MCW Energy Group Limited

Condensed Consolidated Interim Financial Statements

For the three and nine months ended May 31, 2015 and 2014

(Expressed in US dollars)

(Unaudited)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of interim financial statements they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The Company's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with standards established by Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

MCW Energy Group Limited

Table of Contents

MCW ENERGY GROUP LIMITED

Condensed Consolidated Interim Statements of Financial Position

As at May 31, 2015 and August 31, 2014

Expressed in US dollars

	Notes		May 31, 2015 (unaudited)		August 31, 2014 (audited)
ASSETS					
Current assets					
Cash	5	$	25,276	$	938,648
Trade and other receivables	6		79,520		8,981,441
Due from senior officer	20(d)		253,092		-
Crushed ore inventory	7		300,000		300,000
Prepaid expenses			96,540		60,408
			754,428		10,280,497
Deposit	8		1,595,245		1,330,978
Property, plant and equipment	10		14,785,060		13,141,301
Intangible assets	11		735,488		6,040,656
		$	17,870,221	$	30,793,432
LIABILITIES					
Current liabilities					
Accounts payable	12	$	1,278,632	$	15,524,459
Accrued expenses	12		1,408,429		4,818,322
Current portion of convertible debentures	15(b)		739,521		-
Current portion of long-term debt	14		6,573,144		4,550,830
Due to senior officer	20(d)		-		14,849
			9,999,726		24,908,460
Convertible debentures	15(a)		204,000		2,824,000
Deferred volume purchase incentives	13		-		1,072,613
Long-term debt	14		1,108,880		6,084,700
			11,312,606		34,889,773
SHAREHOLDERS' EQUITY					
Share capital	16		25,184,121		15,993,551
Share option reserve	17		7,063,773		7,063,773
Share warrant reserve	18		337,284		157,733
Deficit			(26,027,563)		(27,311,398)
			6,557,615		(4,096,341)
		$	17,870,221	$	30,793,432

Approved by the Board of Directors	*"Alexander Blyumkin"*	*"Bill G. Calsbeck"*
	Alexander Blyumkin, Director	Bill G. Calsbeck, Director

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

MCW ENERGY GROUP LIMITED
Condensed Consolidated Interim Statements of Loss (Income) and Comprehensive Loss (Income)
For the three and nine months ended May 31, 2015 and 2014
Expressed in US dollars
(unaudited)

	Notes	Three months ended May 31, 2015	Three months ended May 31, 2014	Nine months ended May 31, 2015	Nine months ended May 31, 2014
Continuing Operations					
Oil Sands Operations, Financing and Other					
General and administrative		$ 77,207	$ 153,406	$ 212,968	$ 277,437
Interest expense (income)		(19,604)	29,738	203,667	53,374
Loss (gain) on settlement of liabilities		(3,596)	566,322	6,064	566,322
Professional fees		376,936	99,845	834,383	393,330
Salaries and wages		137,459	228,856	606,483	703,114
Share-based compensation	17(a)	-	-	-	504,462
Shares issued for services		-	-	-	150,000
Travel and promotion		165,821	210,854	603,570	695,805
Loss before Income Taxes		734,223	1,289,021	2,467,135	3,343,844
Provision for income taxes		-	-	-	-
Loss from Continuing Operations		734,223	1,289,021	2,467,135	3,343,844
Discontinued Operations					
Net loss (income) from assets sold - Fuel Operations	4				
Operating loss before the following	25	1,070,392	530,292	2,856,536	1,479,424
Gain on sale of assets	4(a)	-	-	(4,342,911)	-
Gain on sale of subsidiary	4(c)	(2,264,595)	-	(2,264,595)	-
Loss (Income) before Income Taxes		(1,194,203)	530,292	(3,750,970)	1,479,424
Provision for income taxes		-	-	-	-
Loss (Income) from Discontinued Operations		(1,194,203)	530,292	(3,750,970)	1,479,424
Net Loss (Income) and Comprehensive Loss (Income)		$ (459,980)	$ 1,819,313	$ (1,283,835)	$ 4,823,268
Net Loss and Comprehensive Loss from Continuing Operations attributable to:					
Shareholders of the Company		$ 734,223	$ 1,253,441	$ 2,467,135	$ 3,224,579
Non-Controlling Interest		-	35,580	-	119,265
		$ 734,223	$ 1,289,021	$ 2,467,135	$ 3,343,844
Net Loss (Income) and Comprehensive Loss (Income) attributable to:					
Shareholders of the Company		$ (459,980)	$ 1,783,733	$ (1,283,835)	$ 4,704,003
Non-Controlling Interest		-	35,580	-	119,265
		$ (459,980)	$ 1,819,313	$ (1,283,835)	$ 4,823,268
Weighted Average Number of Shares Outstanding	19	50,166,357	43,358,951	49,687,095	42,404,373
Basic and Diluted Loss per Share from Continuing Operations		$ 0.01	$ 0.03	$ 0.05	$ 0.08
Basic and Diluted Loss (Income) per Share from Discontinued Operations		$ (0.02)	$ 0.01	$ (0.08)	$ 0.03
Basic and Diluted Loss (Income) per Share		$ (0.01)	$ 0.04	$ (0.03)	$ 0.11

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

MCW ENERGY GROUP LIMITED

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity
For the nine months ended May 31, 2015 and 2014
Expressed in US dollars
(unaudited)

	Notes	Number of Shares Outstanding	Share Capital	Share Subscriptions	Option Reserve	Warrant Reserve	Deficit	Shareholders' Equity	Non-Controlling Interest	Total Equity
Balance at August 31, 2013		41,496,575	$10,435,614	$ -	$ 7,837,617	$ 157,733	$(18,641,340)	$ (210,376)	$ 1,464,689	$ 1,254,313
Private placement of shares		470,869	449,500	-	-	-	-	449,500	-	449,500
Option exercises	17(b)	500,000	1,257,334	-	(1,177,334)	-	-	80,000	-	80,000
Settlement of liabilities		54,553	60,000	-	-	-	-	60,000	-	60,000
Settlement of loan		3,266,927	2,920,489	-	-	-	-	2,920,489	-	2,920,489
Shares issued for services		100,000	150,000	-	-	-	-	150,000	-	150,000
Share-based compensation	17(a)	-	-	-	504,461	-	-	504,461	-	504,461
Net loss		-	-	-	-	-	(4,704,003)	(4,704,003)	(119,265)	(4,823,268)
Balance at May 31, 2014		45,888,924	$15,272,937	$ -	$ 7,164,744	$ 157,733	$(23,345,343)	$ (749,929)	$ 1,345,424	$ 595,495
Balance at August 31, 2014		46,448,614	$15,993,551	$ -	$ 7,063,773	$ 157,733	$(27,311,398)	$ (4,096,341)	$ -	$ (4,096,341)
Shares to be issued	4(c)	-	5,685,057	-	-	-	-	5,685,057	-	5,685,057
Conversion of debentures	15	3,303,621	2,897,326	-	-	-	-	2,897,326	-	2,897,326
Settlement of liabilities		515,346	418,499	-	-	-	-	418,499	-	418,499
Private placement of shares		106,847	80,000	-	-	-	-	80,000	-	80,000
Shares issued for services		153,875	109,688	-	-	-	-	109,688	-	109,688
Warrants issued	18	-	-	-	-	179,551	-	179,551	-	179,551
Net income		-	-	-	-	-	1,283,835	1,283,835	-	1,283,835
Balance at May 31, 2015		50,528,303	$25,184,121	$ -	$ 7,063,773	$ 337,284	$(26,027,563)	$ 6,557,615	$ -	$ 6,557,615

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

MCW ENERGY GROUP LIMITED

Condensed Consolidated Interim Statements of Cash Flows
For the nine months ended May 31, 2015 and 2014
Expressed in US dollars
(unaudited)

