MCW Energy Group Limited

Consolidated Financial Statements

Years ended August 31, 2015 and 2014

(Expressed in US dollars)

MCW Energy Group Limited

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of MCW Energy Group Limited

We have audited the accompanying consolidated financial statements of MCW Energy Group Limited, which comprise the consolidated statements of financial position as at August 31, 2015 and 2014, and the consolidated statements of (income) loss and comprehensive (income) loss, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of MCW Energy Group Limited as at August 31, 2015 and 2014, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 1 to the consolidated financial statements which describe certain material uncertainties regarding the entity's ability to continue as a going concern.

Hay + Watson

Chartered Professional Accountants
Vancouver, British Columbia
December 29, 2015

MCW ENERGY GROUP LIMITED

Consolidated Statements of Financial Position
August 31, 2015 and 2014
Expressed in US dollars

	Notes	2015	2014
ASSETS			
Current assets			
Cash	5	$ 861,639	$ 938,648
Trade and other receivables	6	91,352	8,981,441
Crushed ore inventory	7	186,080	200,000
Current portion of advance royalty payments	8(a)	191,432	-
Prepaid expenses		152,706	60,408
		1,483,209	10,180,497
Advance royalty payments	8(a)	689,818	-
Deposit	9	-	1,430,978
Mineral lease	10	11,091,388	-
Property, plant and equipment	11	16,444,561	13,141,301
Intangible assets	12	735,488	6,040,656
		$ 30,444,464	$ 30,793,432
LIABILITIES			
Current liabilities			
Accounts payable	13	$ 1,211,239	$ 15,524,459
Accrued expenses	13	1,182,742	4,818,322
Current portion of long-term debt	15	3,252,389	4,550,830
Current portion of convertible debentures	16	4,273,815	-
Due to executive officer		-	14,849
		9,920,185	24,908,460
Unearned advance royalties received	8(b)	170,000	-
Deferred volume purchase incentives	14	-	1,072,613
Long-term debt	15	13,516,630	6,084,700
Convertible debentures	16	204,000	2,824,000
Reclamation and restoration provisions	17	550,000	-
		24,360,815	34,889,773
SHAREHOLDERS' EQUITY			
Share capital	18	25,524,787	15,993,551
Share option reserve	19	7,063,773	7,063,773
Share warrant reserve	20	337,283	157,733
Deficit		(26,842,194)	(27,311,398)
		6,083,649	(4,096,341)
		$ 30,444,464	$ 30,793,432

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

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

MCW ENERGY GROUP LIMITED

Consolidated Statements of (Income) Loss and Comprehensive (Income) Loss
Years ended August 31, 2015 and 2014
Expressed in US dollars

	Notes	2015	2014
Continuing Operations			
Oil Sands Operations, Financing and Other Expenses			
Amortization		$ 14,430	$ -
General and administrative		153,290	399,800
Impairment of mineral lease	10	-	1,976,569
Interest expense		294,607	73,731
Gain on settlement of liabilities		(47,884)	-
Loss on conversion of debt	15(g)	-	566,322
Other income		-	(53,478)
Professional fees		1,178,422	622,483
Salaries and wages		800,943	1,126,274
Share-based compensation	19(a)	-	697,824
Shares issued for services		138,852	307,618
Travel and promotion		749,105	760,318
Loss Before Income Taxes		3,281,765	6,477,461
Provision for income taxes		-	-
Loss From Continuing Operations		3,281,765	6,477,461
Discontinued Operations	4	(3,750,969)	3,657,286
Net (Income) Loss and Comprehensive (Income) Loss		$ (469,204)	$ 10,134,747
Net Loss and Comprehensive Loss from Continuing Operations Attributable to:			
Shareholders of the company		$ 3,281,765	$ 5,206,560
Non-controlling interest		-	1,270,901
		$ 3,281,765	$ 6,477,461
Net (Income) Loss and Comprehensive (Income) Loss Attributable to:			
Shareholders of the company		$ (469,204)	$ 8,863,846
Non-controlling interest		-	1,270,901
		$ (469,204)	$ 10,134,747
Weighted Average Number of Shares Outstanding	21	51,837,040	43,343,914
Basic and Diluted Loss Per Share From Continuing Operations		$ 0.06	$ 0.15
Basic and Diluted (Income) Loss Per Share From Discontinued Operations		$ (0.07)	$ 0.08
Basic and Diluted (Income) Loss Per Share		$ (0.01)	$ 0.20

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

MCW ENERGY GROUP LIMITED

Consolidated Statements of Changes in Shareholders' Equity

Years ended August 31, 2015 and 2014

Expressed in US dollars

	Notes	Number of Shares Outstanding	Share Capital	Option Reserve	Warrant Reserve	Deficit	Shareholder 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
Option exercises		500,000	1,551,668	(1,471,668)	-	-	80,000	-	80,000
Shares issued for services		100,000	150,000	-	-	-	150,000	-	150,000
Settlement of liabilities		54,553	60,000	-	-	-	60,000	-	60,000
Private placement of shares		560,597	407,500	-	-	-	407,500	-	407,500
Settlement of loan	15(g)	3,266,927	2,920,489	-	-	-	2,920,489	-	2,920,489
Compensation for debt guarantees	22(b)	469,962	468,280	-	-	-	468,280	-	468,280
Reduction of non-controlling interest	1	-	-	-	-	193,788	193,788	(193,788)	-
Share-based compensation	19(a)	-	-	697,824	-	-	697,824	-	697,824
Net loss		-	-	-	-	(8,863,846)	(8,863,846)	(1,270,901)	(10,134,747)
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)
Settlement of loan	4(c)	9,200,000	5,685,057	-	-	-	5,685,057	-	5,685,057
Conversion of debentures	16(a)(b)	3,303,621	2,897,326	-	22,674	-	2,920,000	-	2,920,000
Settlement of liabilities		1,338,953	730,001	-	-	-	730,001	-	730,001
Private placement of shares		106,847	80,000	-	-	-	80,000	-	80,000
Shares issued for services		224,903	138,852	-	-	-	138,852	-	138,852
Warrants issued	20	-	-	-	156,876	-	156,876	-	156,876
Net income		-	-	-	-	469,204	469,204	-	469,204
Balance at August 31, 2015		60,622,938	$25,524,787	$ 7,063,773	$ 337,283	$(26,842,194)	$ 6,083,649	$ -	$ 6,083,649

