Clerk's stamp:

COURT FILE NUMBER #1401 04022

CLERK OF THE COURT
FILED
APR 30 2014
CALGARY, ALBERTA

COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, RSC 1985, c C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF KYOTO FUELS CORPORATION

APPLICANT	**T&E VENTURES INC.**
RESPONDENT	**KYOTO FUELS CORPORATION**
DOCUMENT	**AFFIDAVIT**
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	Rose LLP #810, 333-5 Ave S.W. Calgary, AB T2P 3B6 Ph. (403) 776-0525 Fx. (403) 776-0501 File No.: Attention: Mr. Matthew R. Lindsay

AFFIDAVIT OF MYLES HAMILTON

Sworn on April 29, 2014

I, Myles Hamilton, of the City of Calgary, in the Province of Alberta, **MAKE OATH AND SAY THAT:**

1. I am a director of T&E Ventures Inc. ("**T&E**" or the "**Applicant**"), a secured creditor of Kyoto Fuels Corporation ("**Kyoto**") who is the subject of this application and, as such, I have personal knowledge of the matters herein deposed to, except where stated to be based on information and belief, in which case I do verily believe the same to be true.

2. T&E is an Alberta corporation in the business of financing various projects. It is primarily owned by Mr. Tom Droog.

3. In aggregate, T&E has invested more than $8.1 million in Kyoto through secured loans, convertible debentures and equity investment. T&E is the largest single creditor of Kyoto.

4. Until recently, I was a director of Kyoto, having joined the board of directors of Kyoto (the "**Board**") late in 2013 as an outside advisor. I have resigned from that position for the reasons set out herein.

RELIEF REQUESTED

5. I make this Affidavit in support of an application by T&E for an Order pursuant to the *Companies' Creditors Arrangement Act*, RSC 1985 c C-36, as amended, (the "**CCAA**") granting certain relief, including the following:

   (a) a declaration that Kyoto is an entity to which the CCAA applies;

   (b) a stay of all proceedings and remedies taken, or that might be taken, with respect to Kyoto, its respective property and undertaking, without leave of the Court or as otherwise permitted by law;

   (c) authorizing Kyoto to carry on business in a manner consistent with the preservation of its property and maximization of value of its assets for stakeholders, including to make payments, in accordance with the Cash Flows (as defined below) or by Monitor approval, and enter into contracts as necessary to continue the normal course of operations (including the sale of inventory);

   (d) appointing Ernst & Young Inc. as Monitor of Kyoto in these proceedings;

   (e) granting to the Monitor certain enhanced powers, including authorization to retain consultants or advisors in order to facilitate the proposed restructuring;

   (f) approving an interim financing facility in the principal sum of $400,000 secured by a charge against the property of Kyoto;

   (g) permitting the Applicant to file with the Court a plan or plans of compromise or arrangement;

   (h) certain other relief more specifically discussed below, including approving: (i) the creation of a charge for professional fees including the fees of the Applicant's counsel, Ernst & Young Inc. and its disbursements (including the fees and charges of any consultants or advisors retained by the Monitor and their respective legal counsel); and (ii) the creation of a charge to secure indemnification obligations in favour of officers and directors of Kyoto; and

   (i) such other relief as this Honourable court may grant.

OVERVIEW

Summary

6. Since joining the Board in 2013, I have become increasingly concerned over: (a) the financial sustainability of Kyoto, and (b) the veracity of various transactions that Kyoto has undertaken. Notwithstanding repeated questions of senior management and certain members of the Board in respect of these issues and their resolution, no satisfactory answers appear forthcoming. For these reasons, and as discussed in further detail in this affidavit, Tom Droog and myself have resigned from the Board and believe the only manner by which Kyoto may be preserved for the benefit of its various stakeholders, is to seek the protection sought in this application.

Background

7. Kyoto is a privately held company incorporated pursuant to the laws of Alberta in 2003. A copy of a search result for "Kyoto Fuels Corporation" from the Alberta Corporate Registry is attached hereto, marked as Exhibit "A".

8. Kyoto is a producer of biodiesel fuel, a fuel made from feedstocks such as plant oils or animal fats, which has benefits for both the environment and industry. Kyoto's corporate strategy is to produce high quality biodiesel from multiple feedstocks, utilizing the highest quality, lowest cost, environmentally sustainable technology.

9. Since being founded in 2003, Kyoto has worked towards its goal of building and commissioning a biodiesel refinery and production plant. The plant was completed and ready for initial production in September, 2013. Kyoto owns the second largest biodiesel facility in Canada, with producing capacity of 79 million liters per year.