	Nine months ended May 31, 2015	Nine months ended May 31, 2014
Cash flow from (used for) operating activities:		
Net loss	$ (2,467,135)	$ (3,343,844)
Adjustments for non-cash, investing and financing items		
Amortization	3,362	-
Loss on settlement of liabilities	6,064	566,322
Shares issued for services	109,688	150,000
Share-based compensation	-	504,462
Other	179,805	-
Changes in operating assets and liabilities:		
Accounts payable	1,090,472	(233,196)
Accounts receivable	(30,000)	79,232
Accrued expenses	(1,494,449)	2,916
Crushed ore inventory	-	(100,000)
Prepaid expenses and deposits	(96,410)	15,894
Net cash from (used for) operating activities of continuing operations	(2,698,603)	(2,358,214)
Net cash from (used for) operating activities of discontinued operations	596,748	155,942
Cash flows used for investing activities:		
Purchase and construction of property and equipment	(2,798,503)	(3,047,312)
Advance to TMC Capital LLC	-	(602,500)
Acquisition of TMC Capital LLC	(225,000)	-
Net cash used for investing activities of continuing operations	(3,023,503)	(3,649,812)
Net cash used for investing activities of discontinued operations	(192,658)	(441,998)
Cash flows from (used for) financing activities:		
Advances from (to) executive officers	(267,941)	1,801,264
Private placements	57,326	449,500
Cash received for shares to be issued	-	-
Option exercises	-	80,000
Payments of long-term debt	(180,000)	-
Proceeds from long-term debt	4,503,724	3,875,000
Proceeds from convertible debt	1,000,000	-
Net cash from financing activities of continuing operations	5,113,109	6,205,764
Net cash (used for) financing activities of discontinued operations	(708,465)	(747,078)
Decrease in cash	(913,372)	(835,396)
Cash, beginning of the period	938,648	1,756,404
Cash, end of the period	$ 25,276	$ 921,008
Cash composed of:		
Cash	$ 25,276	$ 921,008
	$ 25,276	$ 921,008
Supplemental disclosure of cash flow information		
Cash paid for interest	$ 740,270	$ 569,596

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

1. NATURE OF OPERATIONS

MCW Energy Group Limited (the "Company") is an Ontario corporation with one active business segment located in the USA operating through its indirectly wholly owned subsidiary company, MCW Oil Sands Recovery, LLC ("MCWO"), which is engaged in mining and oil extraction from tar sands, and other inactive subsidiary companies.

The Company's registered office is at Suite 4400, 181 Bay Street, Toronto, Ontario, M5J 2T3, Canada and its principal operating office is located at 3rd Floor, 10100 Santa Monica Boulevard, Century City California 90067, USA.

MCWO is engaged in a tar sands mining and oil processing operation using a closed-loop solvent based extraction system that recovers bitumen from surface mining and is in the process of completing the construction of an oil processing plant in the Asphalt Ridge area of Uintah, Utah.

On September 30, 2014, the Company's interest in MCWO increased to 100% when Amerisands, LLC ("Amerisands") returned its 49% interest in MCWO to the Company, in consideration of the Company assuming all current and future liabilities arising from MCWO's operations.

On May 13, 2015, the Company sold its indirectly wholly owned subsidiary company, MCW Fuels, Inc. ("MCWF") to the Chair of the Board of Directors of the Company for a nominal amount and the assumption by the buyer of all the outstanding liabilities of MCWF (Note 4(c)). MCWF was engaged in the marketing and sale of unleaded and diesel land fuel products and related services in California. MCWF's business strategy was to provide value-added benefits to its customers, including single-supplier convenience, competitive pricing, the availability of trade credit, price risk management, logistical support, fuel quality control and co-branding, as well as skilled and knowledgeable drivers of fuel delivery trucks. As a result of changes in this industry, the Company decided in December 2014 to dispose of substantially all of the assets of the fuel distribution business (Note 4(a)) for $5,000,000 payable at closing and an additional amount on or before April 15, 2015 based on defined gross profits over a specified period. On April 15, 2015, the total proceeds from the sale were determined to be $6,087,198. The initial purchase price of $5,000,000 was directed towards the settlement of the liabilities to two major fuel suppliers. The additional amount due on April 15, 2015 was assigned to the BBCN Bank for payment of certain secured long-term liabilities. Following the sale of substantially all of MCWF's assets, MCWF had limited operations and significantly more outstanding liabilities. The Company decided to sell MCWF to limit its exposure to these outstanding liabilities and to focus its efforts on the operations of MCWO.

The Company has incurred losses for the several years and, as at May 31, 2015, has an accumulated deficit of $26,027,563 (August 31, 2014 - $27,311,398) and a working capital deficiency of $9,245,298 (August 31, 2014 - $14,627,963). These condensed consolidated interim financial statements have been prepared on the basis that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The ability of the Company to continue as a going concern is dependent on obtaining additional financing, which it is currently in the process of obtaining. There is a risk that the additional financing will not be available on a timely basis or on terms acceptable to the Company. These condensed consolidated interim financial statements do not reflect the adjustments or reclassifications that would be necessary if the Company were unable to continue operations in the normal course of business.

2. BASIS OF PREPARATION

(a) Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting*. They do not include all of the information required for full annual financial statements in compliance with IAS 1 *Presentation of Financial Statements*. The accounting policies used in these condensed consolidated interim financial statements are in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the interpretations of the IFRS Interpretations Committee ("IFRIC") as at July 30, 2015, the date the condensed consolidated interim financial statements were authorized for issue by the Board of Directors. Except as noted below, they follow the same accounting policies and methods of application as the most recent annual audited consolidated financial statements for the year ended August 31, 2014 and should be read in conjunction with those audited consolidated financial statements.

(b) Basis of measurement

The condensed consolidated interim financial statements have been prepared on a historical cost basis except for certain financial assets and financial liabilities which are measured at fair value.

The Company's reporting currency and the functional currency of all of its operations is the U.S. dollar, as it is the principal currency of the primary economic environment in which the Company operates.

(c) Significant accounting judgments and estimates

The preparation of the condensed consolidated interim financial statements in accordance with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The significant accounting judgments and estimates included in these condensed consolidated interim financial statements are:

Useful lives and depreciation rates for intangible assets and property, plant and equipment

Depreciation expense is recorded on the basis of the estimated useful lives of intangible assets and property, plant and equipment. Changes in the useful life of assets from the initial estimate could impact the carrying value of intangible assets and property, plant and equipment and an adjustment would be recognized in profit or loss.

Review of carrying value of assets and impairment charges

When determining possible impairment of the carrying values of assets, management of the Company reviews the recoverable amount (the higher of the fair value less costs to sell or the value in use) of non-financial assets and objective evidence indicating impairment in the case of financial assets. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period. Changes in these assumptions may alter the results of the impairment evaluation, the impairment charges recognized in profit or loss and the resulting carrying amounts of assets.

Expressed in US dollars (unaudited)

2. BASIS OF PREPARATION (continued)

(c) Significant accounting judgments and estimates (continued)

Fair value of share purchase options

Share purchase options granted by the Company to employees and others providing similar services are valued using the Black-Scholes option pricing model. Estimates and assumptions for inputs to the model, including the expected volatility of the Company's shares and the expected life of options granted, are subject to significant uncertainties and judgment.

Income taxes and recoverability of deferred tax assets

Actual amounts of income tax expense are not final until tax returns are filed and accepted by taxation authorities. Therefore, profit or loss in future reporting periods may be affected by the difference between the income tax expense estimates and the final tax assessments.

Judgment is required in determining whether deferred tax assets are recognized on the condensed consolidated interim statement of financial position. Deferred tax assets, including those arising from unutilized tax losses, require management of the Company to assess the likelihood that the Company will generate sufficient taxable profit in future periods in order to utilize recognized deferred tax assets. Estimates of future taxable profit are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable profit differ from estimates, the ability of the Company to realize the deferred tax assets recorded on the condensed consolidated interim statement of financial position could be impacted. The Company has not recognized any deferred tax assets as at May 31, 2015 and August 31, 2014.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The condensed consolidated interim financial statements include the financial statements of the Company and the entities controlled by the Company (its "subsidiaries"). Control is achieved where the Company has the power to govern the financial and operating policies of an entity and obtain the economic benefits from its activities. The consolidated entities are:

Entity	% of Ownership	Jurisdiction
MCW Energy Group Limited	Parent	Canada
MCW Energy CA Inc.	100%	USA
MCW Fuels, Inc.	100%(2)	USA
MCW OSR Inc.	100%	USA
MCW Oil Sands, Inc.	100%	USA
MCW Fuels Transportation, Inc.	100%	USA
MCW Oil Sands Recovery, LLC	100%(1)	USA

(1) The Company previously held a 51% interest (see Note 1). The previous 49% non-controlling interest in MCW Oil Sands Recovery, LLC represented the interest of other shareholders in the net identifiable assets of that company and was identified separately from the Company's equity.
(2) On May 13, 2015, the Company sold its 100% interest in MCWF to a director of the Company (see Note 1).

All intercompany transactions, balances, income and expenses are eliminated in full on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Business combinations

The Company accounts for business combinations using the acquisition method, under which the acquirer measures the cost of the business combination as the total of the fair values, at the date of exchange, of the assets obtained, liabilities incurred and equity instruments issued by the acquirer in exchange for control of the acquiree. Goodwill is measured as the fair value of the consideration transferred, including the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount (generally the fair value) of the identifiable assets and liabilities assumed, measured as at the acquisition date.

