



**True North Energy Corp. (TNEN)**  
A Nevada Corporation

**Annual Report**

Prepared in accordance with  
OTC Pink Basic Disclosure Guidelines

*For Period ending  
April 30, 2017*

**True North Energy Corp.**  
24624 I-45 North, Suite 200  
Spring, Texas 77386

**1) The exact name of the issuer and its predecessor (if any)**

The name of the Issuer is True North Energy Corp. (“True North”, the “Issuer” or “Company”). True North was originally incorporated as Ameriprint International, Ltd. In the state of Nevada on April 7, 2004.

**2) The address of the issuer’s principal executive offices**

The Issuer’s principal executive offices are located at 24624 I-45 N., St. 200, Spring, TX 77386. The Issuer’s telephone number is 281-719-1996.

**3) Security Information**

Trading Symbol: TNEN

Exact title and class of securities outstanding: Common

CUSIP: 89784T200

Par or Stated Value: \$0.0001

Total shares authorized: 2,500,000,000 as of April 30, 2017

Total shares outstanding: 11,036,699 as of: April 30, 2017

Exact title and class of securities outstanding: Preferred Series A

CUSIP: None

Par or Stated Value: \$0.0001

Total shares authorized: 1,000 as of: April 30, 2017

Total shares outstanding: 1,000 as of: April 30, 2017

Exact title and class of securities outstanding: Preferred Series B

CUSIP: None

Par or Stated Value: \$0.0001

Total shares authorized: 50,000 as of: April 30, 2017

Total shares outstanding: 50,000 as of: April 30, 2017

There are 20,000,000 authorized shares of preferred stock. Series A shares have the right to vote on all shareholder matters equal to 51% of the total vote. Series B shares are convertible into shares of the Company’s common stock and carry the right to vote 1/100<sup>th</sup> of one voting share.

Empire Stock Transfer Inc.

1859 Whitney Mesa Dr.

Henderson, NV 89014

Telephone (702) 818-5898 Facsimile (702) 974-1444

*Empire Stock Transfer Inc. is registered with the Securities and Exchange Commission as a transfer agent pursuant to Section 17A(c) of the Exchange Act.*

There are no restrictions on the transfer of our securities.

There have been no trading suspension orders issued by the SEC in the past 12 months.

On January 12, 2015, the then current outstanding shares of common stock of the Company were reversed on a 1 for 500 basis. The reverse split was effective July 20, 2015.

#### **4) Issuance History**

On October 10, 2013, the Circuit Court of the Second Judicial District in and for Leon County, Florida (the “Court”) entered an Order Granting Approval of Settlement Agreement and Stipulation (the “Order”) in the matter titled ASC Recap, LLC (“ASC Recap”) v. True North Energy Corporation. The Order and the Stipulation for Settlement of Claims, dated September 5, 2013, between the Company and ASC Recap (the “Stipulation”), provides for the full and final settlement of ASC Recap’s \$1,124,000 claim against the Company in connection with past due amounts owed to creditors in connection with attorney’s fees, consulting fees, unpaid wages, and acquisition services which ASC Recap purchased from third parties pursuant to Receivable Purchase Agreements, between July 19, 2013 and July 24, 2013 (the “Claim”).

Pursuant to the terms of the Order, the Company has issued a total of 8,090,000 in the past two years in settlement of the Claim. The shares of common stock issued to ASC Recap, Tarpon Bay, and Black Arch were exempt from registration pursuant to an exemption provided by Section 3(a)(10) of the Securities Act of 1933, as amended, as the issuance of securities was in exchange for bona fide outstanding claims, where the terms and conditions of such issuance were approved by a court after a hearing upon the fairness of such terms and conditions. The shares were issued without a restrictive legend.

#### **5) Financial Statements**

The Issuer has posted to [www.otcm Markets.com](http://www.otcm Markets.com) the financial statements for the period ending April 30, 2017 which includes a Balance sheet, Statement of income, Statement of cash flows, and Financial notes. These financial statements are incorporated by reference herein and attached as Exhibit 1.

#### **6) Describe the Issuer’s Business, Products and Services**

True North Energy Corporation (the “Company” or “True North”), formerly Ameriprint International, Ltd. (“Ameriprint”), was incorporated in the state of Nevada in April 2004. Ameriprint provided printing, advertising and graphic design services to commercial customers. During January 2006 Ameriprint underwent a change of control and operation of its prior business activities was discontinued. Immediately thereafter, Ameriprint was renamed True North and commenced operation as an independent oil and gas entity.

True North has been engaged in the acquisition, exploration, development and production of oil and gas properties in Alaska, Colorado and Texas since February of 2006. All of our oil and gas properties were divested through either foreclosure or sales between July 2009 and August 2011. On June 28, 2013, the Company changed control and the new management intends to revive more extensive oil and gas activities. Recently, True North has undergone exciting changes, which complement its core philosophy to build an energy company by continuously evaluating the bottom line. From bedrock to barrels: phase projects, establish positive earnings, and move methodically forward.

True North's strategy is to continue to build its operations under a two Phased approach. Phase I includes acquiring assets to establish positive earnings and underpin operating expenses with low risk producing assets. Phase II focuses on acquiring production and leasehold in low risk proven

fields and implement workover and drilling programs including activating behind pipe, "stranded," reserves; increasing operational efficiency; and drilling infill locations on proven fields.

With the resignation of Nicolo' Golia Bedendo as CEO and President, the Company has divested its interest in the fashion industry.

