS Interpretations Committee that are mandatory for accounting periods beginning after January 1, 2015 or later years.

Accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements. The following new standards, interpretations and amendments, which have not been applied in these consolidated financial statements:

IFRS 9 *Financial Instruments* is part of the IASB's wider project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized costs and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The effective date of this amendment is fiscal periods commencing after January 1, 2018. The Company early adopted IFRS 9.

IAS 32 *Financial Instruments: Presentation* In December 2011 further amendments to this standard outline additional accounting requirements for the presentation of financial instruments, particularly as to the classification of such instruments into financial assets, financial liabilities and equity instruments. The standard also provides guidance on the classification of related interest, dividends and gains/losses, and when financial assets and financial liabilities can be offset. The effective date of this amendment is fiscal periods commencing after January 1, 2014. This amended standard will have no impact on the Company's financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and judgments.

The effect of a change in an accounting estimate is recognized prospectively by including it in the consolidated financial statements in the period of the change, if the change affects that period only; or in the period of the change and future periods, if the change affects both.

BIOMASS SECURE POWER INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended June 30, 2015 and 2014
(Stated in US Dollars)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS - Continued

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustments to the carry amounts of assets and liabilities recognized in the consolidated financial statements within the next financial year are discussed below:

Depreciation and Amortization – Depreciation and amortization amounts have been calculated based on the Company's internal estimates. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate an assets useful life. These estimates take into account any material changes to the assumptions that occur when reviewed regularly by management. Estimates are reviewed annually and are based on current knowledge and estimates. Significant changes in estimates will result in changes to depreciation and amortization from period to period.

Functional Currency – Management has concluded the functional currency of the Company, being the currency of the primary economic environment in which the Company operates, is the United States dollar. In determining the function currency management considered the currency that revenue will primarily be derived in and the currency that mainly influences the cost of providing goods and services in each jurisdiction in which the Company operates. The United States dollar is the dominant currency.

Income Taxes – Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized. However, recognition of the tax losses also depends on the probability of the Company being able to generate profits in the future to utilize the losses before they expire in the respective jurisdictions.

Accrued Liabilities – The Company has applied judgment in recognizing accrued liabilities, including judgment as to whether the Company has a present obligation (legal or constructive) as a result of a past event; whether it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and whether a reliable estimate can be made of the amount of the obligation.

5. EQUIPMENT

	Equipment
Cost	
Balance at June 30, 2013	\$ 1,676
Additions	1,105
Balance at June 30, 2014 and June 30, 2015	<u>2,781</u>
Accumulated Depreciation	
Balance at June 30, 2013	\$ 1,024
Depreciation for the year	743
Balance at June 30, 2014	1,767
Depreciation for the year	927
Balance at June 30, 2015	<u>\$ 2,694</u>
Carrying amounts	
At June 30, 2014	\$ 1,014
At June 30, 2015	<u>\$ 87</u>

BIOMASS SECURE POWER INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended June 30, 2015 and 2014
(Stated in US Dollars)

6. INTELLECTUAL PROPERTY

On September 8, 2008, the Company entered into an Asset Acquisition Agreement (the "Agreement") with 0625920 BC Ltd. ("0625920") whereby the Company would acquire 100% of the issued shares of 0625920 by issuance of shares of the Company. At the time of the Agreement the Company and 0625920 had a common director and officer, Mr. Jim Carroll, who was the President/CEO/CFO of the Company and was the President of 0625920, and had two common shareholders, Mr. Carroll and his spouse. Pursuant to the terms of the Agreement fifteen common shares of the amalgamated company were to be issued in exchange for each 0625920 share outstanding at the Agreement date, resulting in the issuance of 225,269,250 shares of common stock (the "Consideration Shares") to the shareholders of 0625920.