Transaction costs, other than those associated with issue of debt or equity securities, that the group incurs in connection with a business combination are expensed as incurred.

(c) Income and expense recognition

Revenue recognition

Revenue from the sale of fuel and related goods is recognized when the sales price is fixed or determinable and collectibility is reasonably assured. Title passes to the customer on the delivery of fuel to the customer directly from the Company, the supplier or a third-party subcontractor. The gross sale of the fuel is recorded as the Company has latitude in establishing the sales price, has discretion in the supplier selection, maintains credit risk and is the primary obligor in the sales arrangement.

Revenue from card processing services is recognized at the time the purchase is made by the customer using the charge card. Revenue from late charges, interest, rental income and customer branding services are recorded on an accrual basis when collection is reasonably assured.

The Company expects to sell crude oil on completion of the oil extraction facility at prevailing market prices. No short term agreements have been established. Revenues will be recognized when the products are delivered, which occurs when the customer has taken title and has assumed the risks and rewards of ownership, when prices are fixed or determinable and when collectability is reasonably assured.

Vendor and customer rebates and branding allowances

From time to time, the Company receives vendor rebates and provides customer rebates. Generally, volume rebates are received from vendors under structured programs based on the level of fuel purchased or sold as specified in the applicable vendor agreements. These volume rebates are recognized as a reduction of cost of goods sold in the period earned when realization is probable and estimable and when certain other conditions are met. Rebates provided to customers are recognized as a reduction of revenue in the period earned in accordance with applicable customer agreements. The rebate terms of the customer agreements are generally similar to those of the vendor agreements.

Some of these vendor rebates and promotional allowance arrangements require that the Company make assumptions and judgments regarding, for example, the likelihood of attaining specified levels of purchases or selling specified volume of products. The Company routinely reviews the significant relevant factors and makes adjustments when the facts and circumstances dictate that an adjustment is warranted.

The Company also receives volume purchase incentive payments from certain suppliers. These incentive payments are deferred and recognized as a reduction to cost of goods sold over the term of the agreement. As the volume purchase requirements are generally constant over the terms of these agreements, the incentives are amortized on a straight-line basis over the agreement term.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Property, plant and equipment

Property, plant and equipment are recorded at cost and amortized over their useful lives. Maintenance and repairs are expensed as incurred. Major renewals and betterments are capitalized. When items of property, plant or equipment are sold, impaired, or retired, the related costs and accumulated amortization are removed and any gain or loss is included in net income. Amortization is determined on a straight-line method with the following expected useful lives:

Machinery and equipment	5-7 years
Furniture and fixtures	7 years
Leasehold improvements	Lease term
Oil extraction facility	15 years
Gas station assets	10-25 years

(e) Oil and gas properties

Oil and gas property interests

The Company accounts for its activities related to oil and gas properties by initially capitalizing the costs of acquiring these properties, directly and indirectly, and thereafter expensing exploration activities, pending the evaluation of commercially recoverable reserves. The results of exploratory programs can take considerable time to analyze and the determination that commercial reserves have been discovered requires both judgment and industry experience. All development costs are capitalized after it has been determined that a property has recoverable reserves.

Oil and gas reserves

Oil and gas reserves are evaluated by independent qualified reserves evaluators. The estimation of reserves is a subjective process. Estimates are based on projected future rates of production, estimated commodity prices, engineering data and the timing of future expenditures, all of which are subject to uncertainty and interpretation. Reserves estimates can be revised either upwards or downwards based on updated information such as future drilling, testing and production levels. Reserves estimates, although not reported as part of the Company's condensed consolidated interim financial statements, can have a significant effect on net earnings as a result of their impact on depreciation and depletion rates, asset impairment and goodwill impairment.

(f) Intangible assets

Intangible assets are recorded at cost. Amortization of intangible assets is recorded on a straight-line basis over a life determined by the maximum length of exclusive branded reseller distribution agreements and the benefits expected from acquired intellectual property, technology and technology licenses. Intangible assets with indefinite useful lives are not amortized and are tested for impairment at least annually. The following useful lives have been established for intangible assets included in these condensed consolidated interim financial statements:

Oil Extraction Technology	15 years
Branded Reseller Distribution Agreements	7-10 years

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Impairment of assets

At the end of each reporting period, the Company's property and equipment and intangible assets are reviewed for indications that the carrying amount may not be recoverable. If any such indication is present, the recoverable amount of the asset is estimated in order to determine whether impairments exist. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount of an asset is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted. The cash flows used in the impairment assessment require management to make assumptions and estimates about recoverable reserves, production quantities, future commodity prices, operating costs and future development costs. Changes in any of the assumptions, such as a downward revision in reserves, a decrease in future commodity prices or an increase in operating costs, could result in an impairment of an asset's carrying value.

If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. Impairment is recognized immediately in the condensd consolidated interim statement of loss and comprehensive loss. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of the recoverable amount but only to the carrying value that would have been recorded if no impairment had previously been recognized. A reversal is recognized as a reduction in the impairment charge for the period.

(h) Financial instruments

Financial instruments consist of financial assets and financial liabilities and are initially recognized at fair value, net of transaction costs if applicable. Measurement in subsequent periods depends on whether the financial instrument is classified as held-to-maturity, loans and receivables, fair value through profit or loss ("FVTPL"), available-for-sale, or other financial liabilities.

Held to maturity investments and loans and receivables are measured at amortized cost, with amortization of premiums or discounts, losses and impairment included in current period interest income or expense. Financial assets and liabilities are classified as FVTPL when the financial instrument is held for trading or are designated as FVTPL. Financial instruments at FVTPL are measured at fair market value with all gains and losses included in operations in the period in which they arise. Available-for-sale financial assets are measured at fair market value with revaluation gains and losses included in other comprehensive income until the asset is removed from the balance sheet, and losses due to impairment are included in operations. All other financial assets and liabilities, except for cash and cash equivalents, are carried at amortized cost.

The Company's financial instruments are:

- Cash, classified as FVTPL and measured at fair value
- Trade and other receivables and due from senior officers, classified as loans and receivables and measured at amortized cost
- Accounts payable, accrued expenses, due to senior officers, convertible debentures and long-term debt, classified as other financial liabilities and measured at amortized cost

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial instruments (continued)

The recorded values of cash, accounts receivable, due from senior officers, accounts payable, accrued expenses and due to senior officers approximate their fair values based on their short term nature. The recorded values of convertible debentures and long-term debt approximate their fair values when the interest rates of the debt approximate market rates.

In accordance with industry practice, the Company includes amounts in current assets and current liabilities for current maturities receivable or payable under contracts which may extend beyond one year.

The Company classifies and discloses fair value measurements based on a three-level hierarchy:

- Level 1 – inputs are unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 – inputs for the asset or liability that are not based on observable market data.

(i) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the condensed consolidated interim statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

(j) Income taxes

Provisions for income taxes consist of current and deferred tax expense and are recorded in operations.

Current tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the end of the period, adjusted for amendments to tax payable for previous years.

Deferred tax assets and liabilities are computed using the asset and liability method on temporary differences between the carrying amounts of assets and liabilities on the condensed consolidated interim statement of financial position and their corresponding tax values, using the enacted or substantially enacted, income tax rates at each consolidated statement of financial position date. Deferred tax assets also result from unused losses and other deductions carried forward. The valuation of deferred tax assets is reviewed on a regular basis and adjusted to the extent that it is not probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized by use of a valuation allowance to reflect the estimated realizable amount.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Comprehensive income or loss

Other comprehensive income or loss is the change in net assets arising from transactions and other events and circumstances from non-owner sources. Comprehensive income comprises net income or loss and other comprehensive income or loss. Financial assets that are classified as available-for-sale will have revaluation gains and losses included in other comprehensive income or loss until the asset is removed from the condensed consolidated interim statement of financial position. At present, the Company has no other comprehensive income or loss.

(l) Earnings per share

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

Diluted earnings per share is determined by adjusting net income or loss attributable to common shareholders of the Company and the weighted average number of common shares outstanding by the effects of potentially dilutive instruments, if such conversion would decrease earnings per share.

(m) Share-based payments

The Company may grant share purchase options to directors, officers, employees and others providing similar services. The fair value of these share purchase options is measured at grant date using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. Share-based compensation expense is recognized over the period during which the options vest, with a corresponding increase in equity.