10. The plant is located near Lethbridge, Alberta. Kyoto's principal address is Box 493, Lethbridge, Alberta, T1J 3Z1. From this location, Kyoto can readily access feedstocks from various local producers and market its biodiesel production to identified large-scale distributors in Canada and the United States. Kyoto is in a position to maintain strategic relationships with various feedstock suppliers, ensuring long-term, stable feedstock supply and cost predictability.

11. Kyoto has limited competition in the space that it occupies. The Archer Daniels Midland facility, in Lloydminster, Alberta (the "**ADM Plant**"), is the only other producer of biodiesel in Alberta. Kyoto represents roughly 20% of regional productive capacity, with the ADM plant being fully operational.

12. Two, smaller biodiesel producers are active in Saskatchewan and British Columbia, each with a significantly smaller annual processing capacity than Kyoto. Moreover, Kyoto has the ability to source production from multiple feedstocks. This flexibility allows Kyoto to remain cost competitive as against producers that are unable to vary their feedstock base.

13. Kyoto's emissions and environmental footprint are among the lowest of any biodiesel technology. Kyoto has a significant advantage in being able to generate Alberta Government carbon emission credits ("**Carbon Credits**") for the benefit of Kyoto and other energy companies. Carbon Credits are an Alberta Government incentive to "green" energy producers, and, being essentially a by-product of production of biodiesel for Kyoto, can be sold by Kyoto to third parties.

14. Kyoto is currently in discussions with third parties and responding to requests for proposals as received, but has not yet secured any major off-take agreements. As a result, the plant is currently not operating.

Staffing

15. Kyoto currently has a board of 6 directors. Tom Droog and myself recently resigned from the Board. Tom Droog is a director of T&E and my business partner.

16. In June, 2013, Kyoto retained Integrated Industrial Solutions (2011) Inc. ("**IIS**") to manage final construction and commissioning of the plant. IIS completed its mandate and, following completion in September, 2013, the mandate for IIS was expanded to encompass ongoing operations and finance. IIS representatives have been appointed as Chief Operating Officer and Chief Financial Officer of Kyoto. Don Pearson of IIS, who is the acting CFO, is a brother-in-law of Tom Droog.

17. Kyoto has recently taken steps to reduce cost and currently has one employee, Kelsey Prenevost ("**Prenevost**"), who is a founder and the President of Kyoto. When fully operational, Kyoto will utilize a staff of about 25 people. Kyoto normally pays approximately $10,000 per month for gross salary to Prenevost and makes tax remittances of approximately $4,200. Prenevost has not drawn his salary from Kyoto since February, 2014.

18. Kyoto currently retains IIS to manage and operate the plant at a monthly cost of approximately $122,500.

Operations

19. The plant is fully commissioned and ready to begin production, but several factors have prevented the plant from starting production, including: i) the current industry pricing for biodiesel is very low; and ii) the regulatory framework in North America, in respect of production and blending of biodiesel, gives United States producers a significant cost advantage for export ($1.00 per gallon or $.29 per liter) to the Canadian market.

20. There is an expectation that the regulatory framework will change in 2014, which will reduce competition from US producers. In addition, it is expected that demand (and therefore pricing) will increase for biodiesel fuel. However, in the meantime, Kyoto requires further financing or capital injection in order to become operational and be in a position to capitalize upon third party contracts that it is currently working on and the anticipated improvement in market conditions later this year.

CAPITALIZATION – OVERVIEW

21. The following is a summary table of the capitalization of Kyoto, as of March 31, 2014:

$15.8 million	Priority Secured Debt
$8.2 million	Subordinated Convertible Debentures
$6.6 million	Government Support Grants
$16.5 million	Equity Investment
$47.1 million	Total capital expended

22. Kyoto has made recent and past attempts to secure additional financing and has thus far been unsuccessful.

CAPITALIZATION – LIABILITIES

Priority Secured Debt

23. An overview of Kyoto's primary secured creditors is as follows:

Secured Creditor	***Estimated Aggregate Debt as of March 31, 2014***	***Interest Rate***
Agriculture Financial Services Corporation ("**AFSC**")	$5,009,681	4.73 to 4.81%
CP Energy Marketing L.P. ("**CP Energy**")	$6,180,639	12%
Courtland Hill Farms	$361,575	15%
647928 Alberta Ltd.	$361,575	15%
Steven Ell	$86,399	15%
T&E	$3,882,212 (plus $3.2 million convertible debentures)	20 to 30% 25%

24. The AFSC loan is secured by real and personal property security over all of the assets of Kyoto. The CP Energy loan is secured as against all of the real and personal property of Kyoto.