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

MCW ENERGY GROUP LIMITED

Consolidated Statements of Cash Flows
Years ended August 31, 2015 and 2014
Expressed in US dollars

	2015	2014
Cash flow from (used for) operating activities:		
Net Income (loss)	$ (3,281,765)	$ (6,477,461)
Adjustments for non-cash, investing and financing items		
Amortization	14,430	-
Impairment of mineral lease	-	1,976,569
Loss on conversion of debt	-	566,322
Gain on settlement of liabilities	(47,884)	-
Shares issued for services	138,852	150,000
Share-based compensation	-	697,825
Other	303,964	(53,478)
Changes in operating assets and liabilities:		
Accounts payable	1,023,079	(56,491)
Accounts receivable	(41,833)	46,838
Accrued expenses	(1,552,399)	473,589
Prepaid expenses	(152,576)	15,894
Net cash from (used for) operating activities of continuing operations	(3,596,132)	(2,660,393)
Net cash from (used for) operating activities of discontinued operations	570,048	1,071,673
Cash flows used for investing activities:		
Purchase and construction of property and equipment	(3,947,201)	(4,019,434)
Advance royalty payments - net	(328,912)	(377,500)
Advances to TMC Capital LLC	-	(400,000)
Net cash used for investing activities of continuing operations	(4,276,113)	(4,796,934)
Net cash used for investing activities of discontinued operations	(193,075)	(766,276)
Cash flows from (used for) financing activities:		
(Payments to) Receipts from executive officers	(14,848)	14,848
Private placements	80,000	407,500
Option exercises	-	80,000
Payment of long-term debt	(230,000)	-
Proceeds from long-term debt	3,845,765	3,430,000
Proceeds from convertible debt	4,500,000	2,824,000
Net cash from financing activities of continuing operations	8,180,917	6,756,348
Net cash (used for) financing activities of discontinued operations	(762,654)	(422,174)
Decrease in cash	(77,009)	(817,756)
Cash, beginning of the year	938,648	1,756,404
Cash, end of the year	$ 861,639	$ 938,648
Supplemental disclosure of cash flow information		
Cash paid for interest	$ 592,719	$ 826,624

The accompanying notes are an integral part of these consolidated 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. It operates 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 located at Suite 4400, 181 Bay Street, Toronto, Ontario, M5J 2T3, Canada and its principal operating office is located at Suite 420, 10351 Santa Monica Boulevard, Los Angeles, California 90025, 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.

The Company's interest in MCWO increased from 51% to 100% on September 30, 2014, 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.

Effective June 1, 2015, the Company indirectly acquired a 100% interest in TMC Capital, LLC ("TMC"). TMC owns a bituminous sand mineral lease located adjacent to the Company's mineral lease (Note 10(a)). The Company intends to extract tar sands from the TMC lease for use in its oil extraction facility. The purchase price was the issue of two $5,000,000 unsecured promissory notes (Note 15(a)).

The Company has incurred losses for several years and, at August 31, 2015, has an accumulated deficit of $26,842,194 (August 31, 2014 - $27,311,398) and a working capital deficiency of $8,436,976 (August 31, 2014 - $14,727,963). These consolidated 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 consolidated 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 consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 1 *Presentation of Financial Statements*, using accounting policies which are consistent with the IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The consolidated financial statements were authorized for issue by the Board of Directors on December 29, 2015.

(b) Basis of measurement

The consolidated 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 consolidated 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 consolidated 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.

Fair value of share purchase options and warrants

Share purchase options and warrants granted by the Company are valued at the fair value of the goods or services received unless the fair value cannot be reliably measured. Share purchase options and warrants granted 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.

Expressed in US dollars

2. BASIS OF PREPARATION (continued)

(c) Significant accounting judgments and estimates (continued)

Provisions

Provisions are recorded on the basis of the best estimate of the likelihood, timing, and magnitude of a future outflow of economic resources. Where the effect of the time value of money is material, the present value of the provision is recognized using a discount rate that reflects current market assessments of the time value of money.

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 consolidated 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 consolidated statement of financial position could be impacted. The Company has not recognized any deferred tax assets as at August 31, 2015 and 2014.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated 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 OSR Inc.	100%	USA
MCW Oil Sands, Inc.	100%	USA
MCW Fuels Transportation, Inc.	100%	USA
MCW Oil Sands Recovery, LLC	100%(1)	USA
TMC Capital, LLC	100%(2)	USA
MCW Fuels, Inc.(to May 13, 2015)	100%(3)	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) Effective June 1, 2015, the Company acquired a 100% interest in TMC Capital LLC.
(3) On May 13, 2015, the Company sold its 100% interest in MCWF to the Chair of the Board of Directors 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 was recognized when the sales price is fixed or determinable and collectability is reasonably assured. Title passed 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 was recorded as the Company had latitude in establishing the sales price, had discretion in the supplier selection, maintained credit risk and was the primary obligor in the sales arrangement.