The Company may also grant equity instruments to consultants and other parties in exchange for goods and services. Such instruments are measured at the fair value of the goods and services received on the date they are received and are recorded as share-based payment expense with a corresponding increase in equity. If the fair value of the goods and services received are not reliably determinable, their fair value is measured by reference to the fair value of the equity instruments granted.

(n) Reclamation obligations

Liabilities related to environmental protection and reclamation costs are recognized when the obligation is incurred and the fair value of the related costs can be reasonably estimated. This includes future site restoration and other costs as required due to environmental law or contracts. At May 31, 2015, there were no reclamation liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) New accounting standards and interpretations

The following is a summary of new standards, amendments and interpretations that are effective for annual periods beginning on or after January 1, 2014:

(i) IAS 32, Financial Instruments: presentation ("IAS 32") - amendments

In December 2011, the IASB issued amendments to IAS 32. The amendments clarify that an entity currently has a legally enforceable right to set-off financial assets and liabilities if that right is (1) not contingent on a future event; and (2) enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The application of the amendments to IAS 32 did not have any material impact on the condensed consolidated interim financial statements presented.

(ii) IAS 36, Impairment of Assets ("IAS 36") - amendments

The amendments to IAS 36 outline the additional disclosures that will be required with regards to the recoverable amount of impaired assets. The application of the amendments to IAS 36 did not have any material impact on the condensed consolidated interim financial statements presented.

The following is a summary of new standards, amendments and interpretations that are effective for annual periods beginning on or after July 1, 2014:

(i) IFRS 2, Share-based Payments ("IFRS 2") - amendments

The amendment to IFRS 2 re-defines the definition of "vesting condition." The application of the amendments to IFRS 2 did not have any material impact on the condensed consolidated interim financial statements presented.

(ii) IFRS 3, Business Combinations ("IFRS 3") - amendments

The amendment to IFRS 3 provides further clarification on the accounting treatment for contingent consideration, and provides a scope exception for joint ventures. The application of the amendments to IFRS 3 did not have any material impact on the condensed consolidated interim financial statements presented.

(iii) IFRS 8, Operating Segments ("IFRS 8") - amendments

The amendments to IFRS 8 provide further clarification on the disclosure required for the aggregation of segments and the reconciliation of segment assets. The application of the amendments to IFRS 8 did not have any material impact on the condensed consolidated interim financial statements presented.

(iv) IFRS 13, Fair Value Measurements ("IFRS 13") - amendments

The amendment to IFRS 13 provides further details on the scope of the portfolio exception. The application of the amendments to IFRS 13 did not have any material impact on the condensed consolidated interim financial statements presented.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) New accounting standards and interpretations (continued)

(v) IAS 16, Property, Plant and Equipment ("IAS 16") - amendments

The amendment to IAS 16 deals with the proportionate restatement of accumulated depreciation on revaluation. The application of the amendments to IAS 16 did not have any material impact on the condensed consolidated interim financial statements presented.

(vi) IAS 24, Related Party Disclosures ("IAS 24") - amendments

The amendment to IAS 24 deals with the disclosure required for management entities. The application of the amendments to IAS 24 did not have any material impact on the condensed consolidated interim financial statements presented.

(vii) IAS 38, Intangible Assets ("IAS 38") - amendments

The amendment to IAS 38 deals with the proportionate restatement of accumulated depreciation on revaluation. The application of the amendments to IAS 38 did not have any material impact on the condensed consolidated interim financial statements presented.

The following is a summary of new standards, amendments and interpretations that have been issued but not yet adopted in these condensed consolidated interim financial statements as of the date of their approval:

(i) IFRS 7, Financial Instruments: Disclosures ("IFRS 7") - amendments

The amendments to IFRS 7 outline the disclosures required when initially applying IFRS 9. These amendments are effective for annual periods beginning on or after January 1, 2015.

(ii) IFRS 9, Financial Instruments ("IFRS 9")

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple classification options in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial impairment methods in IAS 39. The effective date for application of IFRS 9 was revised from annual periods beginning on or after January 1, 2015, to annual periods beginning on or after January 1, 2018, with earlier adoption permitted.

(iii) IFRS 11, Joint Arrangements ("IFRS 11") - amendments

The amendments to IFRS 11 provide guidance on the accounting for acquisition of interests in joint operations constituting a business. The amendments require all such transactions to be accounted for using the principles on business combination accounting in IFRS 3, Business Combinations and other IFRS standards except where those principles conflict with IFRS 11. These amendments are effective for annual periods beginning on or after January 1, 2016.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) New accounting standards and interpretations (continued)

(iv) IFRS 15, Revenue from contracts with customers ("IFRS 15")

IFRS 15 is required to be applied for years beginning on or after January 1, 2017. On April 28, 2015, the IASB proposed deferring the required application date by one year to January 1, 2018, following a similar proposal earlier in the month by the Financial Accounting Standards Board ("FASB"). There is no assurance that the IASB will bring the proposed deferral into effect. The IASB and FASB in the United States worked on this joint project to clarify the principles for the recognition of revenue and to develop a common revenue standard. The new standard supersedes existing standards and interpretations, including IAS 18, *Revenue*.

(v) IAS 16, Property, Plant and Equipment ("IAS 16") - amendments

The amendment to IAS 16 provides clarification of acceptable methods of depreciation and amortization. These amendments are effective for annual periods beginning on or after January 1, 2016.

(vi) IAS 38, Intangible Assets ("IAS 38") - amendments

The amendment to IAS 38 provides clarification of acceptable methods of depreciation and amortization. These amendments are effective for annual periods beginning on or after January 1, 2016.

The Company is currently assessing the impact that these new and amended standards will have on the consolidated financial statements.

4. DISCONTINUED OPERATIONS

(a) Branded Reseller Distribution Agreements and associated liabilities

On December 17, 2014, the Company completed the sale (Note 1) of its Branded Reseller Distribution Agreements (Note 11) and associated liabilities, which formed the basis of the Company's fuel distribution operating segment and the operations of MCWF. Management decided to sell these assets and liabilities in early September 2014 because of the changes in this industry which resulted in strongly negative trends and following a strategic decision to place a greater focus on the construction of the Company's oil extraction facility in Utah.

The operations associated with the Branded Reseller Distribution Agreements and associated liabilities have been reclassified as discontinued operations in the condensed consolidated interim statements of loss (income) and comprehensive loss (income). Also, the comparative condensed consolidated interim statements of loss (income) and comprehensive loss (income) and cash flows have been reclassified to disclose the discontinued operations separately from continuing operations.

Expressed in US dollars (unaudited)

4. DISCONTINUED OPERATIONS (continued)

(a) Branded Reseller Distribution Agreements and associated liabilities (continued)

The effect of the disposal of the Branded Reseller Distribution Agreements and associated liabilities is:

Consideration received (Note 1)	$	6,087,198
Net assets and liabilities sold:		
Branded Reseller Distribution Agreements (Note 11)		4,479,659
Deferred volume purchase incentives (Note 13)		(1,038,883)
Branding advances (Note 14)		(1,696,489)
		1,744,287
Gain on sale of assets		4,342,911
Income tax expense, net		-
Gain on sale of assets	$	4,342,911

(b) Gas station

On January 26, 2015, the Company entered into an agreement to sell the gas station property and business (Note 10 and 11), which are part of the Company's fuel distribution operating segment. Before the completion of the sale of these assets to an unrelated third party on May 22, 2015, the assets were sold as part of the sale of MCWF to the Board Chair of the Company on May 13, 2015 (Note 1 and 4(c)). Management decided to sell these assets in December 2014 as part of the disposition of the other assets of the fuel distribution operating segment.

The gas station asset and associated goodwill were accordingly reclassified as held-for-sale and measured at the lower of the carrying amount and fair value less cost to sell. The related operations are classified as discontinued operations. In accordance with the disclosure requirements of IFRS the comparative condensed consolidated interim statements of loss (income) and comprehensive loss (income) and cash flows have been reclassified to disclose the discontinued operations separately from continuing operations.

The major assets classified as held-for-sale at May 31, 2015:

	Buildings and improvement (Note 10)	Land (Note 10)	Goodwill (Note 10 and 11)	Total
Classified as held-for-sale	$ 487,350	$ 1,200,000	$ 960,000	$ 2,647,350
Impairment charges	(94,356)	(232,330)	(185,864)	(512,550)
Balance, May 13, 2015	$ 392,994	$ 967,670	$ 774,136	$ 2,134,800

The total impairment loss of $512,550 has been included as part of impairment of assets in Note 25.

