BLUE EARTH RESOURCES, INC.

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED FEBRUARY 29, 2016 AND 2015

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Accountant's Disclaimer of Opinion

On Unaudited Financial Statements

To the Stockholders
Blue Earth Resources, Inc.
Inner Grove Heights, Minnesota

The accompanying consolidated balance sheets of Blue Earth Resources, Inc. as of February 29, 2016 and February 28, 2015 and the related consolidated statements of operations and comprehensive income (loss), shareholders' equity (deficit) and cash flows for the years then ended were not audited by me and, accordingly, I do not express an opinion on them.

Gary R Zorne, CPA

April 17, 2016

BLUE EARTH RESOURCES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	February 29, 2016	February 28, 2015
ASSETS		
Current assets:		
Cash	$ 8,316	$ 8,674
Accounts receivable	-	-
Notes Receivable	400,000	-
Total current assets	408,316	8,674
Property and equipment, at cost	37,048	37,048
Less accumulated depreciation	9,634	8,843
Property and equipment, net	27,414	28,205
Other assets:		
Investments in oil and gas interests	-	1,505,922
Investment - PROI Assets Held For Sale	295,580	305,677
Investment in Texas Wyoming Drilling, Inc.	3,500	6,300
Total other assets	299,080	1,817,899
Total assets	$ 734,810	$ 1,854,778
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable and accrued expenses	$ 14,907	$ 50,960
Short Term loan	38,600	-
Total current liabilities	53,507	50,960
Long-term liabilities:		
Note payable - Haynesville	-	-
Shareholders' equity (deficit):		
Preferred stock: $.004 par value, 100,000,000 shares authorized; shares issued and outstanding:		
Series A preferred stock - 15,000,000 authorized, par value $.004	395	395
Series B preferred stock - 10,000,000 authorized, par value $.004	-	-
Series C preferred stock - 17,000,000 authorized, par value $.004	1,899	1,899
Series D preferred stock - 17,000,000 authorized, par value $.004	1,949	1,949
Common stock: $.004 par value; 200,000,000	23,063	21,975
Additional paid-in capital	9,340,898	9,320,804
Accumulated deficit	(8,570,401)	(7,429,504)
Comprehensive income (loss):		
Unrealized gain on investment	(116,500)	(113,700)
Total shareholders' equity (deficit)	681,303	1,803,818
Total liabilities and shareholders' equity (deficit)	$ 734,810	$ 1,854,778

See Accountant's Disclaimer of Opinion on Unaudited Financial Statements

BLUE EARTH RESOURCES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
AND COMPREHENSIVE INCOME (LOSS)
(UNAUDITED)

	Year Ended	
	February 29, 2016	February 28, 2015
Total revenues	$ -	$ 164,040
Cost of goods sold	14,181	330,620
Depletion	-	10,614
Gross profit	(14,181)	(177,194)
Expenses:		
General and administrative	23,178	117,586
Operating income (loss)	(37,359)	(294,780)
Other income (loss):		
Earnings (loss) from sale of O&G holdings	-	-
Gain (loss) on sale of fixed assets	2,384	26,185
Interest expense	-	-
Impairment loss - PetroResOne, Inc.	(1,105,922)	-
Other income/(loss)	-	-
Total other income (expense)	(1,103,538)	26,185
Income (loss) from continuing operations before income taxes	(1,140,897)	(268,595)
Income tax benefit (expense)	-	(4,104)
Net income (loss)	(1,140,897)	(272,699)
Other comprehensive income (loss):		
Unrealized gain (loss) on investment	-	(28,700)
Comprehensive income (loss)	$ (1,140,897)	$ (301,399)
Earnings (loss) per share:		
Basic	$ (0.20)	$ (0.06)
Diluted	$ (0.20)	$ (0.05)
Weighted average number of shares outstanding:		
Basic	5,638,997	4,509,666
Diluted	5,652,400	5,652,400

See Accountant's Disclaimer of Opinion on Unaudited Financial Statements

BLUE EARTH RESOURCES, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIT)
(UNAUDITED)