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

The Company expects to sell hydrocarbon products (bitumen or crude oil) on completion of the oil extraction facility at prevailing market prices. The Company also expects to enter into short-term supply agreements with customers. Revenues will be recognized when the hydrocarbon 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 received vendor rebates and provided customer rebates. Generally, volume rebates were 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 were recognized as a reduction of cost of goods sold in the period earned when realization was probable and estimable and when certain other conditions were met. Rebates provided to customers were recognized as a reduction of revenue in the period earned in accordance with applicable customer agreements. The rebate terms of the customer agreements were generally similar to those of the vendor agreements.

Some of these vendor rebates and promotional allowance arrangements required 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 reviewed the significant relevant factors and made adjustments when the facts and circumstances dictated that an adjustment was warranted.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Inventories

Crushed ore and other inventories are measured at the lower of cost, based on the first-in, first-out principle, and net realizable value, In the case of work in progress inventories, cost includes an appropriate share of production overheads based on normal operating capacity.

(e) 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, betterments and start-up costs 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

(f) Oil and gas properties

Oil and gas property interests

Assets owned are recorded at cost less accumulated depreciations and accumulated impairment losses. The Company initially capitalizes the costs of acquiring these properties, directly and indirectly, and thereafter expenses 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. On the commencement of commercial production, net capitalized costs are charged to operations on a unit-of-production basis, by property, using estimated proven and probable recoverable reserves as the depletion base.

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 consolidated 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Intangible assets

Intangible assets are recorded at cost less accumulated depreciation and accumulated impairment losses. 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 consolidated financial statements as at August 31, 2015:

Oil Extraction Technology	15 years

(h) 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 consolidated statement of (income) loss and comprehensive (income) 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.

(i) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Financial instruments (continued)

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, classified as loans and receivables and measured at amortized cost
- Accounts payable, accrued expenses, due to senior officer, convertible debentures and long-term debt, classified as other financial liabilities and measured at amortized cost

The recorded values of cash, accounts receivable, accounts payable, accrued expenses and due to senior officer 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.

(j) 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 consolidated 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. Over time, the discounted provision is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognized in the consolidated statement of (income) loss as part of interest expense.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Provisions (continued)

When the provision liability is initially recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related asset to the extent that it was incurred as a result of the development or construction of the asset. Additional provisions which arise due to further development or construction of assets are recognized as additions or charges to the corresponding asset and provisions when they occur.

Changes in the estimated timing of provisions or changes to the estimated future costs are dealt with prospectively by recognizing an adjustment to the provision and a corresponding adjustment to the asset to which it relates. Any reduction in the provision and, therefore, any deduction from the asset to which it relates may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is recognized immediately in the consolidated statement of (income) loss.

(k) 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 consolidated 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.

(l) 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 consolidated statement of financial position. At present, the Company has no other comprehensive income or loss.

(m) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) 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.

(o) Reclamation and restoration 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. Reclamation and restoration obligations are determined by discounting the expected future cash outflows for reclamation and restoration at a pre-tax rate that reflects current market assessments of the time value of money

(p) Comparative amounts

The comparative amounts presented in these consolidated financial statements have been reclassified where necessary to conform to the presentation used in the current year.

(q) 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 consolidated 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 consolidated financial statements presented.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) New accounting standards and interpretations (continued)

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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements presented.

(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 consolidated 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 consolidated 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 consolidated financial statements presented.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) New accounting standards and interpretations (continued)

The following is a summary of new standards, amendments and interpretations that have been issued but not yet adopted in these consolidated 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.

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

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and IFRIC 14 *Customer Loyalty Programmes*. IFRS 15 is effective for annual periods beginning on or after January 1, 2017, with early adoption permitted.

(v) IAS 1, Presentation of Financial Statements ("IAS 1") - amendments

The amendments in IAS 1 clarify financial statement disclosure and presentation requirements. These amendments are effective for annual periods beginning on or after January 1, 2016.

(vi) 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.

(vii) 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.

Expressed in US dollars

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 12) 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 consolidated statements of (income) loss and comprehensive (income) loss. In addition, the comparative consolidated statements of (income) loss and comprehensive (income) loss and cash flows have been reclassified to disclose the discontinued operations separately from continuing operations.

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 12)		4,440,478
Deferred volume purchase incentives (Note 14)		(1,038,883)
Branding advances (Note 15)		(1,696,489)
		1,705,106
Gain on sale of assets		4,382,092
Income tax expense, net		-
Gain on sale of assets	$	4,382,092

(b) Gas station

On January 26, 2015, the Company entered into an agreement to sell the gas station property and business (Notes 11 and 12), 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 Chair of the Board of Directors of the Company on May 13, 2015 (Note 1 and 4(c)).

(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 of the Company at a deemed price of CAD $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

4. DISCONTINUED OPERATIONS (continued)

(c) MCW Fuels, Inc. (continued)

The operations associated with MCWF have been reclassified as discontinued operations in the consolidated statements of (income) loss and comprehensive (income) loss. In addition, the comparative consolidated statements of (income) loss and comprehensive (income) loss 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
Gas station asset and goodwill (Note 4(b))		2,134,800
Bank indebtedness		(1,049)
Accounts payable and accrued expenses		(2,233,001)
Long-term debt		(9,455,482)
		(2,171,258)
Gain on sale of subsidiary		2,171,258
Income tax expense, net		-
Net gain on sale of subsidiary	$	2,171,258

(d) Results of discontinued operations

The results of the Company's fuel distribution operating segment have been presented as income from discontinued operations for the year ended August 31, 2015. The comparative loss for the Company's fuel distribution operating segment for the year ended August 31, 2014 have been reclassified as discontinued in the current period. The components of the results of the discontinued operations for the years ended August 31 are as follows:

	August 31, 2015	August 31, 2014
Revenues	$ 116,697,604	$ 451,837,071
Expenses	119,499,985	455,494,357
Loss From Operations	2,802,381	3,657,286
Provision for income taxes	-	-
Loss Before the Following	2,802,381	3,657,286
Gain on sale of assets	(4,382,092)	-
Gain on sale of subsidiary	(2,171,258)	-
Provision for income taxes on gain on sale of assets and subsidiary	-	-
(Income) Loss from Discontinued Operations	$ (3,750,969)	$ 3,657,286

Expressed in US dollars

5. CASH

The Company considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents. Prior to the sale of MCWF, the Company also had a trust account in which funds from the processing of retail operator credit card transactions were deposited and used to pay for fuel purchases for the retail operators.