On November 1, 2008 the Company issued 15,000,000 shares of stock, as a deposit on the Agreement, (the "Deposit Shares"), to Mr. George Pappas, a director of 0625920, who was unrelated to the Company at that time but was subsequently appointed a director of the Company. The deposit forms part of the total share consideration issued pursuant to the Agreement (the "Consideration Shares"). Therefore, a further 210,269,250 common stock were to be issued. As a result of a Cease Trade Order issued by the British Columbia Securities Commission on November 19, 2009 the Company was prohibited from issuing the shares required to complete the share exchange to complete the acquisition. Subsequent to November 19, 2009 all of the issued shares of 0625920 were delivered in trust to the Company's lawyer.

On June 30, 2009 (the "Amalgamation Date") the Company and 0625920 were legally amalgamated pursuant to the British Columbia *Business Corporations Act*. The amalgamated company continued operations as Biomass Secure Power Inc. As a result of a cease-trade order issued by the British Columbia Securities Commission on November 19, 2009 the Company was prohibited from issuing the shares required to complete the share exchange to complete the acquisition. Consequently, the Consideration Shares were not issued on June 30, 2009 and therefore, the transaction was neither completed nor reflected in the Company's June 30, 2010 financial statements. Completion of the Agreement was deferred until the cease-trade order was lifted on April 8, 2011.

Mr. Pappas, acting in his capacity as a director of the Company, transferred the Deposit Shares to a creditor of the Company in full settlement of the amount due. Therefore the Deposit Shares were re-characterized from deposit to payment of a liability, resulting in the requirement for the Company to issue the full number of Consideration Shares to be issued on April 27, 2011.

The Agreement has been accounted for as a purchase of the net assets of 0625920, as management concluded that 0625920 did not meet the definition of a "business" under IFRS. The total purchase price of \$968,658, being the fair value of the 225,269,250 Consideration Shares at the Amalgamation Date (\$0.0043 per share), was allocated to the intellectual property assets (the "IP") acquired from 0625920. Management of 0625920 warranted the Company had no liabilities at that date. Transaction costs associated with the purchase were negligible.

Pursuant to the Company's policy, upon completion of the Agreement management completed an impairment assessment of the IP and determined the fair value of the IP to be nominal due to the lack of a certain future cash flow emanating from the IP. As a result the Company recognized a post-acquisition impairment of \$968,657 charged to operations for the year ended June 30, 2011.

Cost	
Additions	968,658
Impairment charge	(968,657)
Balance at June 30, 2015 and 2014	\$ 1
Amortization	
Balance at June 30, 2015 and 2014	\$ -
Carrying amounts	
At June 30, 2014	\$ 1
At June 30, 2015	\$ 1

BIOMASS SECURE POWER INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended June 30, 2015 and 2014
(Stated in US Dollars)

7. LOAN AND ADVANCES PAYABLE

	June 30, 2015	June 30, 2014
Return of share subscription	\$ 6,000	\$ 6,000
On August 23, 2012 the Company, with the mutual agreement of two shareholders, rescinded the issuance of 1,111,110 common shares issued on April 27, 2011 at \$0.0054 per share. The shares were issued pursuant to an exemption which is not available in the province the investors are resident in. The total subscription price of \$6,000 has been classified as loans payable in these financial statements.		
Convertible debenture	-	35,000
On August 25, 2011 the Company entered into a \$35,000 convertible debenture (the "Note") with interest at 8% per annum, due 9 months after issuance. The Note has the following conversion and other terms:		
a) The Company may prepay the Note at any time by paying the accrued interest plus a premium on the principal of 30% if paid in the period ending 90 days following the date of the Note, 35% if paid in the period 91 days to 120 days following the date of the Note, 45% if paid in the period 121 days to 150 days following the date of the Note or 50% if paid in the period 151 days to 180 days following the date of the Note. After 180 days the Company has no right of prepayment.		
b) At any time during the period beginning on the date which is 180 days following the date of the Note to the complete satisfaction of the Note, the Note is convertible into shares of common stock of the Company at a price that is 55% of the average of the three trading prices for the common stock during the ten trading day period prior to the date of conversion;		
c) The Note Holder is limited to convert no more than 4.99% of the issued and outstanding common stock at the time of conversion;		
d) In the event of default the Note is immediately due and payable at the minimum amount of 150% times the sum of outstanding principal plus unpaid interest. The Note holder can request payment in shares.		
The debenture was due on May 25, 2012. The Note Holder agreed to defer the due date until such time as the cease trade order, issued by the British Columbia Securities Commission, has been revoked. The revocation of the cease trade order was issued of September 7, 2012. The convertible debenture was repaid during the year ended June 30, 2015.		
Demand Promissory Notes	128,071	143,104
The Company has entered into a number unsecured demand promissory notes (including \$95,000 payable in Canadian dollars) due on the earlier of demand or dates up to December 2013, with interest at 12%. The promissory notes have not been paid subsequent to their due dates.		
Unsecured Non-transferable Convertible Debentures	104,083	111,952
Unsecured non-transferable convertible debentures in the amount of \$120,083 (\$130,000 payable in Canadian dollars), without interest and due March 1, 2015 ("Maturity Date"), convertible at the option of the holder at \$0.10 per share, unless converted at Maturity Date, at which date it shall be converted at \$0.09. If the Company obtains a listing on the TSX Venture Exchange the amount shall be converted at a date immediately prior to the effective date of the listing.		
Unamortized financing costs	-	(8,683)
	\$ 238,154	\$ 287,373