(c) MCW Fuels, Inc.

On May 13, 2015, the Company sold its 100% ownership interest in MCW Fuels, Inc. ("MCWF") to the Chair of the Board of Directors of the Company for a nominal amount and the assumption of all the outstanding liabilities of MCWF (Note 1). Concurrently with the sale of MCWF, the Company settled an amount owing to MCWF for 9,200,000 common shares (to be issued at May 31, 2015) at a deemed price of Cdn $0.74 per share. Following the sale of substantially all of MCWF's assets, MCWF had limited operations and significantly more outstanding liabilities. The Company decided to sell MCWF to limit its exposure to these outstanding liabilities and to focus its efforts on the operations of MCWO.

Expressed in US dollars (unaudited)

4. DISCONTINUED OPERATIONS (continued)

(c) MCW Fuels, Inc. (continued)

The remaining operations associated with MCWF have been reclassified as discontinued operations in the condensed consolidated interim statements of loss (income) and comprehensive loss (income). Also, the comparative condensed consolidated interim statements of loss (income) and comprehensive loss (income) and cash flows have been reclassified to disclose the discontinued operations separately from continuing operations.

The effect of the disposal of MCWF is:

Consideration received (Note 1)	$	Nil
Net assets and liabilities sold:		
Trade and other receivables		1,697,418
Investment in MCW Energy Group Limited		5,685,056
Prepaid expenses		1,000
Assets held-for-sale (Note 4(b))		2,134,800
Bank indebtedness		(1,049)
Accounts payable and accrued expenses		(2,326,338)
Long-term debt		(9,455,482)
		(2,264,595)
Gain on sale of subsidiary		2,264,595
Income tax expense, net		-
Gain on sale of subsidiary	$	2,264,595

5. CASH

The Company considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents.

6. TRADE AND OTHER RECEIVABLES

The Company's trade and other receivables consist of:

		May 31, 2015		August 31, 2014
Trade receivables from fuel customers, net of allowance for doubtful accounts	$	-	$	8,931,922
Goods and services tax receivable		49,520		49,519
Other receivables		30,000		-
	$	79,520	$	8,981,441

On May 13, 2015, the Company sold its 100% interest in MCWF which included all of its trade receivables from customers. Information about the Company's exposure to credit risks for trade and other receivables is included in Note 24(a).

Expressed in US dollars (unaudited)

7. CRUSHED ORE INVENTORY

On May 23, 2012, the Company entered into a five year agreement with TME Asphalt Ridge, LLC ("TME") for the purchase of crushed ore as feedstock for the Company's oil extraction facility. The agreement requires the Company to purchase 100,000 tons of crushed ore for $16.00 per ton during the first calendar year and a minimum of 100,000 tons per year at a rate of approximately 8,333 tons per month for $20.60 per ton, subject to certain price adjustment provisions, after the first year.

Based on the agreement, the Company had committed to purchase 341,667 tons of crushed ore for $6,578,333 by May 31, 2015 (August 31, 2014 – 247,917 tons for $4,733,333). As at May 31, 2015, the Company had actually purchased 18,750 tons of crushed ore for $300,000 (August 31, 2014 – 18,750 tons for $300,000), which remains stockpiled at the TME mine site.

8. DEPOSITS

On July 5, 2013, the Company secured a 12 month exclusive option to purchase certain project assets related to a bituminous sands project located adjacent to the Company's mineral lease (Note 9). The Company agreed to advance $1,000,000 to TMC Capital, LLC ("TMC") on July 15, 2013, as a loan with a 2 year term and annual interest of 5.25% payable on maturity, to secure the option while the Company performs due diligence. The agreement was amended on November 1, 2013 to include additional quarterly payments due to TMC of $68,750 for quarters 2 to 4, increasing to $125,000 for quarters 5 to 14, described below as "project asset acquisition costs". As at May 31, 2015 and August 31, 2014, the following amounts had been paid to TMC:

		May 31, 2015		August 31, 2014
Advanced to TMC	$	1,000,000	$	1,000,000
Accrued interest on advance		92,745		53,478
		1,092,745		1,053,478
Project asset acquisition costs		502,500		277,500
	$	1,595,245	$	1,330,978

If the Company decided to proceed with the acquisition, certain project assets and related encumbrances would be assigned to the Company in consideration for an additional $9,000,000 cash payment and 10,000,000 common shares of the Company.

On May 30, 2015, the Company entered into an agreement to acquire a 100% interest in TMC in exchange for issuing 2 unsecured promissory notes of $5,000,000 each, which bear interest at a rate of 5% per annum and mature in 5 years. This agreement for the purchase of TMC is subject to regulatory approval which has not been received as of the date of these financial statements.

Expressed in US dollars (unaudited)

9. MINERAL LEASE

On December 29, 2010, the Company acquired a mineral lease (the "Mineral Lease") covering 1,138 acres in Uintah County, Utah, for the extraction of bituminous or asphaltic sands (tar sands). The Mineral Lease is valid until August 11, 2018 with rights for extensions based on reasonable production.

The Mineral Lease requires annual maintenance fees of approximately $14,000 and is subject to a production royalty payable to the lessor of 8% of the market price of future products produced from the Mineral Lease. This royalty may be increased to 12.5% after a minimum of 10 years of production.

Due to a change in the intended use of the mineral lease during the 2014 fiscal year, the Company reduced the carrying value of the mineral lease to its net recoverable value of $nil.

The accumulated costs incurred on the mineral lease were:

	May 31, 2015	August 31, 2014
Acquisition cost	$ -	$ 1,921,569
Maintenance costs	-	55,000
Impairment recorded	-	(1,976,569)
	$ -	$ -

10. PROPERTY, PLANT AND EQUIPMENT

	Buildings and Improvements	Land	Plant under Construction	Other Property and Equipment	Total
Cost					
August 31, 2013	$ 540,000	$ 1,200,000	$ 6,545,186	$ 325,207	$ 8,610,393
Additions	-	-	4,891,215	-	4,891,215
August 31, 2014	540,000	1,200,000	11,436,401	325,207	13,501,608
Additions	-	-	3,053,899	298,122	3,352,021
Reclassification to assets held-for-sale (Note 4(b))	(540,000)	(1,200,000)	-	-	(1,740,000)
May 31, 2015	$ -	$ -	$ 14,490,300	$ 623,329	$ 15,113,629
Accumulated Amortization					
August 31, 2013	$ -	$ -	$ -	$ 318,394	$ 318,394
Additions	35,100	-	-	6,813	41,913
August 31, 2014	35,100	-	-	325,207	360,307
Additions	17,550	-	-	3,362	20,912
Reclassification to assets held-for-sale (Note 4(b))	(52,650)	-	-	-	(52,650)
May 31, 2015	$ -	$ -	$ -	$ 328,569	$ 328,569
Carrying Amount					
August 31, 2013	$ 540,000	$ 1,200,000	$ 6,545,186	$ 6,813	$ 8,291,999
August 31, 2014	$ 504,900	$ 1,200,000	$ 11,436,401	$ -	$ 13,141,301
May 31, 2015	$ -	$ -	$ 14,490,300	$ 294,760	$ 14,785,060

Expressed in US dollars (unaudited)

10. PROPERTY, PLANT AND EQUIPMENT (continued)

(a) Gas station acquisition

On August 15, 2013, the Company acquired a Valero-branded gas station and mini-mart in Thousand Oaks, California from Dalex Investments, Inc. (“Dalex”), an entity operating gas stations in California and controlled by one (two at the date of transfer) of the Company’s executive officers, in consideration for the reduction of executive officer loans outstanding. On January 26, 2015, the Company entered into an agreement to sell the gas station property and business to an unrelated third party (Note 4(b)). Before the completion of the sale of these assets to the unrelated third party on May 22, 2015, the assets were sold as part of the sale of MCWF to the Board Chair of the Company on May 13, 2015 (Note 1 and 4(c)).

The acquisition was treated as a business combination in accordance with IFRS 3 *Business Combinations.* The acquisition-date fair values of the consideration transferred and the net identifiable assets acquired were:

Consideration transferred		
Officer loans extinguished	$	(1,038,522)
Balance note issued		(126,797)
		(1,165,319)
Net identifiable assets acquired		
Building and other assets		540,000
Land		1,200,000
Inventory		122,654
Liabilities assumed		(1,657,335)
		205,319
Goodwill	$	960,000

Goodwill was composed of the future potential contribution of the gas station to the Company’s operating income. Following the acquisition, the Company entered into a business lease, with a 2 year term (renewable for an additional 2 years) and monthly lease payments of $12,462, with Dalex for the premises and the business operations.