6. TRADE AND OTHER RECEIVABLES

The Company's trade and other receivables consist of:

		August 31, 2015		**August 31, 2014**
Trade receivables from fuel customers, net of allowance for doubtful accounts	$	-	$	8,931,922
Goods and services tax receivable		90,997		49,519
Other receivables		355		-
	$	91,352	$	8,981,441

On May 13, 2015, the Company sold its 100% interest in MCWF, which included all trade receivables from customers.

Information about the Company's exposure to credit risks for trade and other receivables is included in Note 27(a)(i).

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 purchasing an additional 347,917 tons of crushed ore for $6,893,333 by August 31, 2015 (August 31, 2014 – 247,917 tons for $4,833,333). As at August 31, 2015, the Company had actually purchased 18,750 tons of crushed ore for $200,000 (August 31, 2014 – 18,750 tons for $200,000).

During the year ended August 31, 2015, crushed ore with a cost of $13,920 (year ended August 31, 2014 – $Nil) was used in the operational testing of the Company's oil extraction facility under construction.

8. ADVANCED ROYALTY PAYMENTS

(a) Advance royalty payments to Asphalt Ridge, Inc.

During the year ended August 31, 2015, the Company acquired TMC Capital, LLC, which has a mining and mineral lease with Asphalt Ridge, Inc. (Notes 1 and 10(b)). The mining and mineral lease with Asphalt Ridge, Inc. requires the Company to make the following advance royalty payments: $100,000 on the execution of the lease, $68,750 for lease quarters 2 to 4, $125,000 for lease quarters 5 to 24 and $750,000 per year thereafter. The advance royalty payments can be used to offset future production royalties, for a maximum of two years following the year the advance royalty payment was made.

At the time of the acquisition of TMC Capital, LLC, advance royalties of $806,250 had been paid and the Company subsequently made an advance royalty payment of $75,000 to the lease holder. As at August 31, 2015, the Company expects to offset $191,432 of these advance royalties against production royalties within one year.

On October 1, 2015, the Company and Asphalt Ridge, Inc. amended the advance royalty payments in the mining and mineral lease agreement. All previous advance royalty payments required under the original agreement were deemed to be paid in full. The amended advance royalty payments required are: $60,000 per quarter from October 1, 2015 to September 30, 2017, $100,000 per quarter from October 1, 2017 to June 30, 2020 and $150,000 per quarter thereafter.

(b) Unearned advance royalty payments from Blackrock Petroleum, Inc.

During the year ended August 31, 2015, the Company entered into a sublease agreement with Blackrock Petroleum, Inc. (“Blackrock”), pursuant to which it received $170,000 of unearned advance royalties. The sublease is for a portion of the mining and mineral lease with Asphalt Ridge, Inc. (Note 10(b)). The term of the sublease agreement is until December 31, 2018 and it requires Blackrock to make certain advance royalty payments to the Company.

Expressed in US dollars

9. DEPOSITS

On July 5, 2013, the Company secured an exclusive option to purchase certain project assets related to a bituminous sands project located adjacent to the Company's mineral lease (Note 10(a)). The Company agreed to advance $1,000,000 to TMC Capital, LLC ("TMC") on July 15, 2013, as a loan with a two-year term and annual interest of 5.25% payable on maturity, to secure the option while the Company performed its 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 August 31, 2014, the following amounts had been paid to TMC:

		August 31, 2014
Advanced to TMC	$	1,000,000
Accrued interest on advance		53,478
		1,053,478
Other cash payments		377,500
	$	1,430,978

Effective June 1, 2015, the exclusive option to purchase certain project assets from TMC was cancelled when the Company entered into an agreement to acquire TMC (Note 1).

10. MINERAL LEASES

(a) MCW mineral lease

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

The MCW 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 MCW Mineral Lease. This royalty may be increased to 12.5% after a minimum of 10 years of production.

The accumulated costs on the MCW Mineral Lease are:

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

On the change in the intended use of the mineral lease during the year ended August 31, 2014, the Company reduced the carrying value of the mineral lease to its net recoverable value of $nil by recording an impairment of $1,976,569 in the consolidated statement of (income) loss.

Expressed in US dollars

10. MINERAL LEASES (continued)

(b) TMC mineral lease

On June 1, 2015, the Company acquired TMC Capital, LLC ("TMC") (Note 1). TMC holds a mining and mineral lease, subleased from Asphalt Ridge, Inc., on the Asphalt Ridge property located in Uintah County, Utah (the "TMC Mineral Lease").

The primary term of the TMC Mineral Lease is from July 1, 2013 to July 1, 2018. During the primary term, the Company must meet certain requirements for oil production. After July 1, 2018, the TMC Mineral Lease will remain in effect as long as certain requirements for oil production continue to be met by the Company. If the Company fails to meet these requirements, the lease will automatically terminate 90 days after the calendar year in which the requirements are not met. In addition, the Company is required to make certain advance royalty payments to the lessor (Note 8(a)). The TMC Mineral Lease was subject to a 10% royalty for the first 3 years and varying percentages thereafter based on the price of oil. An additional 1.6% royalty is payable to the previous lessees of the TMC Mineral Lease. The TMC Mineral Lease also required the Company to make minimum expenditures on the property of $1,000,000 for the first 3 years, increasing to $2,000,000 for the next 3 years.