25. The CP Energy loan is unique in that Kyoto can repay the indebtedness to CP Energy in either cash or Carbon Credits. Kyoto has an arrangement with CP Energy whereby Kyoto is to repay its loan through Carbon Credits earned through to 2022, or cash if Kyoto fails to meet delivery thresholds.

26. AFSC and CP Energy have entered into an interlender agreement such that each party's security against Kyoto will rank *pari passu* with the other.

27. T&E's priority debt is secured as against the personal property of Kyoto by way of a general security agreement and mortgage. T&E's security is subordinate to the various parties listed above. T&E is the largest single creditor of Kyoto, being owed in excess of $7 million.

28. The security of each of the foregoing lenders is duly registered at the Alberta Personal Property Registry ("**PPR**"). A copy of a debtor name search of Kyoto at the PPR is attached hereto, marked as Exhibit "B".

29. Kyoto has two small equipment loan facilities with GE Canada, in the aggregate estimated amount of $50,700. Additional personal property security registrations have been made against Kyoto by De Lage Landen Financial Services Canada Inc. and National Leasing Group Inc.

30. There is approximately $6,700 owing by Kyoto to the City of Lethbridge for property taxes.

31. In aggregate, Kyoto owes approximately $15,882,081 in secured debt, as of March 31, 2014.

Subordinated Convertible Debentures

32. Kyoto has additionally made two issuances of subordinated convertible debentures:

Year of Issue	***Amount of Original Issuance***	***Interest Rate***	***Conversion Rate to Common Stock***
2012	$1,272,870	15%	$3.00 per share
2013	$5,640,000	25%	$1.75 per share

33. As of March 31, 2014, the indebtedness owed under the subordinated debenture units was approximately $8,343,924. T&E owns $3.2 million of the convertible debentures issued in 2013. In the event of conversion of all subordinated debentures to common stock, 4,705,000 additional common shares would be issued, of which T&E would hold 2,319,005 common shares, if its debentures were converted.

Government Support Grants

34. Kyoto has a production incentive from the Alberta Government at the rate of $0.13 per liter for production in 2014 and 2015 and $0.04 per liter in 2016. The Alberta Government has previously provided grants to support the construction of the Kyoto plant facility.

Equity Investment

35. As of December 31, 2013, there were 6,217,059 shares issued and outstanding, of which approximately 97% were insider held. T&E is the owner of 485,714 shares, which were acquired at $1.75 per share.

Unsecured and Trade Debt

36. By April of 2014, Kyoto had more than $5 million of unsecured and trade debt outstanding, made up of about 75 vendors.

37. IIS is currently owed approximately $3,515,000, which indebtedness continues to increase through its current mandate. I have spoken with Dennis Pearson and Don Pearson of IIS and verily believe that they agree with and support this application by T&E.

FINANCIAL STATEMENTS OF KYOTO

38. Attached hereto, marked as Exhibit "C", is a copy of Kyoto's audited financial statement for the year ending December 31, 2012 (the "**Annual Financials**").

39. Attached hereto, marked as "D" is a copy of Kyoto's unaudited financial statement for the two months ending February 28, 2014 (the "**2014 Financials**").

40. Attached hereto, marked as Exhibit "E" is a copy of Kyoto's cash flow projections for Kyoto for the 13 week period commencing April 27, 2014 and ending the week including July 26, 2014 and related notes and representations (the "**Cash Flows**"). The Cash Flows were prepared by IIS on behalf of Kyoto and may need to be amended as matters progress.

INTERIM FINANCING REQUIREMENT

41. Kyoto currently has no operations to generate cash flow. Kyoto is insolvent on both a liquidity and balance sheet basis.

Liquidity

42. Several vendors have been unpaid by Kyoto for some time and collection efforts have been commenced. In excess of $3.7 million of accounts payable have been outstanding for more than 90 days. Some critical services are starting to be terminated for Kyoto, as described in more detail below.

43. Moreover, T&E served demands on Kyoto pursuant to the credit facility it has granted in favour of T&E. Not including its equity investment, T&E is owed the sum of $7,305,394. Kyoto appears to have no ability to repay that amount.