8. DUE TO RELATED PARTIES

The Company is indebted to directors and officers of the Company for operating expenses paid by those individuals on behalf of the Company, cash advances and accrued management fees. The amounts are payable on demand, unsecured and without interest.

	June 30, 2015	June 30, 2014
Balance, beginning	\$ 319,188	\$ 88,869
Accrued management and director fees	240,000	240,000
Cash advances to the Company	-	4,846
Expenses paid on behalf of the Company	35,483	72,252
Repayment – cash	(46,913)	(86,779)
Balance, ending	\$ 547,758	\$ 319,188

BIOMASS SECURE POWER INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended June 30, 2015 and 2014
(Stated in US Dollars)

9. SHARE CAPITAL

a) Authorized

The Company is authorized to issue an unlimited number of no par value common shares.

b) Issued

Share issuances in the year ended June 30, 2015

On July 17, 2014 the Company issued 1,750,000 common shares at \$0.025 per share, for total consideration of \$43,750 for cash, of which \$35,000 had been recorded as share subscriptions as at June 30, 2014.

On January 15, 2015 the Company issued 5,000,000 common shares, valued at \$0.004 per share, as part repayment of a convertible debenture (Note 7) in the amount of \$35,000 plus accrued interest. The payment also included a cash payment of \$31,873.

On January 19, 2015 the Company cancelled 3,000,000 common shares pursuant to settlement of a legal action brought against the Company regarding trading restrictions on certain previously issued stock. Pursuant to the settlement agreement the plaintiff returned 12,030,868 common stock to the Company, of which 9,030,868 common stock has been reissued subject to trading restrictions and 3,000,000 common stock have been cancelled. The cancellation is valued in these financial statements at the average issue price of common shares.

Share issuances in the year ended June 30, 2014

On March 26, 2014 the Company issued 5,900,000 common shares at \$0.01 per share, for total consideration of \$59,000 for cash; and

On April 25, 2014 the Company issued 550,000 common shares at \$0.01 per share, for total consideration of \$5,500.

c) Share Purchase Warrants

Share issuances in the year ended June 30, 2014

During the year ended June 30, 2014 the Company issued 104,000 share purchase warrants issued as agent warrants regarding the issue of convertible debentures. The warrants entitled the holder to acquire one common share at a price of C\$0.10 per share to June 4, 2015. The estimated fair value of these warrants at the grant date was \$Nil, determined using the Black-Scholes model using the following weighted average assumptions: Average risk-free interest rate – 1.08%; Expected life – 1 year; Share price volatility – 72%; and Expected dividend yield - 0%. During the year ended June 30, 2015 these warrants expired unexercised.

10. EQUITY AND RESERVES

a) Nature and Purpose of Equity and Reserves

The reserves recorded in equity on the Company's statements of financial position from time to time will include "Contributed Surplus", "Warrant Reserve", and "Share-based Payment Reserve".