The accumulated costs incurred on the TMC Mineral Lease are:

		August 31, 2015
Acquisition costs	$	11,091,388

On October 1, 2015, the Company amended the TMC Mineral Lease. The requirements for oil extraction were deferred until July 1, 2016 and were expanded to include oil extraction completed on the MCW Mineral Lease as well. The advance royalty payments required under the TMC Mineral Lease were also amended (Note 8(a)). Production royalties were amended to 7% until June 30, 2020 and a varying percentage thereafter, based on the price of oil. Minimum expenditures were amended to $1,000,000 per year until June 30, 2020 and $2,000,000 thereafter if certain operational requirements for oil extraction are not met.

Expressed in US dollars

11. 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	-	-	4,685,961	336,629	5,022,590
Disposal (Note 4(c))	(540,000)	(1,200,000)	-	(325,207)	(2,065,207)
August 31, 2015	$ -	$ -	$ 16,122,362	$ 336,629	$ 16,458,991
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	-	-	14,430	31,980
Disposal (Note 4(c))	(52,650)	-	-	(325,207)	(377,857)
August 31, 2015	$ -	$ -	$ -	$ 14,430	$ 14,430
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
August 31, 2015	$ -	$ -	$ 16,122,362	$ 322,199	$ 16,444,561

(a) Gas station asset

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 on May 22, 2015. However, prior to that the assets were sold as part of the sale of MCWF to the Chair of the Board of the Company on May 13, 2015 (Note 1 and 4(c)).

Expressed in US dollars

11. PROPERTY, PLANT AND EQUIPMENT (continued)

(a) Gas station asset (continued)

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 improvements		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 year ended August 31, 2015 of $722,751 (2014 - $549,119). Total borrowing costs included in the cost of construction as at August 31, 2015 are $1,974,580 (August 31, 2014 - $1,251,829).

Expressed in US dollars

12. 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	(123,970)	-	(512,550)	(636,520)
Dispositions (Note 4(a)(c))	(5,578,073)	-	(447,450)	(6,025,523)
August 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	(27,038)	-	-	(27,038)
Disposition (Note 4(a))	(1,137,177)	-	-	(1,137,177)
August 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
August 31, 2015	$ -	$ 735,488	$ -	$ 735,488

(a) Branded reseller distribution agreements

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

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 were amortized over the contractual life of the agreements on a straight-line basis.

During the year ended August 31, 2015, the Company recorded impairment charges of $96,932 (2014 - $779,910) in the consolidated statement of (income) loss to recognize early termination of certain branded reseller distribution agreements and to reduce their carrying values to the expected recoverable amounts.

12. 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 11(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 third party on May 22, 2015, the assets were sold as part of the sale of MCWF to the Chair of the Board of Directors of the Company on May 13, 2015 (Note 4(c)).

13. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable as at August 31, 2015 and 2014 consist primarily of amounts outstanding for construction of the oil extraction facility and other operating expenses that are due on demand and of amounts outstanding for construction of the oil extraction facility, other operating expenses that are due on demand and fuel trade purchases with 10-day credit terms, respectively.

Accrued expenses as at August 31, 2015 and 2014 consist of amounts outstanding for construction of the oil extraction facility and other operating expenses that are due on demand.

Information about the Company's exposure to liquidity risk is included in Note 27(c).

14. DEFERRED VOLUME PURCHASE INCENTIVES

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)).

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 (year ended August 31, 2014 - $142,586) 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).

Expressed in US dollars

15. LONG-TERM DEBT

Lender	Maturity Date	Interest Rate		Principal due at August 31, 2015		Principal due August 31, 2014
Private lenders	March 10, 2016	15.00%	$	200,000	$	430,000
B&N Bank	March 18, 2016	12.51%		3,000,000		3,000,000
Private lenders	October 15, 2017	12.00%		709,413		-
Private lenders	August 6, 2018	10.00%		2,593,750		-
Equipment loans	April 17, 2020 – April 20, 2020	4.30% - 4.90%		265,856		-
Promissory notes (Note 1)	May 31, 2020	5.00%		10,000,000		-
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
Branding advances(3)	November 30, 2018 – December 31, 2023	10.00%		-		1,742,135
Total loans			$	16,769,019	$	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.

The maturity of long-term debt is as follows:

		August 31, 2015		August 31, 2014
Principal classified as repayable within one year	$	3,252,389	$	4,550,830
Principal classified as repayable later than one year		13,516,630		6,084,700
	$	16,769,019	$	10,635,530

(a) Promissory notes

On June 1, 2015, the Company issued two promissory notes for $5,000,000 each for the acquisition of TMC Capital, LLC ("TMC") (Note 1). These promissory notes have a five-year term, bear interest at a rate of 5% per annum and are unsecured. The Company may make annual principal payments at its option, provided that annual interest payments are made on June 1st of each year.

(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 were originally due on September 18, 2015, subsequently extended to March 18, 2016 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 August 31, 2015 and 2014, $3,000,000 had been drawn on this credit line by the Company.

15. LONG TERM DEBT (continued)

(c) Private lenders

(i) On December 16, 2013, the Company obtained an on demand loan from private investors for a total of $430,000, bearing interest at 15% per annum. The loan is personally guaranteed by the Chair of the Board of Directors. The loan was amended on December 11, 2015 to extend the maturity date to March 10, 2016. During the year ended August 31, 2015, $230,000 of principal was repaid (2014 - $nil).