Balance Sheet

44. Recent appraisals of the value of Kyoto suggest that if Kyoto or its assets were presently sold, the proceeds would not be sufficient to meet all of its liabilities. If this restructuring opportunity for Kyoto is not granted, the many stakeholders of Kyoto will experience significant losses. It is expected that a liquidation would result in little to no recovery for T&E, and likely a total loss for the subordinated debenture holders, unsecured creditors and shareholders of Kyoto.

45. For so long as Kyoto is not operating and unable to generate cash, it will have to rely on existing lenders, investors and other stakeholders to support its cash requirements. T&E has been a primary supporter in this regard over the past 4 years, with the intention of preserving its initial investments. However, T&E is not prepared to extend further credit to Kyoto in the current circumstance unless, i) Kyoto enters creditor protection and takes steps, including with the assistance of the Monitor and other professionals, to restructure, and ii) an interim financing facility is approved such that future advances are secured in a priority position.

46. As set out in the Cash Flows, the estimated cash requirement for Kyoto over the next 30 days is roughly $400,000 to meet bare essential payables and professional fees in connection with this proceeding. A priority financing facility appears to be required in this amount to cover this immediate cash requirement.

47. T&E is prepared to extend the required priority financing on the terms contemplated in the attached Commitment Letter, dated April 29, 2014 (the "**Commitment Letter**"). The Commitment Letter is conditional upon an Order of the Court being granted giving Kyoto the benefit of an initial stay period under the CCAA, and T&E being granted a priority charge for the repayment of advances. A copy of the Commitment Letter is attached hereto, marked as Exhibit "F".

BOARD IMPAIRMENT

48. Since my appointment to the Board, I have learned of several transactions involving Kyoto and various related parties that I believe bear further investigation. I verily believe that a court officer is the appropriate party to review these matters.

49. Prior to my resignation, I was an outside director of Kyoto for only a short time. I found the board was often divided on go-forward strategy and unable to address the financial difficulties that have been plaguing Kyoto for some time. At the present time, I believe there is a lack of trust among the board members of Kyoto and a lack of confidence in the Board by Kyoto's lenders and investors.

50. The foregoing issues have deteriorated T&E's confidence in the Board. This, and the inability of the Board to demonstrate a strategy to deal with the current financial crisis for Kyoto, precipitated the resignation of myself and Tom Droog from the Board and the immediacy of this action by T&E.

51. In light of the lack of direction that Kyoto currently has, T&E proposes that the Monitor have expanded powers, including to be authorized to retain a consultant to make necessary investigations and assist Kyoto with assessing and, hopefully, resolving its current challenges. I believe this would be in Kyoto's best interests and will greatly increase the prospect of accomplishing a successful restructuring for the benefit of Kyoto's stakeholders.

NECESSITY AND URGENCY OF THE PRESENT APPLICATION

52. Kyoto's business platform is sound and potentially significant. The processing facility is complete and the company has been forging relationships with feedstock suppliers, service providers, producers, investors, and lenders, all of which will remain important to its ongoing success. Kyoto is ready to start generating returns for its stakeholders.

53. As a result of market factors, a lack of operations at this time, and significant leveraging, Kyoto has no ability to meet its immediate cash requirements. Kyoto is in urgent need of short term Court protection so that it may assess strategic alternatives to finance operations, reduce its debt, and become fully operational.

54. Among Kyoto's unpaid suppliers are several utility companies. These suppliers have indicated intention to disconnect services. If this occurs this may create a significant environmental risk at the plant. Methanol is a necessary material in biodiesel processing and is kept on site. This is a highly explosive material. Continued power supply is necessary for alarm and fire suppression systems, at the very least. It is critical that immediate measures be taken to pay these suppliers and ensure continuing, critical services are provided. Time is of the essence.

55. In addition to utilities, water and waste services have been cut off, collection processes have been commenced and at least one law suit has been filed. In addition to T&E's demand, CP Energy has recently made demand and served Kyoto with a Notice of Intention to enforce its security.

56. Kyoto occupies an important and unique place in the Alberta economy, having been designed to produce biodiesel using vegetable feedstock (primarily Canola) or tallow feedstock, which are sourced from local producers and beef processing plants in southern Alberta. If the Kyoto plant ran at capacity using canola feedstock exclusively, for example, 150,000 acres would be required

to support Kyoto's feedstock requirement. The economic impact of this will be significant in southern Alberta.

57. Moreover, Kyoto has the ability to generate Carbon Credits, which are not only of significant value to Kyoto, but to other participants in the Alberta energy industry, including CP Energy with whom Kyoto currently has ongoing arrangements.