A. A description of the issuer's business operations;

True North is engaged in the acquisition, exploration, development and production of oil and gas and focused on Colorado, Oklahoma and Texas. The Company first became an oil and gas exploration and development company in February 2006, and until September 2007 had no developed reserves or production, nor revenues from its operations. Our producing properties acquired from September of 2007 were foreclosed upon in July of 2009, and we had not held any producing properties until the purchase of a .051416% royalty interest in Oklahoma effective August 2014.

Colorado Properties

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

Oklahoma Properties

On September 1, 2014, the Company, through its TN Energy, Inc. subsidiary, purchased a .051416% royalty interest in the producing wellbore of the K Farm 9-18N-1W #1WH located in Section 9-T18N-R1W, Payne County, Oklahoma. Operated by Devon Energy Corporation of Oklahoma City, Oklahoma.

Marco Capital Limited

On June 4, 2014, the Company acquired all of the outstanding shares of a recently formed and inactive corporation, Marco Capital Limited, which was organized pursuant to the Hong Kong Companies Ordinance. Headquartered in Hong Kong, Marco Capital Limited plans to explore emerging markets with opportunities in various industries, including China. On October 30, 2015, the Marco Capital Limited executed a letter of intent with LeCrown Ltd., a Hong Kong company. On November 26, 2015 Marco Capital Limited would acquire 70% of the total outstanding shares of LeCrown. The purpose of the transaction is to fund the operations of LeCrown in the areas of Italian fashion design, hand-made shoes, e-commerce, trademark commercialization, and merchandising. Effective April 30, 2016, Marco Capital issued additional shares to other parties and effectively diluting the Company's ownership to 9%.

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

- B. Date and State (or Jurisdiction) of Incorporation: Incorporated on April 7, 2004 in Nevada.
- C. The issuer's primary SIC code is 1311; there is no secondary SIC code.
- D. The issuer's fiscal year end date: April 30<sup>th</sup>
- E. Principal products or services, and their markets: Since the Company is not currently engaged in production or sales of oil and gas it does not offer products or services. As such, there is no market.

**7) Describe the Issuer's Facilities**

Not applicable.

**8) Officers, Directors, and Control Persons**

- A. Names of Officers, Directors, and Control Persons.

<u>Name</u>	<u>Position</u>	<u>Share Ownership</u>
William M. Simmons	CEO, President, Director	1,000 Series A Preferred

On April 3, 2017, the Company retained Mr. Simmons, the previous interim Chief Executive Officer, to serve as the Chief Executive Officer, President and Director of the Company. Mr. Simmons entered into an executive employment agreement with the Company for the period from April 3, 2017 through July 3, 2017 and shall automatically renew additional quarterly period until either party provides notice not to renew the contract. The Company shall provide monthly compensation to the Executive of \$500 to be paid quarterly in arrears.

- B. Legal/Disciplinary History.

1. A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses)
2. The entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, or banking activities
3. A finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended, or vacated; or
4. The entry of an order by a self-regulatory organization that permanently or temporarily barred suspended or otherwise limited such person's involvement in any type of business or securities activities.

*None of the above applies to the Company's sole officer and Director.*

C. Beneficial Shareholders.

None.

**9) Third Party Providers**

Legal Counsel

The McGeary Law Firm, P.C.  
1600 Airport Fwy., Suite 300  
Bedford, Texas 76022

Accountant or Auditor

Turner, Stone & Company, LLP  
12700 Park Central Drive, Suite 1400  
Dallas, Texas 75251

**10) Issuer Certification**

I, William M. Simmons, certify that:

1. I have reviewed this Annual Report of TRUE NORTH ENERGY CORP.
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: July 25, 2017

/s/ William M. Simmons  
William M. Simmons

**EXHIBIT 1**

**TRUE NORTH ENERGY CORPORATION  
AND SUBSIDIARIES**

**Consolidated Financial Statements**

**as of Cr t h 52, 2017 and 2016**

**and for the [ g c t u Ended**

**Cr t h 52, 2017 and 2016**

**(Unaudited)**

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**True North Energy Corporation and Subsidiaries**  
**Consolidated Balance Sheets**  
**April 30, 2017 and April 30, 2016**  
**(unaudited)**

	2017	2016
<b>Assets</b>		
Current assets:		
Cash	\$ 5,908	\$ 1,771
Accounts receivable	47	62
Advances receivable	9,750	9,750
Prepaid expenses	275	5,351
Total current assets	<u>15,980</u>	<u>16,934</u>
Property:		
Oil and gas properties at cost, net of depletion of \$2,633 and \$1,457 at April 30, 2017 and 2016, respectively	<u>5,069</u>	<u>6,245</u>
Other:		
Investments (Note 1)	<u>1</u>	<u>1</u>
Total Assets	<u><u>\$ 21,050</u></u>	<u><u>\$ 23,180</u></u>
<b>Liabilities and Stockholders' Deficit</b>		
Current liabilities:		
Accounts payable	\$ 75,529	\$ 59,947
Advances payable	2,325	93,525
Accrued expenses	301,450	258,657
Accrued expenses, related parties	500	21,800
Convertible settlements payable	615,439	645,163
Convertible notes payable, net of discount of \$51,089 and \$0 at April 30, 2017 and 2016, respectively	714,273	611,812
Convertible notes payable, related parties net of discount of \$0 at April 30, 2017 and 2016	-	26,750
Notes payable	212,150	212,150
Derivative liabilities	825,465	1,014,049
Total current liabilities	<u>2,747,131</u>	<u>2,943,853</u>
Commitments and contingencies (Note 8)		
Stockholders' Deficit:		
Preferred stock, \$0.0001 par value, 20,000,000 shares authorized:		
Series A shares, \$0.0001 par value, 1,000 and 1,000 shares issued and outstanding at April 30, 2017 and 2016	-	-
Series B shares, \$0.0001 par value, 50,000 and 50,000 shares issued and outstanding at April 30, 2017 and 2016	5	5
Common stock, \$0.0001 par value, 2,500,000,000 shares authorized; 11,036,699 and 8,315,699 shares issued and outstanding at April 30, 2017 and 2016, respectively	1,104	832
Additional paid in capital	24,305,264	24,265,903
Accumulated deficit	<u>(27,032,454)</u>	<u>(27,187,413)</u>
Total Stockholders' Deficit	<u>(2,726,081)</u>	<u>(2,920,673)</u>
Total Liabilities and Stockholders' Deficit	<u><u>\$ 21,050</u></u>	<u><u>\$ 23,180</u></u>