(ii) On October 10, 2014, the Company issued two secured debentures for an aggregate principal amount of CAD $1,100,000 to two private lenders. The debentures bear interest at a rate of 12% per annum, maturing on October 15, 2017 and are secured by all of the assets of the Company. In addition, the Company issued common share purchase warrants to acquire an aggregate of 500,000 common shares of the Company at an exercise price of CAD $1.00 per share until October 10, 2017 (Note 20) to the two secured debenture holders.

(iii) The Company received advances from various private lenders during the year ended August 31, 2015 in the form of unsecured funds. These funds were converted to promissory notes with effect from August 6, 2015. The promissory notes bear interest at 10% per annum and are repayable within 36 months, including any accrued interest thereon.

On October 26, 2015, certain private lenders converted debt and accrued interest of $2,627,459 into 5,667,828 common shares of the Company in full settlement of the debt and accrued interest outstanding on that date.

(d) Equipment loans

The Company entered into two equipment loan agreements with financial institutions to acquire equipment for the oil extraction facility. The loans have a term of 60 months and bear interest at a rate between 4.3% and 4.9% per annum. Principal and interest are paid in monthly installments. These loans are secured over the assets that were financed.

(e) BBCN Bank loans

The BBCN Bank loans were secured by the assets of the Company and were 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 occurred.

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)).

Expressed in US dollars

15. LONG TERM DEBT (continued)

(f) Branding advances

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

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.

(g) Montville Equity Corp. loan

Only July 1, 2013, the Company issued a $2,260,000 unsecured promissory note to Montville Equity Corp. The promissory note has a term of two years and bears interest at 5% per annum, due and payable at the end of the term together with the principal.

On April 29, 2014, the Company converted total borrowings of $2,354,167 (principal of $2,260,000 and accrued interest of $94,167) into shares by issuing 3,266,927 common shares at a deemed price of $0.72 per share. The fair value of the Company's shares on the date of the conversion was $0.89, resulting in a loss on conversion of $566,332.

16. CONVERTIBLE DEBENTURES

Lender	Maturity Date	Interest Rate	Balance due at August 31, 2015	Balance due August 31, 2014
Executive officer	May 7, 2017 to June 25, 2017	10.00%	$ 204,000	$ 2,824,000
Alpha Capital Anstalt	May 5, 2016 to May 26, 2016	5.00%	773,815	-
Atlands Overseas Corp.	February 9, 2016	6.00%	3,500,000	-
Total loans			$ 4,477,815	$ 2,824,000

The maturity of the convertible debt is as follows:

	August 31, 2015	August 31, 2014
Principal classified as repayable within one year	$ 4,273,815	$ -
Principal classified as repayable later than one year	204,000	2,824,000
	$ 4,477,815	$ 2,824,000

(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 CAD $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.

16. CONVERTIBLE DEBENTURES (continued)

(a) Executive officer (continued)

On June 25, 2014, the Company issued a convertible debenture for up to a maximum aggregate principal amount of $2,000,000 to Aleksandr Blyumkin, which bears interest at a rate of 10% per annum and matures on June 25, 2017. As of August 31, 2015, 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 CAD $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 August 31, 2015, additional advances of $204,000 had been received from Mr. Blyumkin which he intended to designate as having been made under the $2,000,000 debenture and convertible into 218,708 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 matures 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 CAD $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 20).

Between September 24, 2015 and October 7, 2015, an additional $300,000 of the principal of the convertible secured notes was converted into 379,900 units. On October 8, 2015, the remaining $511,112 of the principal and $41,875 of accrued interest of the convertible secured notes was settled by the issuance of 994,301 common shares of the Company.

(c) Atlands Overseas Corp.

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

17. RECLAMATION AND RESTORATION PROVISIONS

	Oil Extraction Facility	Site Restoration	Total
Balance, beginning of year	$ -	$ -	$ -
Provisions made during the year	350,000	200,000	550,000
Balance, end of year	$ 350,000	$ 200,000	$ 550,000
Non-current	$ 350,000	$ 200,000	$ 550,000
Current	-	-	-
	$ 350,000	$ 200,000	$ 550,000

(a) Oil Extraction Facility

In accordance with the terms of the lease agreement, the Company is required to dismantle its oil extraction facility at the end of the lease term, which is expected to be in 25 years. During the year ended August 31, 2015, the Company recorded a provision of $350,000 for the dismantling of the facility.

Because of the long-term nature of the liability, the greatest uncertainties in estimating this provision are the costs that will be incurred and the timing of the dismantling of the oil extraction facility. In particular, the Company has assumed that the oil extraction facility will be dismantled using technology and equipment currently available and that the plant will continue to be economically viable until the end of the lease term.

The discount rate used in the calculation of the provision as at August 31, 2015 is 2.0%.

(b) Site restoration

In accordance with environmental laws in the United States, the Company's environmental permits and the lease agreement, the Company is required to restore contaminated and disturbed land to its original condition before the end of the lease term, which is expected to be in 25 years. During the year ended August 31, 2015, the Company provided $200,000 for this purpose.

The site restoration provision represents rehabilitation and restoration costs related to oil extraction sites. This provision has been created based on the Company's internal estimates. Significant assumptions in estimating the provision include the technology and equipment currently available, future environmental laws and restoration requirements, and future market prices for the necessary restoration works required.

The discount rate used in the calculation of the provision as at August 31, 2015 is 2.0%.

18. COMMON SHARES

Authorized	unlimited common shares without par value
Issued and Outstanding	60,622,938 common shares as at August 31, 2015.