(b) Plant under construction

In June 2011, the Company commenced the development of an oil extraction facility on its mineral lease in Uintah, Utah and entered into construction and equipment fabrication contracts for this purpose. The Company intends to amortize the cost of construction over 15 years from the commencement of production.

Costs of construction include capitalized borrowing costs for the nine months ended May 31, 2015 of $479,870 (nine months ended May 31, 2014 - $342,996). Total borrowing costs included in the cost of construction as at May 31, 2015 are $1,731,700 (August 31, 2014 - $1,251,829).

Amerisands, which had a 49% interest in MCWO (Note 1), manages the construction and is entitled to receive a project management fee of 5% of the total managed cost of construction on completion of the extraction facility. As at May 31, 2015, $607,552 has been accrued for project management fees and included in the cost of construction (August 31, 2014 - $466,469).

Expressed in US dollars (unaudited)

11. INTANGIBLE ASSETS

	Branded Reseller Distribution Agreements	Oil Extraction Technology	Goodwill	Total
Cost				
August 31, 2013	$ 4,768,538	$ 735,488	$ 960,000	$ 6,464,026
Additions	1,602,987	-	-	1,602,987
Impairment charges	(862,142)	-	-	(862,142)
August 31, 2014	5,509,383	735,488	960,000	7,204,871
Additions	192,660	-	-	192,660
Impairment charges	(81,836)	-	-	(81,836)
Dispositions (Note 4(a))	(5,620,207)	-	-	(5,620,207)
Reclassification to assets held-for-sale (Note 4(b))	-	-	(960,000)	(960,000)
May 31, 2015	$ -	$ 735,488	$ -	$ 735,488
Accumulated Amortization				
August 31, 2013	$ 469,891	$ -	$ -	$ 469,891
Additions	776,557	-	-	776,557
Impairment charges	(82,233)	-	-	(82,233)
August 31, 2014	1,164,215	-	-	1,164,215
Impairment charges	(23,667)	-	-	(23,667)
Dispositions (Note 4(a))	(1,140,548)	-	-	(1,140,548)
May 31, 2015	$ -	$ -	$ -	$ -
Carrying Amounts				
August 31, 2013	$ 4,298,647	$ 735,488	$ 960,000	$ 5,994,135
August 31, 2014	$ 4,345,168	$ 735,488	$ 960,000	$ 6,040,656
May 31, 2015	$ -	$ 735,488	$ -	$ 735,488

(a) Branded reseller distribution agreements

The Company had entered into agreements with various retailers whereby it received exclusive fuel distribution rights to and minimum fuel purchase commitments from these retailers. The acquisition costs of these agreements, including funds provided to retailers to operate under certain brand names, were capitalized and are amortized over the contractual life of the agreements on a straight-line basis.

In December 2014, the Company sold its Branded Reseller Distribution Agreements and associated liabilities (Note 4(a)).

During the nine months ended May 31, 2015, the Company recorded impairment charges of $58,167 (nine months ended May 31, 2014 - $174,585) to recognize early termination of certain branded reseller distribution agreements and to reduce their carrying values to the expected recoverable amounts.

11. INTANGIBLE ASSETS (continued)

(b) Oil extraction technology

During the year ended August 31, 2012, the Company acquired a closed-loop solvent based oil extraction technology which facilitates the extraction of oil from a wide range of bituminous sands and other hydrocarbon sediments. The Company has filed patents on this technology in the USA and Canada and intends to employ it in its oil extraction facility currently under construction. The Company intends to amortize the cost of the technology over fifteen years from the commencement of production, the expected life of the oil extraction facility.

(c) Goodwill

The Company acquired goodwill during the year ended August 31, 2013 on the acquisition of a gas station from executive directors (Note 10(a)).

On January 26, 2015, the Company entered into an agreement to sell the gas station property and business to an unrelated third party (Note 4(b)). Before, the completion of the expected sale of these assets to the unrelated thisrd party on May 22, 2015, the assets were sold as part of the sale of MCWF to a director of the Company on May 13, 2015 (Note 4(c)).

12. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consist of amounts outstanding for construction of the extraction facility and other operating expenses and are due on demand.

Information about the Company's exposure to liquidity risk is included in Note 24(c).

13. DEFERRED VOLUME PURCHASE INCENTIVES

As at December 17, 2014, the Company had received volume purchase incentive payments of $1,395,000 (August 31, 2014 - $1,395,000) from one of its fuel suppliers as consideration for commitments to purchase approximately 1.9 million gallons of motor vehicle fuel per month over a ten year period. These payments had been deferred and were to be recorded, on the basis of purchases over the term of the fuel purchase commitments, as a reduction of cost of goods sold. During the period from September 1, 2014 to December 17, 2014, $33,731 (nine months ended May 31, 2014 - $114,551) of the total amount was recorded as a reduction in cost of goods sold.

Volume purchase incentives were repayable in the event of failure to meet purchase commitments, in full within the first three years and proportionately on the basis of actual fuel purchases each year thereafter. At December 17, 2014, $75,000 of deferred volume purchase incentives received was repayable to the fuel supplier due to the early termination of a branded reseller distribution agreement (August 31, 2014 - $75,000).

In December 2014, the Company sold its Branded Reseller Distribution Agreements and associated liabilities, which include all of its deferred volume purchase incentives (Note 4(a)).

Expressed in US dollars (unaudited)

14. LONG-TERM DEBT

Lender	Maturity Date	Interest Rate		Principal due at May 31, 2015		Principal due August 31, 2014
BBCN Bank	July 15, 2015[(4)]	4.50%[(1)]	$	-	$	847,949
BBCN Bank	July 15, 2015 [(4)]	7.00%		-		202,526
BBCN Bank	July 15, 2015 [(4)]	5.75%[(2)]		-		492,467
BBCN Bank	July 15, 2015 [(4)]	5.25%[(2)]		-		647,965
BBCN Bank	July 15, 2015 [(4)]	5.25%[(2)]		-		819,566
BBCN Bank	July 15, 2015 [(4)]	5.25%[(2)]		-		863,297
BBCN Bank	June 21, 2018	6.50%		-		1,177,955
BBCN Bank	June 21, 2018	5.50%		-		411,670
B&N Bank	September 18, 2015	12.51%		3,000,000		3,000,000
Branding advances[(3)]	November 30, 2018 – December 31, 2023	10.00%		-		1,742,135
Equipment loans	April 20, 2015 – April 28, 2015	4.30% - 4.90%		277,283		-
Private lenders	October 17, 2015	12.00%		883,415		-
Private lender	February 9, 2016	6.00%		2,036,576		-
Other	Due on demand	10.00%		1,234,750		-
Other	June 15, 2015[(5)]	15.00%		250,000		430,000
			$	7,682,024	$	10,635,530

(1) Variable interest rate based on the lender's prime rate plus 0.75% with a floor rate of 4.50%
(2) Variable interest rate based on the Wall Street Journal prime rate plus 1.00% with floor rates of 5.75% and 5.25%
(3) In December 2014, the Company sold its Branded Reseller Distribution Agreements and associated liabilities, which included all of its branding advances (Note 4(a)).
(4) Due to an event of default, BBCN Bank accelerated the maturity date of these loans to July 15, 2015.
(5) A payment of $50,000 was made after the end of the quarter and the due date was extended to September 30, 2015.

		May 31, 2015		August 31, 2014
Principal classified as repayable within one year	$	6,573,144	$	4,550,830
Principal classified as repayable later than one year		1,108,880		6,084,700
	$	7,682,024	$	10,635,530

(a) BBCN Bank loans

The BBCN Bank loans are secured by the assets of the Company and are guaranteed by two of the Company's executive officers. As at May 13, 2015, the date of the sale of MCWF, the Company had received notice from the BBCN Bank that it was in default of certain loans. As a result of this, the BBCN Bank had accelerated each of the loans as immediately due and payable. Subsequently, the Company and the BBCN Bank entered into a forbearance agreement whereby the BBCN Bank agreed to forbear from demanding repayment on the loans until July 15, 2015, as long as no additional event of default occurs.

On May 13, 2015, the Company sold its 100% interest in MCWF and the buyer assumed the obligation to repay of the BBCN Bank loans (Note 4(c)).

14. LONG TERM DEBT (continued)

(b) B&N Bank credit facility

On September 18, 2013, the Company obtained a credit line from B&N Bank of up to $3,000,000. Draws on the credit line are due on September 18, 2015 and accrue interest at 12.51% per annum, payable quarterly. Certain shareholders of the Company have deposited 5,945,482 of the Company's shares in escrow, as required by the terms of the credit facility. The number of shares in escrow is to be increased by 14.33% of any additionally issued shares during the term of the credit line.