See accompanying notes to consolidated financial statements.

**True North Energy Corporation and Subsidiaries**  
**Consolidated Statements of Operations**  
**For the Years Ended April 30, 2017 and 2016**  
**(unaudited)**

	April 30,	
	2017	2016
Revenue, consulting services	\$ -	\$ -
Revenue, royalty interests	151	272
Total revenues	<u>151</u>	<u>272</u>
Cost of operations:		
Oil and gas expenses	22	34
Distribution rights	-	5,000
Total cost of operations	<u>22</u>	<u>5,034</u>
Gross Margin	<u>129</u>	<u>(4,762)</u>
Expenses:		
Depletion	1,176	923
Depreciation and amortization	-	23,410
General and administrative	40,097	159,883
Officer and director compensation	-	75,000
Total operating expenses	<u>41,273</u>	<u>259,216</u>
Loss from operations	<u>(41,144)</u>	<u>(263,978)</u>
Other income (expense):		
Loss on debt extinguishment	(9,908)	(15,568)
Gain (Loss) on derivative liability	341,850	(251,436)
Amortization of debt discount	(102,177)	(145,284)
Gain on collection of escheated funds	9,132	-
Gain on deconsolidation of subsidiary	-	95,084
Adjustment for non controlling subsidiary net loss		72,415
Interest expense	<u>(42,794)</u>	<u>(95,825)</u>
Net loss	<u>\$ 154,959</u>	<u>\$ (604,592)</u>
Weighted average number of common shares outstanding - basic	<u>9,109,074</u>	<u>4,899,721</u>
shares outstanding - fully diluted	<u>399,472,252</u>	<u>4,899,721</u>
Net loss per share - basic	<u>\$ 0.02</u>	<u>\$ (0.12)</u>
Net loss per share - fully diluted	<u>\$ 0.00</u>	<u>\$ (0.12)</u>

See accompanying notes to consolidated financial statements.

True North Energy Corporation and Subsidiaries  
Consolidated Statements of Stockholders' Deficit  
For the Years Ended April 30, 2017 and 2016  
(Unaudited)

	<u>Series A Preferred Stock</u>		<u>Series B Preferred Stock</u>		<u>Common Stock</u>		<u>Additional</u>	<u>Accumulated</u>	
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>	<u>Paid-in</u>	<u>Deficit</u>	<u>Total</u>
							<u>Capital</u>		
Balance at April 30, 2015	1,000	\$ -	50,000	\$ 5	2,945,074	\$ 295	\$ 24,204,168	\$ (26,582,821)	\$ (2,378,353)
Shares issued for reverse split adjustments	-	-	-	-	1,625	-	-	-	-
Issuance of shares to Tarpon in satisfaction of convertible settlements payable (Note 7)	-	-	-	-	5,369,000	537	61,735	-	62,272
Net loss	-	-	-	-	-	-	-	(604,592)	(604,592)
Balance at April 30, 2016	1,000	-	50,000	5	8,315,699	832	24,265,903	(27,187,413)	(2,920,673)
Issuance of shares to Tarpon in satisfaction of convertible settlements payable (Note 7)	-	-	-	-	2,721,000	272	39,361	-	39,633
Net loss								154,959	154,959
Balance at April 30, 2017	1,000	\$ -	50,000	\$ 5	11,036,699	\$ 1,104	\$ 24,305,264	\$ (27,032,454)	\$ (2,726,081)

See accompanying notes to consolidated financial statements.

**True North Energy Corporation and Subsidiaries**  
**Consolidated Statements of Cash Flows**  
**For the Years Ended April 30, 2017 and 2016**  
**(unaudited)**

	2017	2016
<b>Cash flows from operating activities</b>		
Net loss	\$ 154,959	\$ (604,592)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depletion expense	1,176	923
Amortization of debt discount	102,177	145,284
Loss on debt extinguishment	9,908	15,568
Change in fair value of derivative liability	(341,850)	251,436
Decrease (increase) in assets:		
Accounts receivable	15	17
Prepaid expenses	5,076	1,174
Increase (decrease) in liabilities:		
Accounts payable	15,583	1,323
Accrued expenses	42,793	94,854
Accrued expenses, related parties	(21,300)	11,800
Net cash used in operating activities	<u>(31,463)</u>	<u>(82,213)</u>
<b>Cash flows from financing activities</b>		
Advances from others	-	93,525
Advances to others		(9,750)
Repayment of advances to others	(91,200)	-
Proceeds from convertible notes payable	126,800	-
Net cash provided by financing activities	<u>35,600</u>	<u>83,775</u>
Net increase (decrease) in cash	4,137	1,562
Cash, at beginning of period	1,771	209
Cash, at end of period	<u>\$ 5,908</u>	<u>\$ 1,771</u>
<b>Supplemental disclosures:</b>		
Interest paid	<u>\$ -</u>	<u>\$ -</u>
Income taxes paid	<u>\$ -</u>	<u>\$ -</u>
<b>Non-cash investing and financing activities:</b>		
Common stock shares issued in payment of the convertible settlements payable obligation	<u>\$ 39,633</u>	<u>\$ 62,272</u>
Discounts recognized for embedded derivative on convertible notes payable	<u>\$ 153,266</u>	<u>\$ -</u>
Accrued expenses exchanged for convertible notes payable	<u>\$ 21,800</u>	<u>\$ -</u>

See accompanying notes to consolidated financial statements.