Expressed in US dollars

19. 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 year ended August 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

During the year ended August 31, 2014, share-based compensation expense of $697,824 was recorded, of which $193,362 relates to the vesting of options granted during the year ended August 31, 2014 and $504,462 to the vesting of options granted in prior years.

(b) Share purchase options

Share purchase option transactions under the stock option plan were:

	2015		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.

Expressed in US dollars

19. SHARE PURCHASE OPTIONS (continued)

(b) Share purchase options (continued)

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

Expiry Date	Exercise Price	Options Outstanding	Options Exercisable
November 11, 2017	CAD $1.10	900,000	900,000
December 31, 2018	USD $0.16	1,500,000	1,500,000
August 15, 2019	CAD $1.10	400,000	400,000
		2,800,000	2,800,000
Weighted average remaining contractual life		3.1 years	3.1 years

20. SHARE PURCHASE WARRANTS

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

Expiry Date	Exercise Price	Warrants Outstanding
October 10, 2017	CAD $1.00	500,000
November 5, 2019	CAD $0.945	379,899
		879,899
Weighted average remaining contractual life	CAD $0.98	3.0 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 15(c)(ii)). 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 CAD $0.83, exercise price of CAD $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 notes (Note 16(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, using the residual method, at $0.02 and $0.08 per warrant, respectively.

Between September 24, 2015 and October 9, 2015, the Company issued 1,374,200 share purchase warrants in connection with the conversion of the remaining $811,112 of the principal and $41,875 of accrued interest of the convertible secured notes (Note 16(b)) into units composed of one common share of the Company and one common share purchase warrant of the Company.

21. 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.

Expressed in US dollars

22. RELATED PARTY TRANSACTIONS

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

(a) Fuel sales to related parties

During the year ended August 31, 2015, approximately 1.5% (2014 – 1.4%) of the Company's sales were to retail operations controlled by the Chair of the Board of Directors of the Company.

On May 13, 2015, the Company sold its 100% interest in MCWF (Note 4(c)), which included trade receivables from retail operations controlled by the Chair of the Board of Directors of the Company of $952,368 (August 31, 2014 - $943,279).

(b) Transactions with executive officers and directors

On May 13, 2015, the Company sold its 100% ownership interest in 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 4(c)).

During the year ended August 31, 2015, the Company earned $99,698 (2014 - $149,625) in rental income from a company controlled by the Chair of the Board of Directors of the Company.

During the year ended August 31, 2015, the Company issued 100,000 common shares to its Chief Financial Officer pursuant to the terms of his consulting agreement.

During the year ended August 31, 2014, companies controlled by the Chair of the Board of Directors of the Company provided collateral to secure fuel advances to the Company's fuel suppliers. The Company issued 469,962 common shares to these companies at a deemed price of CAD $0.96 per share as compensation for providing the collateral security.

(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:

		2015		2014
Salaries, fees and other benefits	$	927,730	$	1,843,287
Share-based compensation		143,518		697,825
	$	1,071,248	$	2,541,112

At August 31, 2015, $449,570 is due to members of key management for unpaid salaries and expenses (August 31, 2014 - $779,887).

During the year ended August 31, 2015, the Company issued 497,135 common shares to current and previous directors for settlement of outstanding fees owing to them.

On November 27, 2013, the Company entered into an agreement with Dr. Gerald Bailey, the Chief Executive Officer of the Company, pursuant to which the Company issued 54,553 common shares to Dr. Bailey at a deemed price of $1.16 per share for unpaid management fees from October 1, 2011 to September 30, 2013.

Expressed in US dollars

22. RELATED PARTY TRANSACTIONS (continued)

(d) Due to and from executive officer

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

On April 9, 2014 and June 25, 2014, the Company issued convertible debentures to an executive officer and the Chair of the Board of Directors of the Company (Note 16(a)). On September 22, 2014, a portion of the principal of the convertible debentures was converted into common shares of the Company (Note 16(a)). As at August 31, 2015, the principal outstanding on the convertible debenture was $204,000 (2014 - $2,824,000).

During the year ended August 31, 2015, the Company received advances of $225,500 from various private companies controlled by an executive officer and the Chair of the Board of Directors of the Company (Note 15(c)(iii)). As at August 31, 2015, the principal outstanding on the promissory notes for these advances was $225,500 (2014 - $nil).

23. 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 August 31, 2015, the Company was in the process of completing the first extraction facility (Note 11(b)).

(b) Office lease

The Company's minimum future annual lease payments for its office space for the years ended August 31 are:

	Office Lease Commitments
Due within 1 year	$ 77,944
Due between 2 and 5 years	141,839
	$ 219,783

Expressed in US dollars

24. INCOME TAXES

The Company's deferred tax assets (liabilities), resulting from temporary differences that will change taxable incomes of future years, are:

	2015	2014
Trade and other receivables	$ -	$ 34,784
Property, plant and equipment and intangible assets	(3,354)	(9,743)
Long-term debt	(32,789)	
Convertible debentures	(9,884)	
Non-capital tax loss carry-forwards	5,326,908	5,298,391
Other tax-related balances and credits	143,515	114,415
Valuation allowance	(5,424,396)	(5,437,847)
Net deferred tax assets (liabilities)	$ -	$ -

A reconciliation of the provision for income taxes is:

	2015	2014
Net (income) loss before income taxes	$ (469,204)	$ 10,134,747
Combined federal and provincial statutory income tax rate	26.5%	26.5%
Tax using the Company's domestic tax rate	(124,339)	2,685,708
Effect of tax rates in foreign jurisdictions	(358,571)	999,713
Net effect of (non-deductible) deductible items	463,907	(1,844,695)
Change in valuation allowance	(13,451)	2,464,038
Current year deductible amounts	708,107	416,083
Change in unrecognized deferred tax assets and liabilities	13,451	(2,464,038)
Effect of current period losses not recognized	(689,104)	(2,256,809)
Provision for income taxes	$ -	$ -

As at August 31, 2015, the Company has, on a consolidated basis, non-capital losses of approximately $15.5 million for income tax purposes which may be used to reduce taxable income of future years. If unused, these losses will expire between 2028 and 2035.