- "Contributed Surplus" recognizes amounts contributed to the Company shareholders either by way of direct contribution of cash or assets to the Company or delivery of assets to the Company having a fair value in excess of consideration paid by the Company.
- 'Warrant Reserve' is used to recognize the fair value of share warrants prior to exercise or expiry.
- 'Share-based Payment Reserve' is used to recognize the fair value of stock option grants prior to exercise, expiry or cancellation and the fair value of other share-based consideration paid at the date of payment.

b) Stock Options

At June 30, 2015 and 2014 the Company had no stock option plan.

11. OTHER INCOME AND EXPENSES

	June 30, 2015	June 30, 2014
Other expenses include:		
Financing fees	\$ 8,683	\$ 2,139
Foreign exchange gain	(35,097)	(4,506)
General and administration	18,181	12,994
Professional fees	65,874	55,338
Shareholder matters	5,000	5,788
Travel	11,057	25,875
	\$ 73,698	\$ 97,628

BIOMASS SECURE POWER INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended June 30, 2015 and 2014
(Stated in US Dollars)

12. RELATED PARTY TRANSACTIONS

Goods or services rendered

Key management includes directors (executive and non-executive) and senior management, including our Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”). The compensation paid or payable to key management for employee services is disclosed in the table below. All amounts owing are unsecured, non-interest bearing and have no specific terms of repayment.

Except as disclosed elsewhere in these consolidated financial statements, the Company incurred the following general and administrative costs with related parties during 2015 and 2014:

	2015	2014
Goods or services rendered:		
Management fees paid or accrued to our CEO	\$ 120,000	\$ 120,000
Management fees paid or accrued to directors who are also officers of the Company	\$ 120,000	\$ 120,000
Engineering fees included in consulting fees paid to a company controlled by a director and officer of the Company	\$ -	\$ 13,775
Accounting fees included in professional fees paid or accrued to a partnership related to our CFO for his services	\$ 30,000	\$ 30,000

Transactions with related parties were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Amounts due to related parties

	June 30, 2015	June 30, 2014
Amounts due to related parties		
Due to directors	\$ 547,759	\$ 319,188
Due or accrued as due to a partnership related to our CFO recorded in accounts payable and accrued liabilities	\$ 100,468	\$ 75,235

13. INCOME TAXES

Current income tax provision

The Company’s provision for income taxes differs from the amounts computed by applying the statutory income tax rates to the loss as a result of the following:

	2015	2014
Statutory rates	26%	26%
Income tax benefit at Canadian statutory rate	\$ (91,000)	\$ (94,000)
Effect of statutory tax rate change and other	-	(53,000)
Non-deductible expenses	-	(12,000)
Foreign income taxes at other than Canadian statutory rates	(40,000)	(49,000)
Expiry of non-capital losses	58,000	23,000
Change in deferred tax assets not recognized	73,000	185,000
Deferred income tax provision (recovery)	\$ -	\$ -

Deferred income taxes

Deferred income taxes reflect the net tax effects of the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company’s deferred tax assets, which have been offset by a full valuation allowance and are not recorded in the Company’s consolidated financial statements due to the uncertainty of realization, were as follows:

	2015	2014
Deferred income tax assets		
Equipment	\$ 174,000	\$ 174,000
Operating losses carry forward	1,845,000	2,022,000
Intangible assets	189,000	189,000
Less: unrecognized deferred tax assets	(2,208,000)	(2,385,000)
	\$ -	\$ -

The Company has approximately \$6.65 million (2014: \$7 million) of non-capital losses which are available to reduce taxable income of future years. These losses expire in various amounts from 2026 to 2035.

BIOMASS SECURE POWER INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended June 30, 2015 and 2014
(Stated in US Dollars)

14. CAPITAL MANAGEMENT

The Company monitors its cash, common shares, warrants and stock options as capital. The Company's objectives when maintaining capital are to maintain sufficient capital base in order to meet its short-term obligations and at the same time preserve investor's confidence required to sustain future development and production of the business.