	Preferred Stock-Series A		Preferred Stock-Series C		Preferred Stock-Series D		Common Stock		Additional Paid-In Capital	Other Comprehensive Income (Loss)	Accumulated Deficit	Total Shareholders' Deficit
	Shares	Par Value	Shares	Par Value	Shares	Par Value	Shares	Par Value				
Authorized	15,000,000	$0.004	17,000,000	$0.004	17,000,000	$0.004	200,000,000	$0.004				
Balance, February 28, 2014	98,838	395	569,262	2,277	581,762	2,327	3,999,999	16,000	9,066,653	(85,000)	(7,159,180)	1,843,472
Conversions of preferred stock - series C, and preferred stock - series D to common stock	-	-	(94,555)	(378)	(94,555)	(378)	189,110	755	1	-	-	-
Proceeds from issuances of common stock	-	-	-	-	-	-	509,750	2,040	161,860	-	-	163,900
Issuance of common stock for services and in payment of liabilities	-	-	-	-	-	-	794,800	3,180	92,290	-	-	95,470
Reversal of uncashed dividend checks				-	-	-	-	-	-	-	2,375	2,375
Unrealized income (loss) on investment	-	-	-	-	-	-	-	-	-	(28,700)	-	(28,700)
Net income (loss)	-	-	-	-	-	-	-	-	-	-	(272,699)	(272,699)
Balance, February 28, 2015	98,838	$ 395	474,707	$ 1,899	487,207	$ 1,949	5,493,659	$ 21,975	$ 9,320,804	$ (113,700)	$ (7,429,504)	$ 1,803,818
Issuance of common stock for services and in payment of liabilities	-	$ -	-	$ -	-	$ -	272,107	$ 1,088	$ 20,094	$ -	$ -	$ 21,182
Unrealized income (loss) on investment		$ -		$ -		$ -		$ -	$ -	$ (2,800)		$ (2,800)
Net income (loss)		$ -		$ -		$ -		$ -	$ -	$ -	$ (1,140,897)	$ (1,140,897)
Balance, February 29, 2016	98,838	$ 395	474,707	$ 1,899	487,207	$ 1,949	5,765,766	$ 23,063	$ 9,340,898	$ (116,500)	$ (8,570,401)	$ 681,303

BLUE EARTH RESOURCES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Year Ended	
	February 29, 2016	February 28, 2015
Cash flows from operating activities:		
Net income (loss)	$ (1,140,897)	$ (272,699)
Adjustments to reconcile net income to net cash flows from operating activities:		
Gain (loss) on O&G holdings	-	-
Gain (loss) on sale of fixed assets	-	(26,185)
Impairment loss - PetroResOne, Inc.	-	-
Issuance of common stock for services	-	88,718
Depreciation expense	791	3,884
Depletion expense	-	10,614
Accounts receivable	-	-
Prepaid expenses	(2,800)	3,600
Accounts payable and accrued expenses	(36,054)	20,021
Net cash flows from operating activities	(1,178,960)	(172,047)
Cash flows from investing activities:		
Purchases of property and equipment	-	(17,000)
Proceeds from sales of fixed assets	12,898	30,000
Short term borrowings	38,600	-
Proceeds from sales of oil and gas interests	1,505,922	30,000
Net cash flows from investing activities	1,557,420	43,000
Cash flows from financing activities:		
Proceeds from common stock issuance, net	21,182	163,901
Reversal of uncashed dividend checks	-	2,375
Increase in notes receivable	(400,000)	-
Repayment of long-term debt	-	(100,248)
Net cash flows from financing activities	(378,818)	66,028
Increase (decrease) in cash	(358)	(63,019)
Cash		
Beginning of year	8,674	71,693
End of year	$ 8,316	$ 8,674

Summary of Noncash Activity:

On March 1, 2013 the Company purchased assets from PetroResOne, Inc. using the Company's judgment against PetroResOne as the consideration. These assets are valued at $305,677 in the accompanying financial statements. The Company also acquired four vehicles previously owned by PetroResOne, Inc. through the assumption of $8,088 in payments remaining on these vehicles.