As at May 31, 2015, $3,000,000 had been drawn on this credit line by the Company.

(c) Branding advances

Branding advances were promissory notes due to a supplier for the upgrading and imaging of branded stations. The promissory notes were repayable on a quarterly basis and the Company could have received a rebate, up to a maximum equal to the quarterly payment, from the supplier if it met certain volume purchase commitments.

As part of the consideration paid for the WestCo stations acquired (Note 11(a)), the Company assumed $841,171 of branding advances associated with these stations, of which $705,860 of principal was due on December 17, 2014, the date of sale of the branding advances (Note 4(a)) (August 31, 2014 - $734,162).

(d) Private lenders

On October 10, 2014, the Company issued two secured debentures for an aggregate principal amount of Cdn $1,100,000 to two private lenders. The debentures bear interest at a rate of 12% per annum, mature on October 15, 2017 and are secured by all of the assets of the Company. In addition, the Company issued warrants to acquire an aggregate of 500,000 common shares of the Company at an exercise price of Cdn $1.00 per share until October 10, 2017 (Note 18) to the two secured debenture holders.

On February 9, 2015, the Company received a loan for an aggregate principal amount of $2,000,000, increased to $3,500,000 on July 29, 2015. The loan bears interest at a rate of 6% per annum and matures on February 9, 2016. In addition, the lender also has the option, subject to director, shareholder and regulatory approvals, to convert the loan into a 49.9% ownership interest in MCWO.

Expressed in US dollars (unaudited)

15. CONVERTIBLE DEBENTURE

(a) Executive officer

On April 29, 2014, the Company issued an $824,000 convertible debenture to Aleksandr Blyumkin, an officer and director of the Company, which bears interest at a rate of 10% per annum and matures on May 7, 2017. The convertible debenture was convertible into 998,230 common shares of the Company at a deemed price of Cdn $0.90 per share at any time at the option of the holder and is secured by all of the assets of the Company. The convertible debenture was accounted for on initial recognition as a non-derivative compound financial instrument, with a financial liability component (the loan) and an equity component (the fixed conversion right). The fair value of the equity component was determined to be nominal and therefore, has been assigned no value.

On June 25, 2014, the Company had issued a convertible debenture for up to a maximum aggregate principal amount of $2,000,000 to Aleksandr Blyumkin, with interest at a rate of 10% per annum and maturing on June 25, 2017. As of August 31, 2014, the Company had formally drawn $1,796,000 which was convertible into 1,925,492 common shares of the Company at a deemed price of Cdn $1.00 per share at any time at the option of the holder and was secured by all of the assets of the Company and its wholly owned subsidiary, MCWF.

On September 22, 2014, the principal of the $824,000 convertible debenture and $1,796,000 of the principal of the $2,000,000 convertible debenture was converted into 998,230 and 1,925,492 common shares of the Company, respectively. As of May 31, 2015, additional advances of $204,000 had been received from Mr. Blyumkin which he intends to designate as having been made under the $2,000,000 debenture and which are convertible into 268,421 common shares.

(b) Alpha Capital Anstalt

On November 5, 2014, the Company entered into a securities purchase agreement in respect of the issuance of convertible secured notes for up to $1,111,112. On November 5, 2014, $555,556 was initially drawn down with another $555,556 drawn down on November 24, 2014. The convertible notes bear interest at a rate of 5% per annum and mature on May 5, 2016 and May 26, 2016, respectively. The convertible notes are convertible into units, consisting of one common share of the Company and one common share purchase warrant of the Company, at a conversion price of $0.789 per unit. Each warrant would entitle the holder to acquire one additional common share at an exercise price of Cdn $0.945 per share until November 5, 2019 and November 24, 2019, respectively. The convertible notes are secured by all of the assets of the Company.

On April 30, 2015 and May 19, 2015, $100,000 and $200,000 of the principal of the convertible secured notes was converted into 126,633 and 253,266 units,respectively (Note 18).

16. COMMON SHARES

Authorized	unlimited common shares without par value
Issued and Outstanding	50,528,303 common shares

Expressed in US dollars (unaudited)

17. SHARE PURCHASE OPTIONS

(a) Stock option plan

The Company has a stock option plan which allows the Board of Directors of the Company to grant options to acquire common shares of the Company to directors, officers, key employees and consultants. The option price, term and vesting are determined at the discretion of the Board of Directors, subject to certain restrictions as required by the policies of the Toronto Stock Exchange. The stock option plan is a 20% fixed number plan with a maximum of 10,004,746 common shares reserved for issuance.

During the nine months ended May 31, 2015, the Company did not grant any options. During the year ended August 31, 2014, the Company granted 400,000 options to a director with an exercise price of $1.10. The weighted average fair value of options granted during the year ended August 31, 2014 was estimated at $0.48 per option at the grant date using the Black-Scholes option pricing model.

The weighted average assumptions used for the Black-Scholes option pricing model were:

	Year ended August 31, 2014
Share price	$ 0.93
Exercise price	$ 1.10
Expected share price volatility [(1)]	73%
Risk-free interest rate	1.48%
Expected term	5.00

(1) Expected volatility has been calculated based on the Company's historical volatility and the volatility of comparable public entities at a similar stage in their life cycle

(b) Share purchase options

Share purchase option transactions under the stock option plan were:

	Nine months ended May 31, 2015		**Year ended August 31, 2014**	
	Number of Options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance, beginning of period	2,883,426	$ 0.61	5,383,426	$ 0.75
Options granted	-	-	400,000	1.10
Options exercised [(1)]	-	-	(500,000)	0.16
Options expired	(83,426)	1.04	(2,400,000)	1.10
Balance, end of period	2,800,000	$ 0.60	2,883,426	$ 0.61

(1) The weighted average share price on the date of exercise was $1.35.

Share purchase options outstanding and exercisable as at May 31, 2015 are:

Expiry Date	**Exercise Price**	**Options Outstanding**	**Options Exercisable**
November 11, 2017	Cdn $1.10	900,000	900,000
December 31, 2018	USD $0.16	1,500,000	1,500,000
August 15, 2019	Cdn $1.10	400,000	400,000
		2,800,000	2,800,000
Weighted average remaining contractual life		3.3 years	3.3 years

Expressed in US dollars (unaudited)

18. SHARE PURCHASE WARRANTS

Share purchase warrants outstanding as at May 31, 2015 are:

Expiry Date	Exercise Price	Warrants Outstanding
October 10, 2017	Cdn $1.00	500,000
November 5, 2019	Cdn $0.945	379,899
		879,899
Weighted average remaining contractual life	Cdn $0.98	3.3 years

On October 19, 2014, 441,000 share purchase warrants expired unexercised.

On October 10, 2014 the Company issued an aggregate of 500,000 share purchase warrants in connection with the issuance of two secured debentures (Note 14(e)). The fair value of the warrants granted was estimated at $0.31 per warrant at the grant date using the Black-Scholes option pricing model.

The weighted average assumptions used for the Black-Scholes option pricing model were a share price of Cdn $0.83, exercise price of Cdn $1.00, expected share price volatility of 71%, risk-free interest rate of 1.2% and expected term of 3 years. The expected volatility was calculated based on the Company's historical volatility and the volatility of comparable public entities at a similar stage in their life cycle.

On April 30, 2015 and May 19, 2015, the Company issued 126,633 and 253,266 share purchase warrants in connection with the conversion of $100,000 and $200,000, respectively, of the convertible secured note (Note 15(b)) into units composed of one common share of the Company and one common share purchase warrant of the Company. The fair value of the warrants granted was estimated at $0.02 and $0.08 per warrant, respectively.

19. DILUTED LOSS PER SHARE

The Company's potentially dilutive instruments are convertible debentures and share purchase options and warrants. Conversion of these instruments would have been anti-dilutive for the periods presented and consequently, no adjustment was made to basic loss per share to determine diluted loss per share. These instruments could potentially dilute earnings per share in future periods.

20. RELATED PARTY TRANSACTIONS

Related party transactions not otherwise separately disclosed in these condensed consolidated interim financial statements are as follows:

(a) Fuel sales to related parties

The Company sold its 100% interest in MCWF, which included all of the trade receivables from related parties, on May 13, 2015 (Note 4(c)), (August 31, 2014 - $943,279). During the three and nine months ended May 31, 2015, approximately Nil% and 1.3% (three and nine months ended May 31, 2014 – 1.5% and 1.5%) of the Company's sales were to retail operations controlled by executive officers of the Company. Accounts receivable as at May 31, 2015 from these entities is $Nil.