The Company is not exposed to any externally imposed capital requirements.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company is exposed through its operations to the following financial risks:

- Market Risk
- Credit Risk
- Liquidity Risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is present throughout these consolidated financial statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies, and processes for managing those risks or the methods used to measure them from previous years unless otherwise stated.

General Objectives, Policies and Processes

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below:

i) **Market Risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices are comprised of three types of risk as follows:

Foreign Currency Risk

Foreign currency risk is the risk that a variation in exchange rates between the US dollar and the Canadian dollar or other foreign currencies will affect the Company's operations and financial results. The Company could have exposure to foreign currency risk. The Company's functional currency is US dollars but it raises some of its capital in Canadian dollars. The Company has not hedged its exposure to currency fluctuations.

Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company does not have any borrowings. Interest rate risk is limited to potential decreases on the interest rate offered on cash, cash equivalents and short-term deposits held with Canadian financial institutions. The Company considers this risk to be immaterial.

Equity risk

Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets.

BIOMASS SECURE POWER INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended June 30, 2015 and 2014
(Stated in US Dollars)

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - Continued

General Objectives, Policies and Processes - continued

ii) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments which are potentially subject to credit risk for the Company consist primarily of cash and other receivables. Cash and equivalents and short-term deposits are maintained with financial institutions of reputable credit and may be redeemed upon demand.

The carrying amount of financial assets represents the maximum credit exposure. The Company has gross credit exposure at June 30, 2015 and June 30, 2014 relating to cash of \$1,041 and \$122,215 respectively. All cash, cash equivalents and short-term deposits are held at a Canadian chartered bank. The Company considers credit risk to be minimal.

iii) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The key to success in managing liquidity is the degree of certainty in the cash flow projections. If future cash flows are fairly uncertain, the liquidity risk increases.

Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 180 days. To achieve this objective, the Company prepares annual operating and capital expenditure budgets, which are regularly monitored and updated as considered necessary. Further, the Company utilizes authorizations for expenditures on exploration projects to further manage expenditures.

The Company monitors its risk of shortage of funds by monitoring the maturity dates of existing trade and other accounts payable.

Determination of Fair Value

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The Consolidated Statement of Financial Position carrying amounts for cash, other receivables, accounts payable and accrued liabilities approximate fair value due to their short-term nature. Due to the use of subjective judgments and uncertainties in the determination of fair values these values should not be interpreted as being realizable in an immediate settlement of the financial instruments.

Fair Value Hierarchy

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

16. SEGMENTED REPORTING

The Company is organized into business units based on business activities and has one reportable operating segment, being that of development of a wood pellet plant.

BIOMASS SECURE POWER INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended June 30, 2015 and 2014
(Stated in US Dollars)

17. LOSS PER SHARE

Income (loss) per Share

Basic loss per share amounts is calculated by dividing the net profit for the year by the weighted average number of common shares outstanding during the year.

	2015	2014
Loss attributable to common shareholders	\$ (350,328)	\$ (362,416)
Weighted average number of common shares	609,066,564	601,613,141
Basic loss per share	<u>\$ (\$0.00)</u>	<u>\$ (\$0.00)</u>
Fully diluted number of common shares	609,066,564 ⁽¹⁾	601,747,141
Fully diluted loss per share	<u>\$ (\$0.00)</u>	<u>\$ (\$0.00)</u>

(1) The basic and diluted number of common shares is the same as there are no instruments that have a dilutive effect on the basic loss per share.

Weighted Average Number of Common Shares

	2015	2014
Issued common shares, July 1, 2014	606,441,908	599,991,908
Effect of shares for cash	1,668,492	-
Effect of shares issued for debt	2,287,671	1,651,233
Effect of shares cancelled	(1,331,507)	-
Weighted average issued common shares	609,066,564	601,643,141
Outstanding share purchase warrants	-	104,000
Weighted average fully diluted common shares	<u>609,066,564</u>	<u>601,747,141</u>

18. SUBSEQUENT EVENTS

There are no subsequent events.