The Company issued 1,170,000 shares of its common stock at $1.00 per share towards the issuance of oil and gas interests in fiscal year 2014.

The Company issued 418,198 shares of its common stock at $1.00 per share for executive, legal and administrative services in fiscal year 2014.

The Company acquired a $350,000 oil and gas interest through a $20,000 down payment and incurrence of a $330,000 note payable.

The Company issued 531,768 shares of its common stock as part of a cashless exercise of Series A, and Series C and Series D preferred stock in fiscal year 2014.

The Company issued 189,110 shares of its common stock as part of a cashless exercise of Series C and Series D preferred stock in fiscal year 2015.

The Company issued 45,012 shares of its common stock in settlement of $6,752 of the Notes Payable - Haynesville. in fiscal year 2015.

The Company issued 749,788 shares of its common stock for services in fiscal year 2015.

BLUE EARTH RESOURCES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED FEBRUARY 29, 2016 AND FEBRUARY 28, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER INFORMATION

Business

Blue Earth Resources, Inc. (the "Company") was incorporated on March 15, 1984 under the laws of the State of Utah.

On December 9, 2009 shares of the Company were issued in exchange for all consenting shares of PetroResources, Inc. (Petro). At the time the Company operated as the parent company and Petro as the subsidiary. Petro was in the business of purchasing and holding royalty and override royalty interests, or minority percentage non-operating working interests in producing oil and gas properties directly. The Company and Petro do not have any information that would allow them to estimate the oil or gas reserves and their related values for any of these interests.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, PetroResources, Inc. All material intercompany transactions and balances were eliminated in consolidation.

Basis of Accounting

The accounts are maintained and the financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Cash Equivalents

For purposes of reporting cash flows, cash equivalents include investment instruments purchased with maturity of three months or less. There were no cash equivalents in 2016 or 2015.

Revenue Recognition

Oil and gas revenues are recognized as received.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER INFORMATION (Continued)

Stock-Based Consideration

The Company recognizes compensation cost using a fair value based method whereby compensation cost is measured at the grant date based on the value of the award and is recognized over the service period, which is usually the vesting period. The Company uses the Black-Scholes pricing model to calculate the fair value of options and warrants issued to both employees and non-employees. Stock issued for compensation is valued using the market price of the stock on the date of the related agreement.

Comprehensive Income

FASB ASC 220-10-20: Comprehensive Income establishes standards for the reporting and disclosure of comprehensive income and its components which will be presented in association with a company's financial statements. Comprehensive income is defined as the change in a business enterprise's equity during a period arising from transactions, events or circumstances relating to non-owner sources, such foreign currency translation adjustments and unrealized gains or losses on available-for-sale-securities. It includes all changes in equity during a period except those resulting from investments by or distributions to owners. A reconciliation of net income and comprehensive income is provided in the accompanying financial statements.

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed using the straight-line and accelerated methods over the estimated useful lives of five to seven years. When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation are removed from the accounts and the resulting gain or loss is recognized in income for the period. The cost of maintenance and repairs is expensed as incurred; significant renewals and betterments are capitalized. Deduction is made for retirements resulting from renewals or betterments.

Oil and Gas Interests

The Company capitalizes all costs associated with the acquisition of oil and gas interests, including directly related overhead. FASB ASC 932-235 requires the Company to disclose

a standardized measure of discounted future net cash flows relating to proven oil and gas quantities. The Company owns royalty and overriding royalty interests, or minority percentage non-operating working interests in producing oil and gas properties in the United States. These properties are located in numerous locations throughout the United States. The Company does not have any information that would allow it to estimate the oil and gas reserves and their related values for any of these interests. FASB ASC 932-360-35-6 requires that capitalized acquisition costs of proven reserves be amortized (depleted) using the units-of-production method as the oil and gas reserves are produced so that each unit of oil and gas produced is assigned a pro rata portion of the unamortized acquisition costs. The unit cost should be computed on the basis of total estimated proven oil and gas reserves and revised at least annually. The Company does not have the information that would allow it to deplete the oil and gas reserves. To insure its financial statements are not misleading, the Company records depletion at 10% of oil and gas revenues. In addition, the Company reviews its long-lived assets periodically for impairment under FASB ASC 360-10.