25. SEGMENT INFORMATION

The Company operated in three reportable segments within the USA during the year ended August 31, 2015, fuel distribution (Note 1), oil extraction and processing operations and future mining operations, which were the Company's strategic business units.

The Company operated in two reportable segments within the USA during the year ended August 31, 2014, fuel distribution (Note 1) and oil extraction and processing operations, which were the Company's strategic business units.

The Company's fuel distribution segment derived revenues and the fuel sales to retailed customers. The Company's oil extraction segment is in the development stage and is expected to generate revenues once commercial production from the oil extraction facility commences. The Company's mining operations have not commenced and are expected to generate revenues once the Company begins extracting tar sands.

The presentation of the consolidated statements of (income) loss and comprehensive (income) loss provides information about the oil extraction and processing segment. There were no operations in the mining operations segment during the years ended August 31, 2015 and 2014. Other information about reportable segments is:

	August 31, 2015			
(in '000s of dollars)	**Oil Extraction**	**Mining Operations**	**Fuel Distribution**	**Consolidated**
Additions to non-current assets	$ 5,023	$ 11,781	$ 193	$ 16,996
Reportable segment assets	18,471	11,974	-	30,444
Reportable segment liabilities	$ 24,191	$ 170	$ -	$ 24,361

	August 31, 2014		
(in '000s of dollars)	**Oil Extraction**	**Fuel Distribution**	**Consolidated**
Additions to non-current assets	$ 5,622	$ 1,603	$ 7,225
Reportable segment assets	13,134	17,659	$ 30,793
Reportable segment liabilities	$ 12,980	$ 21,910	$ 34,890

	September 1, 2014 to May 13, 2015 (Note 4(c))	**Year ended August 31, 2014**
(in '000s of dollars)	**Fuel Distribution**	**Fuel Distribution**
Fuel purchases	114,382	443,786
Fuel delivery	1,720	5,485
Amortization	18	823
Customer station maintenance	464	580
Impairment	610	780
Allowance for doubtful accounts receivable	892	183
Interest expense	379	916
Other income	(537)	(360)

26. 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.

27. MANAGEMENT OF FINANCIAL RISKS

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

(a) Credit risk

(i) Trade and other receivables

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 various 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.

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.

At August 31, 2015, no trade receivables were past due but not impaired (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 has made no commercial sales from its oil extraction facility (Note 11(b)).

(ii) Guarantees

As at August 31, 2015, the Company has issued a guarantee to a lender of a former subsidiary company, MCW Fuels, LLC, with respect to a loan of $266,797 granted to MCW Fuels, LLC. As at August 31, 2015, the remaining principal balance of the loan was $90,266.

27. MANAGEMENT OF FINANCIAL RISKS (continued)

(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.

At August31, 2015

(in '000s of dollars)	Carrying amount	Contractual cash flows Total	1 year or less	2 - 5 years	More than 5 years
Accounts payable	$ 1,211	$ 1,211	$ 1,211	$ -	$ -
Accrued liabilities	1,183	1,183	1,183	-	-
Convertible debenture	4,478	4,805	4,542	263	-
Long-term debt	16,769	20,742	4,103	16,638	-
Financial guarantees	-	91	91	-	-
	$ 23,641	$ 27,941	$ 11,040	$ 16,901	$ -

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.

28. EVENTS AFTER THE REPORTING DATE

Events after the reporting date not otherwise separately disclosed in these consolidated financial statements are:

(a) Settlement of indebtedness to service providers

Between September 16, 2015 and October 26, 2015, the Company entered into agreements with certain service providers pursuant to which the Company issued an aggregate of 537,577 common shares in satisfaction of indebtedness of $443,893 owing to the service providers.

(b) Shares issued to Chief Financial Officer

On November 24, 2015, the Company entered into an agreement with its Chief Financial Officer pursuant to which the Company will issue 112,378 common shares, on regulatory approval, in satisfaction of indebtedness of $35,000 owing for unpaid fees.

(c) Loan guarantees

On November 19, 2015, the Company entered into an agreement with the Chair of the Board of Directors to issue 5,729,142 common shares, on regulatory approval, as compensation for him personally guaranteeing an aggregate of $16,500,000 of long-term debt (Note 15 (a) and (b)) and convertible debentures (Note 16(c)) of the Company.

(d) Settlement of long-term debt

On October 26, 2015, the company entered into agreements with certain promissory note holders (Note 15(c)(iii)) pursuant to which the company will issue 5,674,719 common shares, on regulatory approval, in satisfaction of indebtedness of $2,626,946, including all interest thereon.

(e) Loan financings

On September 9, 2015, the Company received an additional unsecured loan for an aggregate principal amount of $750,000 from Atlands Overseas Corp. (Note 16(c)). The loan bears interest at a rate of 6% per annum and matures on September 10, 2017.

On December 20, 2015, the Company issued an additional convertible secured note for $555,556 to Alpha Capital Anstalt (Note 16(b)). The convertible secured note bear interest at a rate of 5% per annum and matures on July 15, 2017. The convertible secured note is 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 $0.34794 per unit. Each warrant would entitle the holder to acquire one additional common share at an exercise price of CAD $0.4935 per share until December 15, 2020. The convertible secured note is secured by the assets of the Company.