**True North Energy Corporation & Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**April 30, 2017 and 2016**  
(unaudited)

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

Organization and Basis of Presentation

On June 28, 2013, True North Energy Corporation (the “Company” or “True North”) had a change of control and management. The Company’s common stock is traded on the Over the Counter Pink Sheets (“OTC PK”) under the symbol, (“TNEN”).

On June 4, 2014, the Company acquired all of the outstanding shares of a recently formed and inactive corporation, Marco Capital Limited (MCL), organized pursuant to the Hong Kong Companies Ordinance. Headquartered in Hong Kong, MCL is exploring emerging market opportunities in various industries, including those in China. On or about November 20, 2015, MCL acquired shares in LeCrown Ltd., a newly organized Hong Kong Company for the purpose of operating in the fashion industry centralized in Milan, Italy. LeCrown designs and produces handmade Italian fashion shoes, with a heritage from the 1940’s. All significant inter-company transactions have been eliminated in the preparation of these consolidated financial statements. Net losses attributable to MCL’s non-controlling interest as reported were \$72,415 for the period ended April 30, 2016.

Effective April 30, 2016 MCL issued additional common shares to new investors which reduced the Company’s ownership to 9.1% of the then outstanding shares of MCL. As of April 30, 2016, MCL and its subsidiary, LeCrown were deconsolidated from the reporting of the Company. The Company reported a gain on deconsolidation of MCL for the year ended April 30, 2016 of \$95,084.

On July 30, 2014, the Company formed a wholly owned subsidiary, TN Energy, Inc., under the laws of the state of Texas for the purpose of acquiring, owning and/or operating oil and gas properties. On July 30, 2014, the Company’s overriding royalty interests in its Colorado properties were assigned to this subsidiary (Note 4). All significant inter-company transactions have been eliminated in the preparation of these consolidated financial statements.

Use of Estimates

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

**True North Energy Corporation & Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**April 30, 2017 and 2016**  
(unaudited)

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

Fair Value of Financial Instruments

Under Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement*, the Financial Accounting Standards Board established a framework for measuring fair value under generally accepted accounting principles and expands disclosures about fair value measurements. This Statement reaffirms that fair value is the relevant measurement attribute. The adoption of this Standard did not have a material effect on the Company's financial statements as reflected herein. The carrying amounts of cash, accounts payable and accrued expenses reported on the consolidated balance sheets are estimated by management to approximate fair value primarily due to the short-term nature of the assets and liabilities.

Except for the Company's embedded derivative liabilities (Note 14) the Company has no other assets or liabilities that are required to be measured at fair value on a recurring basis.

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

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

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

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

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

The following table presents the Company's liabilities that were measured and recognized at fair value as of the years then ended:

<u>April 30, 2017</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Embedded derivative - liability Total	\$ <u>          -</u>	\$ <u>          -</u>	\$ <u>1,651,581</u>
<u>April 30, 2016</u>			
Embedded derivative - liability Total	\$ <u>          -</u>	\$ <u>          -</u>	\$ <u>1,014,049</u>

**True North Energy Corporation & Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**April 30, 2017 and 2016**  
(unaudited)

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

The following schedule reconciles the Company's Level 3 derivative liabilities from conversion features of embedded derivatives from April 30, 2015 to April 30, 2017.

Balance at April 30, 2015	Issuances	Settlements Changes In Fair Value	Balance at April 30, 2016	Issuances	Settlements Changes In Fair Value	Balance at April 30, 2017
\$ 762,613	\$ -	\$ 251,436	\$ 1,014,049	\$ 173,891	\$ 463,641	\$ 1,651,581

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

Derivative Financial Instruments

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

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

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

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

Revenue Recognition and Gas Balancing

The Company recognizes oil and gas revenues from its interests in producing wells when production is delivered to, and title has transferred to, the purchaser and to the extent the selling price is reasonably

**True North Energy Corporation & Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**April 30, 2017 and 2016**  
(unaudited)

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

determinable. The Company uses the sales method of accounting for gas balancing of gas production and would recognize a liability if the existing proven reserves were not adequate to cover the current imbalance situation.

Revenues from consulting services are recognized when the services have been performed, no further obligation exists on the part of the Company and collection is reasonably assured.

Non-Oil & Gas Property and Equipment

Property and equipment that are not oil and gas properties are recorded at cost and depreciated using the straight-line method over their estimated useful lives of three to seven years. Expenditures for replacements, renewals, and betterments are capitalized. Maintenance and repairs are charged to operations as incurred. Long-lived assets, other than oil and gas properties, are evaluated for impairment to determine if current circumstances and market conditions indicate the carrying amount may not be recoverable. The Company has not recognized any impairment losses on non-oil and gas long-lived assets. During the years ended April 30, 2017 and 2016 the Company, recorded amortization and depreciation expense of \$0 and \$23,410, respectively.