Expressed in US dollars (unaudited)

20. RELATED PARTY TRANSACTIONS (continued)

(b) Transactions with executive officers

During the three and nine months ended May 31, 2015, the Company earned $31,155 and $105,927 (three and nine months ended May 31, 2014 - $37,386 and $112,158) in rental income from a company controlled by the Company's Board Chair.

During the nine months ended May 31, 2015, the Company issued 92,500 common shares to its Chief Financial Officer pursuant to the terms of his consulting agreement which contemplates the grant of 100,000 common shares over the initial ten month period of this agreement.

(c) Key management personnel and director compensation

The remuneration of the Company's directors and other members of key management, who have the authority and responsibility for planning, directing, and controlling the activities of the Company, consist of the following amounts:

	Three months ended May 31, 2015	Three months ended May 31, 2014
Salaries, fees and other benefits	$ 207,189	$ 304,586
Share-based compensation	-	-
	$ 207,189	$ 304,586

	Nine months ended May 31, 2015	Nine months ended May 31, 2014
Salaries, fees and other benefits	$ 884,150	$ 916,153
Share-based compensation	-	504,462
	$ 884,150	$ 1,420,615

As at May 31, 2015, $769,091 is due to members of key management for unpaid salaries and expenses (August 31, 2014 - $779,887).

(d) Due to and from senior officer

Amounts due to and from certain shareholders and executive officers of the Company are demand loans with interest at 10% per annum.

As of May 31, 2015 the Board Chair owed the Company $253,092 (August 31, 2014 – the Company owed the Board Chair $14,849) which is in the process of being repaid through the sale of personal assets.

21. COMMITMENTS

(a) Oil extraction technology

The Company has reserved 500,000 common shares for issuance to the inventor of a key component of the Company's oil extraction technology (now the Chief Technology Officer of the Company) following the successful testing and operation of the extraction facility. A royalty of 2% of gross revenue will also be payable from production of each extraction facility constructed, beginning with the successful operation of a second facility. As at May 31, 2015, the Company is in the process of completing the first extraction facility (Note 10(b)).

22. SEGMENT INFORMATION

The Company operated in two reportable segments within the USA, fuel distribution (Note 1) and oil extraction and processing, which were the Company's strategic business units. The Company's fuel distribution segment derived revenues from the fuel sales to retail customers, whereas the Company's oil extraction segment is in the development stage and is expected to generate revenues once commercial production from the extraction facility commences.

The presentation of the condensed consolidated interim statements of loss (income) and comprehensive loss (income) provides information about each reportable segment. Other information about reportable segments is:

(in '000s of dollars)	Nine months ended May 31, 2015 Oil Extraction	Nine months ended May 31, 2015 Fuel Distribution	Nine months ended May 31, 2015 Consolidated	Nine months ended May 31, 2014 Oil Extraction	Nine months ended May 31, 2014 Fuel Distribution	Nine months ended May 31, 2014 Consolidated
Additions to non-current assets	$ 3,024	$ 193	$ 3,217	$ 3,650	$ 442	$ 4,092
Reportable segment assets	17,870	-	17,870	13,114	17,916	31,030
Reportable segment liabilities	$ 11,313	$ -	$ 11,313	$ 6,441	$ 23,994	$ 30,435

23. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable level. The Company considers its capital for this purpose to be its shareholders' equity and long-term liabilities.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may seek additional financing or dispose of assets.

In order to facilitate the management of its capital requirements, the Company monitors its cash flows and credit policies and prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The budgets are approved by the Board of Directors. There are no external restrictions on the Company's capital.

24. MANAGEMENT OF FINANCIAL RISKS

The risks to which the Company's financial instruments are exposed to are:

(a) Credit risk

Credit risk is the risk of unexpected loss if a customer or third party to a financial instrument fails to meet contractual obligations. The Company is exposed to credit risk through its cash held at financial institutions and trade receivable from customers.

The Company has cash balances at four financial institutions. The Company has not experienced any loss on these accounts, although balances in the accounts may exceed the insurable limits. The Company considers credit risk from cash to be minimal.

Credit extension, monitoring and collection are performed for each of the Company's business segments. The Company performs ongoing credit evaluations of its customers and adjusts credit limits based upon payment history and the customer's current creditworthiness, as determined by a review of the customer's credit information.

24. MANAGEMENT OF FINANCIAL RISKS (continued)

(a) Credit risk (continued)

Accounts receivable, collections and payments from customers are monitored and the Company maintains an allowance for estimated credit losses based upon historical experience with customers, current market and industry conditions and specific customer collection issues.

As at May 31, 2015, no trade receivables were past due but not impaired (August 31, 2014 - $226,773) as the Company sold its 100% interest in MCWF, which included all of the trade receivables from customers on May 13, 2015 (Note 4(c)), and had not made any commercial sales from its oil extraction plant .

(b) Interest rate risk

Interest rate risk is the risk that changes in interest rates will affect the fair value or future cash flows of the Company's financial instruments. The Company is exposed to interest rate risk as a result of holding fixed rate investments of varying maturities as well as through certain floating rate instruments. The Company considers its exposure to interest rate risk to be minimal.

(c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities as they become due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses.

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include estimated interest payments. The Company has included both the interest and principal cash flows in the analysis as it believes this best represents the Company's liquidity risk.

As at May 31, 2015

		Contractual cash flows		
(in '000s of dollars)	**Carrying amount**	**Total**	**1 year or less**	**2 - 5 years**	**More than 5 years**
Accounts payable	$ 1,279	$ 1,279	$ 1,279	$ -	$ -
Accrued liabilities	1,408	1,408	1,408	-	-
Convertible debenture	944	1,226	880	346	-
Long-term debt	7,682	8,242	6,864	1,377	-
	$ 11,313	$ 12,155	$ 10,431	$ 1,723	$ -

24. MANAGEMENT OF FINANCIAL RISKS (continued)

(c) Liquidity risk (continued)

As at August 31, 2014

(in '000s of dollars)	Carrying amount	Contractual cash flows: Total	1 year or less	2 - 5 years	More than 5 years
Accounts payable	$ 15,524	$ 15,524	$ 15,524	$ -	$ -
Accrued liabilities	4,818	4,818	4,818	-	-
Convertible debenture	2,824	2,824	-	2,824	-
Due to shareholder	15	15	15	-	-
Long-term debt	10,636	12,930	5,888	6,291	751
	$ 33,817	$ 36,111	$ 26,245	$ 9,115	$ 751

The interest payments on variable interest rate loans in the table above reflect the interest rate at the reporting date and these amounts may change as market interest rates change.

25. DISCONTINUED OPERATIONS

The results of the Company’s fuel distribution operating segment have been presented as operating losses from discontinued operations for the three and nine months ended May 31, 2015. The comparative operating loss for the Company’s fuel distribution operating segment for the three and nine months ended May 31, 2014 have been reclassified to include those operations classified as discontinued in the current period. The components of operating loss from discontinued operations for the three and nine months ended May 31 are as follows:

	Three months ended May 31, 2015	Three months ended May 31, 2014	Nine months ended May 31, 2015	Nine months ended May 31, 2014
Revenues	-	123,548,643	117,466,827	325,400,777
Fuel Purchases	-	121,456,700	115,156,105	319,520,385
Profit on Fuel Purchases	-	2,091,943	2,310,722	5,880,392
Fuel Delivery	-	1,499,618	1,835,309	3,955,946
Gross Profit (Loss)	-	592,325	475,413	1,924,446
Operating Expenses				
Amortization	-	177,591	17,550	596,253
Customer station maintenance	650	137,124	464,483	234,747
Consulting	318	9,122	17,793	51,446
General and administrative	32,426	113,643	249,849	326,139
Impairment of assets	512,550	14,847	570,717	175,484
Insurance	221,182	119,252	476,853	483,960
Professional fees	9,501	55,504	143,357	118,158
Rent	33,753	12,159	54,781	37,873
Salaries and wages	11,196	413,338	582,950	1,222,700
Travel and promotion	158	27,986	19,521	100,500
Allowance for doubtful accounts receivable	193,334	-	892,080	-
Interest expense	177,578	136,916	378,672	328,316
Other income	(122,254)	(94,865)	(536,657)	(271,706)
	1,070,392	1,122,617	3,331,949	3,403,870
Operating loss before the following	$ 1,070,392	$ 530,292	$ 2,856,536	$ 1,479,424