Investment in Texas Wyoming Drilling, Inc.

The Investment Texas Wyoming Drilling, Inc. is treated as available-for-sale. Available-for-sale securities are recorded at their fair value in the accompanying financial statements. The unrealized gain (loss) is treated as a component of comprehensive income (loss).

Long-Lived Assets

In accordance with FASB ASC 360-10, Accounting for The Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of, the Company reviews its long-lived assets and intangibles related to those assets periodically to determine potential impairment by comparing the carrying value of the long-lived assets outstanding with estimated future cash flows expected to result from the use of the assets, including cash flows from disposition. Should the sum of the expected future cash flows be less than the carrying value, the Company would recognize an impairment loss. An impairment loss would be measured by comparing the amount by which the carrying value exceeds the fair value of the long-lived assets and intangibles. Management determined that no impairment of long-lived assets existed in 2016 or 2015.

Earnings (Loss) Per Share

Basic earnings (loss) per share is computed by dividing income available to common stockholders by the weighted-average number of common shares outstanding for the period. Diluted earnings (loss) per common share, in addition to the weighted average determined for basic earnings per shares, would include potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock.

Concentrations, Risks and Uncertainties

Use of Estimates:

The preparation of consolidated financial statements in conformity with 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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Contining Operations:

The Company's future success is subject to various contingencies beyond management's control. These contingencies include: general economic and political conditions; prices for crude oil and gas; competition; and changes in regulations.

Income Taxes

The provision for income taxes is computed using the asset and liability method, under which deferred tax assets and liabilities are recognized for the expected future tax consequences attributable to temporary differences between the financial reporting carrying amount of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in operating results in the period of enactment. Deferred tax assets are reduced by a valuation allowance when it is more likely than not that some portion or all of the deferred tax assets will not be realized.

The Company has evaluated for uncertain tax positions and feels there are none. Federal and state taxing authorities generally have the right to examine returns for three years from the date of filing. Any interest or penalties incurred by the Company would be included in operating expenses in the accompanying financial statements. No interest or penalties are reflected in the accompanying financial statements.

NOTE 2 - GOING CONCERN

The Company has incurred net losses and negative cash flows from the operations since the acquisition of oil and gas operations commencing December 9, 2009. Currently the Company does not generate sufficient cash flows to cover general corporate activities. The Company currently does not have sufficient capital resources and will need to raise either debt or equity financing. If the Company is unsuccessful it might not be able to continue as a going concern. No estimate can be made of the range of loss that is reasonably possible should the Company be unsuccessful.

NOTE 3 - FAIR VALUE DISCLOSURES

The following methods and assumptions were used in estimating the fair value of the Company's financial instruments:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date. Level 1 assets and liabilities include cash and cash equivalents, and exchange-traded investments.

Level 2 – Inputs other than quoted prices included within Level 1 - directly or indirectly observable inputs such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets in markets that are not active; and other inputs that are observable or can be substantially corroborated by observable market data by correlation or other means. Level 2 assets and liabilities include the Company's oil and gas interests.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are a significant component of the fair value of the assets or liabilities.

The following tables set forth the Company's assets and liabilities by level that were accounted for at fair value as of November 30, 2014:

NOTE 3 - FAIR VALUE DISCLOSURES (continued)

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3
Assets:			
Investments in oil and gas interests	$ -	$ -	$ -
Investment - PROI Assets Held For Sale	$ -	$ -	$ 295,580
Investment in Texas Wyoming Drilling, Inc.	$ 3,500	$ -	$ -
Liabilities:	20		
Note payable - Haynesville	$ -	$ -	$ --

The following table presents additional information about Level 3 assets and liabilities measured at fair value. Both observable and unobservable inputs may be used to determine the fair value of positions that are classified within the Level 3 category. As a result, the unrealized gains and losses for assets and liabilities with the Level 3 category may include changes in fair value that were attributable to both observable and unobservable inputs.