Asset Retirement Obligations

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

Full Cost Method

The Company follows the full cost method of accounting for oil and gas operations whereby all costs related to the exploration and development of oil and gas properties are initially capitalized into a single cost center (full cost pool). Such costs include land acquisition costs, geological and geophysical expenses, carrying charges on non-producing properties, costs of drilling directly related to acquisition, and exploration activities. Internal costs that are capitalized are directly attributable to acquisition, exploration and development activities and do not include costs related to the production, general corporate overhead or similar activities. Costs associated with production and general corporate activities are expensed in the period incurred. During the years ended April 30, 2016 and 2015, the Company incurred no exploration and development costs.

Proceeds from property sales will generally be credited to the full cost pool, with no gain or loss recognized,



**True North Energy Corporation & Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**April 30, 2017 and 2016**  
(unaudited)

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

unless such a sale would significantly alter the relationship between capitalized costs and the proved reserves attributable to these costs. A significant alteration would typically involve a sale of 20% or more of the proved reserves related to a single full cost pool. The Company assesses all items classified as unevaluated property on a quarterly basis for possible impairment or reduction in value. The assessment includes consideration of the following factors, among others: intent to drill; remaining lease term; geological and geophysical evaluations; drilling results and activity; the assignment of proved reserves; and the economic viability of development if proved reserves are assigned. During any period in which these factors indicate an impairment, the cumulative drilling costs incurred to date for such property and all or a portion of the associated leasehold costs are transferred to the full cost pool and are then subject to amortization.

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

Capitalization costs of oil and gas properties (net of related deferred income taxes) may not exceed an amount equal to the present value, discounted at 10% per annum, of the estimated future net cash flows from proved oil and gas reserves plus the cost of unproved properties (adjusted for related income tax effects). Should capitalized costs exceed this ceiling an impairment charge is recognized. The present value of estimated future net cash flows is computed by applying the arithmetic average first day price of oil and natural gas for the preceding twelve months to estimated future production of proved oil and gas reserves as of the end of the period, less estimated future expenditures to be incurred in developing and producing the proved reserves and assuming continuation of existing economic conditions. Such present value of proved reserves' future net cash flows excludes future cash outflows associated with settling asset retirement obligations. Should this comparison indicate an excess carrying value, the excess is charged to earnings as an impairment expense. During the years ended April 30, 2017 and 2016, the Company did not recognize any impairment costs.

Impairment

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

Stock-Based Compensation

Under ASC Topic 718, *Compensation – Stock Compensation*, all share-based payments to employees, including grants of employee stock options, are to be recognized in the consolidated statements of operations based on their fair values. For the years ended April 30, 2017 and 2016, no common or preferred stock shares were issued for services and compensation.

**True North Energy Corporation & Subsidiaries**  
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**Note 1 – Basis of Presentation and Significant Accounting Policies (continued)**

Basic and Diluted Loss Per Share

Basic earnings per share (EPS) are computed by dividing net income (the numerator) by the weighted average number of common shares outstanding for the period (the denominator). Diluted EPS is computed by dividing net income by the weighted average number of common shares and potential common shares outstanding (if dilutive) during each period. Potential common shares include stock options, warrants and restricted stock. The number of potential common shares outstanding relating to stock options, warrants and restricted stock is computed using the treasury stock method. For the year ended April 30, 2016, approximately 563,000,000 potentially dilutive securities, were excluded from the EPS calculation because they would have had an anti-dilutive effect.

Income Taxes

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

Uncertain Tax Positions

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

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

The assessment of the Company's tax position relies on the judgment of management to estimate the exposures associated with the Company's various filing positions.

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

Recently Issued Accounting Pronouncements

During the year ended April 30, 2017 and through July 25, 2017, there were several new accounting pronouncements issued by the Financial Accounting Standards Board and/or the Securities and Exchange Commission. Each of these pronouncements, as applicable, has been or will be adopted by the Company. Management does not believe the adoption of any of these accounting pronouncements has had or will have a material impact on the Company's consolidated financial statements.

**Note 2 – Going Concern**

As shown in the accompanying consolidated financial statements, the Company has incurred recurring losses from operations resulting in an accumulated deficit of approximately \$27,032,454, and as of April 30, 2017, the Company's current and total liabilities exceeded its current and total assets by approximately \$2,731,151. These factors raise substantial doubt about the Company's ability to continue as a going concern. Management is actively pursuing new ventures to recommence operations, set up an operating subsidiary, in addition to holding its over-riding royalty interests in oil and gas assets. In addition, the Company currently seeks additional sources of capital to fund short term operations.

Management plans to raise additional capital through loans, private offerings, and potentially through public offerings of its common stock.

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

**Note 3 – Related Party Transactions**

On June 20, 2016, Mr. Gilbert Steedley, our CEO, President, Secretary, Treasurer, Chief Financial Officer and Sole Director tendered his resignation as Officer and Sole Director of the Company and its Subsidiary. Mr. William M. Simmons was appointed to act as interim CEO, President and Sole Director for an initial term of June 20, 2016 through September 30, 2016, renewable monthly. Mr. Simmons entered into an executive employment agreement in exchange for a fee of Two Thousand Dollars (\$2,000) monthly and warrants to purchase 100,000 shares of the Company's common stock, which was terminated upon his resignation.

On September 20, 2016, Mr. Simmons appointed Mr. Nicolo' Bedendo, to serve as the Chief Executive Officer, President and Director of the Company. Mr. Bedendo entered into an executive employment agreement with the Company for the period from September 20, 2016 through September 20, 2019. This Agreement supersedes and replaces the Consulting Agreement the Parties entered Effective February 1, 2016 for the Executive to act as True North's Team Leader in the Fashion Sector. The Agreement auto-renewed for one month terms until termination by either party. Mr. Bedendo's agreement provided for

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

annual compensation of One Dollar (\$1) and a warrant to purchase 10% of the Company's then outstanding common stock in exchange for \$15,000, should he continue to serve at the end of his three-year term. On April 3, 2017 Mr. Bedendo resigned and the executive employment agreement was terminated cancelling all obligations of the agreement.

On April 3, 2017, the Company retained Mr. Simmons, the previous interim Chief Executive Officer, to serve as the Chief Executive Officer, President and Director of the Company. Mr. Simmons entered into an executive employment agreement with the Company for the period from April 3, 2017 through July 3, 2017 and shall automatically renew additional quarterly period until either party provides notice not to renew the contract. The Company shall provide monthly compensation to the Executive of \$500 to be paid quarterly in arrears.

**Note 4 – Oil and Gas Properties**

The Company is engaged in the acquisition, exploration, development and production of oil and gas and focused on Colorado, Oklahoma and Texas. The Company first became an oil and gas exploration and development company in February 2006, and until September 2007 had no developed reserves or production, nor revenues from its operations. Our producing properties acquired from September of 2007 were foreclosed upon in July of 2009, and we had not held any producing properties until the purchase of a .051416% royalty interest in Oklahoma effective August 2014.

Colorado Properties

In June 2007, True North acquired certain non-producing oil and gas interests and properties in northwest Colorado in an area covering more than 17,000 acres. The Company held a 100% working interest in the underlying oil and gas leases, which expired in 2016. On June 20, 2010, the Company sold these leases for total proceeds of \$350,000, resulting in a loss of \$1,074,235 on the sale during the year ended April 30, 2011. The Company retained an Overriding Royalty Interest of 0.375% on the leasehold interests.

Oklahoma Properties

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

**Note 5 – Asset Retirement Obligations**

From time to time the Company has asset retirement obligations associated with the future plugging and abandonment of proved properties and related facilities. Under the provisions of ASC Topic 410, *Asset Retirement and Environmental Obligations*, the fair value of a liability for an asset retirement obligation is recorded in the period in which it is incurred and a corresponding increase in the carrying amount of the related long-lived asset. The liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. If the liability is settled for an amount other than the recorded amount, a gain or loss is recognized. The Company has no assets that are legally restricted for purposes of settling asset retirement obligations. At April 30, 2017 and 2016, the Company did not have any asset retirement obligations.

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**Note 6 – Accrued Expenses**

Accrued expenses consisted of the following as of April 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Accrued Compensation, Officer and Directors	\$ 500	\$ 21,800
Accrued Other Expenses	-	-
Accrued Interest	<u>301,450</u>	<u>258,657</u>
	<u>\$ 301,950</u>	<u>\$ 280,457</u>

**Note 7 – Convertible Settlements Payable**

On October 10, 2013, the Circuit Court of the Second Judicial Circuit in and for Leon County, Florida approved a Settlement Agreement entered into between the Company and ASC Recap LLC (Recap) whereby a total of \$1,124,000 of outstanding debts that were acquired by Recap from various creditors. In satisfaction of the outstanding debts acquired by Recap, we agreed to issue Recap shares of our common stock (Settlement Shares) in various tranches and from which 75% of the proceeds from the sale of these shares by Recap would be used to satisfy the outstanding debts until such time as the debts are satisfied. The exact number of Settlement Shares to be issued pursuant to the Settlement Agreement is indeterminable, and Recap is precluded from owning more than 9.99% of the Company's common stock in aggregate at any given time. Recap does not bear the risk of market loss. The difference between the amount of proceeds used to satisfy the outstanding debts and the fair value of the common stock shares issued will result in a gain or loss on debt settlement. During the year ended April 30, 2016, Recap assigned its rights under the Settlement Agreement to Tarpon Bay Partners (Tarpon).

During the year ended April 30, 2017, the Company issued Tarpon 2,721,000 shares of common stock pursuant to the Settlement Agreement. Of the shares sold by Tarpon, 75% of the net proceeds, totaling \$8,755, was used to settle outstanding debts as ordered by the court. At April 30, 2017, the convertible settlements payable outstanding totaled \$615,439.

During the year ended April 30, 2016, the Company issued Tarpon 5,369,000 shares of common stock pursuant to the Settlement Agreement. Of the shares sold by Tarpon, 75% of the net proceeds, totaling \$16,978 were used to settle the outstanding debts as ordered by the court. At April 30, 2016, the convertible settlements payable outstanding totaled \$645,163.

**Note 8 – Convertible Notes Payable**

ASC Recap LLC (Note 7)

In conjunction with the Settlement Agreement and subsequent Court Order on October 10, 2013 as disclosed in Note 7, above, we issued Recap a non-interest bearing convertible promissory note, in the amount of \$56,500 payable on May 1, 2014. The convertible note carries no registration rights and is convertible at a price equal to the greater of (i) 50% of the low closing bid price for the twenty (20) days prior to conversion and (ii) \$0.002 per share. A maximum of 9.99% of the Company's common stock in aggregate at any given time can be owned as a result of the conversions. On October 10, 2014 Recap exercised its right to sell \$25,000 of the original principal value of the note to Black Arch Opportunity Fund LP ("Black").

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

During the year ended April 30, 2015 Black exercised its right under this note and submitted to the Company Notices of Conversion to convert the principal of \$25,000 plus fees into 588,800,067 shares of common stock.