	Level 3 Beginning Balance February 28, 2015	Purchases, Sales, Settlements, Accrued Interest	Level 3 Ending Balance February 29, 2016	Change in Unrealized Gain (Loss) on Investments Still Held
Assets:				
Investment - PROI Assets Held For Sale	$ 305,677	$ -	$ 295,580	$ -
Liabilities:				
Note payable - Haynesville	$ -	$ -	$ -	$ -

NOTE 4 - RELATED PARTY TRANSACTION

PetroResOne, Inc. is a former subsidiary of Petro. On November 30, 2009 all common stock of PetroResOne, Inc. was distributed to the shareholders of Petro in a tax-free exchange. Many shareholders of the Company were also shareholders of PetroResOne, Inc.

On March 1, 2013 PetroResOne, Inc. ("PROI") sent notices to creditors that it was ceasing operations. PROI had become insolvent and unable to raise additional working capital. For a number of years, the Company had made considerable loan advances to PROI to provide them with working capital funding for the commercial development of a patented diesel or gasoline tank cleaning system. The Company brought legal action against PROI and obtained judgment in a Minnesota District Court for $2,972,228. Rather than foreclosing on assets of PROI via our judgment, the Company purchased assets of PROI including the tank cleaning system, certain related tangible equipment, and all patents and any other related IP rights, for which the Company released PROI and its officers and shareholders from any liability to the Company from the Court judgment. The assets purchased from PROI are reflected at $295,580 in the accompanying financial statements. The recorded value is net of the $2,700,000 loss from impairment the Company recorded in the first quarter of fiscal year 2014 relating to this transaction.

NOTE 5 - OPERATING LEASE

The Company leases its corporate headquarters and storage facilities under month-to-month operating leases.

NOTE 6 – NOTE PAYABLE – HAYNESVILLE

The Company acquired $350,000 of oil and gas interests in August 2013 through a $20,000 down payment and incurrence of a $330,000 note payable. The note payable was noninterest bearing and is secured by the oil and gas interests. The Company reassigned the properties back to the seller and took back a note in the amount of $300,000 during the past year. The Seller subsequently sold the properties to another buyer in breech of the assignment agreement. The Company has not taken any action to perfect its security interest in the promissory note but intends to do so. Management believes it will fully recover the amounts due and owing on this note from the purchasers of the production based upon past experience when situations of this nature arise.

NOTE 7 - SHAREHOLDERS' EQUITY

Preferred Stock:

Preferred stock is convertible into common stock as follows:

- One share of Series A preferred stock can be converted into 1.058 shares of common
- One share of Series B preferred stock can be converted into shares of common stock at $.01 per share
- One share of Series C preferred stock can be converted into 1.5 shares of common
- One share of Series D preferred stock can be converted into .5 shares of common (2 shares of Series D preferred stock converts into one share of common stock).

Series C preferred stock is entitled to dividends. No other preferred stock series is entitled to dividends.

No Series B preferred stock is currently outstanding. Shares of Series A, C and D preferred stock were outstanding at February 29, 2016 and February 28, 2015.

Reverse Stock Split:

On June 26, 2013 the Company amended its articles of incorporation to reflect a 1-for-20 reverse stock split of all common stock of the Corporation. The authorized shares of the Company and the par value of each common share after this reverse split shall remain the same as before the reverse stock split. The accompanying financial statements have been restated to reflect this reverse split.

Options and Warrants:

Stock options and warrants may be granted that are currently exercisable, that become exercisable in installments, or that are not exercisable until a fixed future date. Certain options that have been issued are exercisable during their term regardless of termination of employment while other options have been issued that terminate at a designated time following the date employment is terminated. Options and warrants issued to date may be exercised immediately and/or at future vesting dates, and must be exercised no later than three to seven years after the grant date or they will expire. All warrants and options were issued by Petro prior to Petro's merger with the Company. The shares reserved for issuance relating to these options and warrants have been adjusted to reflect three shares of the Company's common stock for each share of Petro common stock available under the option or warrant.

NOTE 8 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through April 17, 2016, which is the date the financial statements were available to be issued.