During the year ended April 30, 2015 Recap exercised its right under this note and submitted to the Company Notices of Conversion to convert \$19,350 of principal plus related fees into 512,200,000 shares of common stock. Effective March 24, 2015 the Company and Recap executed an amended and restated promissory note in the amount of the remaining principal balance of the original convertible note of \$12,150 waiving the conversion feature of the original note and advancing the maturity date for the amended and restated promissory note until May 1, 2016. At April 30, 2017 and 2016, the outstanding balance of the note totaled \$12,150. Effective September 1, 2016 the holders agreed to an extension of the maturity date of the note until August 31, 2017.

Other convertible promissory notes

On January 1, 2015 issued a Convertible Preferred Note to our then CEO, Gilbert Steedley in exchange for accrued and unpaid executive compensation earned for the calendar year 2014 in the principal amount of \$26,750. The note accrues interest at the rate of 6% per annum and matured on January 1, 2016. Mr. Steedley has the option to convert any unpaid principal and accrued interest due on the note into common stock of the Company at a price equaling the greater of 50% of the lowest closing bid for the prior twenty trading days and \$0.00001. On August 31, 2016, Mr. Steedley agreed to a one year extension of the note until August 31, 2017.

On varying dates between August 1, 2014 and April 30, 2016 the Company issued convertible promissory notes to unrelated parties totaling \$444,522 in exchange for cash advances, settlement of accounts payable and services provided to the Company. The notes bear interest at a rate of 6% per annum and are due on various dates from September 1, 2014 through April 1, 2016. The principal balance and any accrued interest associated with these notes is convertible at the option of the holder at the lesser of \$0.00001 per share and 50% of the lowest closing bid price of the Company's common stock for the previous twenty days. These notes were in default and carried an interest rate of 15% upon default. On August 31, 2016, the noteholders agreed to a one year extension of the notes until August 31, 2017. As of April 30, 2016 \$68,782 of principal and \$8,778 of accrued interest of these convertible promissory notes were purchased from the unrelated parties by the previous subsidiary, MCL. MCL agreed to a one year extension of its notes until August 31, 2017.

On January 20, 2014, the Company granted an unrelated party a convertible promissory note in the amount of \$117,290 bearing interest at 6.0% and maturing on July 30, 2015. The notes were assumed from the unrelated parties by the Company's previous subsidiary, MCL. The note was in default and carried an interest rate of 6% upon default. On August 31, 2016, MCL agreed to a one year extension of the note until August 31, 2017.

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

On July 8, 2014, the Company received \$50,000 from an unrelated party and issued a convertible promissory note payable in exchange. The note bears no interest, is nonredeemable by the Company and matures on July 8, 2015 at which time the note automatically converts into the Company's common stock shares at a conversion price equal to 65% of the average closing prices of the shares for the 5 trading days preceding the conversion date. On August 31, 2016, the noteholder agreed to a one year extension of the note until August 31, 2017.

On August 31, 2016, the Company issued a convertible promissory note, maturing on August 31, 2017 to our former Chief Executive Officer and President, Gilbert Steedley in settlement of the outstanding liability for his services during his tenure in the amount of \$21,800. The note carries an interest rate of 1% and is convertible into shares of the Company's common stock at a rate of the lesser of 50% of the Market Price for twenty days prior to conversion or \$0.0145 per share.

On October 25, 2016, the Company issued a four year \$105,000 convertible promissory note to an unrelated party carrying no interest and maturing on October 25, 2020. The note is convertible at maturity only, except for certain acceleration events, into shares of the Company's common stock at a price of 80% of the closing price of the stock on October 25, 2020; or shares of LeCrown Holdings, Ltd, and the holder shall be entitled to no more than 15 shares of LeCrown Holdings, Ltd.

**Note 9 – Notes Payable**

On July 7, 2009, the Company granted Valens U.S. SPVI, LLC an unsecured promissory note, bearing interest at 8% in the amount of \$200,000, maturing on July 7, 2012. The note is currently in default and the holder has made no demand for settlement of the note which carries a 15% interest rate upon default.

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

Common Stock

In satisfaction of the Convertible Settlements Payable (Notes 7 and 14), Tarpon was issued 2,721,000 and 5,369,000 shares during the years ended April 30, 2017 and 2016, respectively and no other shares of common stock were issued.

**Note 11 – Warrants**

Costs attributable to the issuance of stock options and share purchase warrants are measured at fair value at the date of issuance and offset with a corresponding increase in 'Additional Paid in Capital' at the time of issuance. When the options or warrants are exercised, the receipt of consideration is an increase in stockholders' equity.

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**Note 11 – Warrants (continued)**

On June 20, 2016, in connection with the employment agreement with its interim CEO, the Company granted its CEO a warrant to purchase up to 100,000 common stock shares at a purchase price of \$0.01 per share. The warrant expires June 20, 2018. On September 20, 2016, the CEO resigned and terminated his contract which included the warrant and no shares were exercised.

Mr. Nicolo' Bedendo was appointed to serve for a three-year term as the CEO and granted a warrant to purchase up to 10% of the Company's then outstanding stock at the completion of the three-year term in exchange for \$15,000. Mr. Bedendo resigned on April 3, 2017 and cancelled the warrant and as of April 30, 2017 no shares were exercised.

On January 10, 2014, in connection with an employment agreement with its then CEO (Note 12), the Company granted its CEO a warrant to purchase up to 1,000,000 common stock shares at a purchase price of \$.01 per share. The warrant expired on January 10, 2016 and no shares were exercised.

On January 10, 2014, the Company granted Recap (Note 7) a warrant to purchase up to 1,000,000 common stock shares at a price of \$.01 per share. The warrant expired January 9, 2016 and no shares were exercised.

Also on January 10, 2014, the Company granted an unrelated third party a warrant to purchase up to 1,000,000 common stock shares at a price of \$.01 per share. The warrant expired January 10, 2016 and no shares were exercised.

On January 10, 2014, the Company granted an unrelated third party a warrant to purchase up to 500,000 common stock shares at a price of \$.01 per share. The warrant expired January 9, 2017 and no shares were exercised.

Following is a summary of outstanding stock warrants at April 30, 2017 and April 30, 2016 and activity during the years then ended:

	Number of Shares	Exercise Price	Weighted Average Price
Warrants as of April 30, 2015	3,500,000	\$ 0.01	\$ 0.01
Issued	-	\$ -	\$ -
Cancelled	( 3,000,000 )	\$ 0.01	\$ 0.01
Exercised	-	\$ -	\$ -
Warrants as of April 30, 2016	500,000	\$ 0.01	\$ 0.01
Issued	100,000	0.01	\$ 0.01
Cancelled	( 600,000 )	\$ 0.01	\$ 0.01
Warrants as of April 30, 2017	-	\$ -	\$ -

Summary of outstanding warrants as of April 30, 2017:

Expiration Date	Number of Shares	Exercise Price	Remaining Life (years)
	-	\$ -	-



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**Note 12 – Commitments and Contingencies**

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

On January 1, 2014, the Company entered into an employment agreement with its former CEO, Gilbert Steedley. The agreement provided for monthly compensation of \$2,500 and expired December 31, 2014 and automatically renewed annually unless terminated by either party pursuant to the agreement. On June 20, 2016, Mr. Steedley submitted his resignation effective immediately.

Effective February 1, 2016 the Company entered into a consulting agreement with Nicolo' Golia Bedendo ("Consultant") to serve as the Company's Team Leader in the Fashion Sector, for the purpose of promoting the Company's interest in the fashion industry, specifically to identify acquisition candidates and investment opportunities. In exchange for these services the Company agreed to issue and sell to the Consultant 250,000 newly-issued shares of Common Stock in the Company in consideration for a purchase price of \$1,000. Additional compensation for the Consultant's services were in the form of the assignment to the Consultant, of five percent of any equity interest acquired by the Company in any investment. The agreement was for a term of one year with automatic 12-month renewals until terminated. Upon the appointment of Mr. Bedendo as CEO and President this agreement was terminated and replaced and Mr. Bedendo did not exercise his right to be issued shares of the Company stock.

**Note 13 – Income Taxes**

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

The following table summarizes the Company's deferred tax assets at April 30:

	2017	2016
Net operating losses	\$ 75,000	\$ 192,500
Derivative changes and debt discounts	( 240,000)	396,500
Loss on conversion of debt	10,000	15,500
Total deferred tax assets (liability)	( 155,000)	604,500
Valuation allowance	155,000	( 604,500)
Total deferred tax assets, net	\$ -	\$ -

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

The Company has recognized no tax benefit for the net losses generated for the periods through April 30, 2017. ASC Topic 740 requires that a valuation allowance be provided if it is more likely than not that some portion or all of a deferred tax asset will not be realized. The Company's ability to realize the benefit of its deferred tax asset will depend on the generation of future taxable income. Because the Company has yet to recognize revenue, we believe that the full valuation allowance should be provided.

As of April 30, 2017 and 2016, we have an estimated federal and state income tax net operating loss ("NOL") carry-forward of approximately \$2,473,500 and \$2,628,500, respectively, which was incurred since the change in control (Note 1) and which will expire through the year 2038. We do not estimate we will derive any income tax benefit from losses incurred prior to the change of control due to the limitations imposed by Internal Revenue Code Section 382 pertaining to the use of net operating losses when changes in control take place.

	April 30, 2017		April 30, 2016	
	Amount	Percent	Amount	Percent
Benefits for income tax at federal statutory rate	( \$ 155,000)	34 %	\$ 604,500	34 %
Change in valuation allowance	<u>155,000</u>	( <u>34</u> )	( <u>604,500</u> )	( <u>34</u> )
	<u>\$ -</u>	<u>- %</u>	<u>\$ -</u>	<u>- %</u>

**Note 14-Derivative Liabilities**

As discussed in Note 8, several of the Company's notes payable contain conversion features which include floating conversion prices based on the quoted price of the Company's common stock. Additionally, as discussed in Note 11, the Company had no common stock warrants which were outstanding as of April 30, 2017 and 500,000 as of April 30, 2016. Management evaluated these instruments and determined that they represented derivatives, including embedded derivatives which required bifurcation. The fair value of the related derivative liability was estimated at issuance using a Black-Scholes pricing model and \$0, was recorded as a derivative liability for the years ended April 30 2017 and 2016.

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

Expected life (in years)	0.71
Weighted average volatility	148.48%
Weighted average risk-free interest rate	0.011%
Expected dividend rate	-0-

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

The following schedule includes the changes in the derivative liability measured on a recurring basis for the years ended April 30, 2017 and 2016.

Derivative Liability at April 30, 2015	\$ 762,613
Loss on derivative liability	251,436
Derivative Liability at April 30, 2016	<u>\$ 1,014,049</u>
Additions to derivative liability	173,891
Settlement of derivative liability	( 20,625)
Gain on derivative liability	<u>( 341,850)</u>
Derivative Liability at April 30, 2017	<u>\$ 825,465</u>

**Note 14 – Subsequent Events**

On June 19, 2017, the Company sold and transferred its ownership of one share in MCL to a convertible promissory note holder in exchange for the cancellation of a note dated August 1, 2014 in the principal amount of \$8,000 plus accrued interest through June 10, 2017 of \$2,250.67. The transaction cancels the Company's ownership of MCL.