58. I verily believe the value of Kyoto is as a going concern and the competitive advantages that it has in the niche market space that it occupies. I believe that the stability brought by obtaining the relief sought, and particularly a stay of proceedings, the approval of short-term interim financing and the appointment of the proposed monitor, will provide the opportunity necessary for Kyoto to work with its private investors and other strategic partners to explore the continued viability of Kyoto's business.

59. If the opportunity to assess a possible restructuring of Kyoto is not granted, T&E, Kyoto's largest creditor, and many other stakeholders would stand to see little or no recovery. I do not believe that any party will be materially prejudiced by the relief sought in this application.

MONITOR

60. Ernst & Young Inc. has consented to the Applicant's request that it act as monitor (the "**Monitor**") of Kyoto, if so appointed.

RELIEF SOUGHT

Stay of Proceedings

61. As discussed above, Kyoto has no cash flow and is unable to meet its current obligations. T&E is highly concerned that the exercise by other creditors of their security could result in major environmental concerns and will result in a significant erosion of the value of Kyoto to its many stakeholders. A stay will afford Kyoto, in conjunction with the Monitor and the affected lenders, an opportunity to review the viability of the business and devise an emergence strategy to maximize the value of Kyoto.

Administrative Charge

62. In connection with its appointment, it is contemplated that the Monitor would be granted a Court-ordered charge over the assets, property and undertaking of Kyoto (the "**Administration Charge**") in respect of security for the payment of its fees and disbursements, including the fees of restructuring and legal advisors the Monitor may retain. The fees and disbursements of these professionals, incurred at the standard rates and charges of such parties, necessitates an Administration Charge in an aggregate amount of $100,000.

63. I believe the Administration Charge is necessary, and is not in excess of what the cost of a receivership or alternative proceeding would be in this case.

Interim Financing Charge

64. In connection with the immediate cash requirement of Kyoto, T&E is prepared to advance funds to Kyoto in connection with the proposed interim financing facility. T&E will only advance funds in connection with this facility so long as all further advances are secured by a Court-ordered

charge in favour of T&E (the "**Interim Financing Charge**") in the amount of $400,000 over the assets, property and undertaking of Kyoto ahead of all existing secured, unsecured and other claims, subject only to the Administration Charge.

Director and Officer Indemnity

65. Kyoto's obligations to fund payroll, remit the necessary statutory withholdings, remit GST remittances, and ensure that all taxes are paid amounts to less than $5,000 of exposure to directors per month.

66. T&E supports the approval of a Court-ordered charge in the amount of $20,000 over the assets, property and undertaking of Kyoto (the "**D & O Charge**") to secure an indemnity in favour of the directors and officers of Kyoto in respect of any liabilities they may incur in their capacity as directors and officers from and after the commencement of these proceedings. T&E has discussed the quantum of the proposed D & O Charge with the proposed Monitor, who has indicated that it has no objection to the quantum of the proposed D & O Charge.

Enhanced Role of the Monitor

67. In light of the Board impairment of Kyoto, T&E supports an expanded role of the Monitor to ensure the Monitor is able to:

(a) review the sustainability of Kyoto going forward;

(b) monitor and control the spending of Kyoto during the course of any restructuring;

(c) engage with counterparties and potential counterparties for support to operationalize Kyoto;

(d) report to Kyoto's primary stakeholders;

(e) investigate certain material transactions undertaken by Kyoto; and

(f) discuss with key stakeholders further steps to be undertaken.

68. It is anticipated the Monitor would retain 1817854 Alberta Ltd., whose principal is Tyrone Schneider, to assist the Monitor in this regard. T&E supports this course of action.

SUMMARY

69. I believe that the most feasible and viable option for Kyoto to restructure and best serve all of its stakeholders is through a CCAA proceeding. The protection afforded by the CCAA will allow Kyoto the opportunity it needs to assess its current difficulties, resolve an effective strategy and emerge from these proceedings as a stronger enterprise. If the requested CCAA protection is not granted, Kyoto and its assets will be exposed to the likelihood of immediate liquidation that will cause a material deterioration in value to the estate and significant losses for all affected creditors.

70. I make this Affidavit in support of an application by T&E under the provisions of the CCAA for an order substantially in the form of the draft Order which is submitted with this application, declaring Kyoto to be a corporation to which the CCAA applies, appointing Ernst & Young Inc. as monitor, granting certain expanded powers to the Monitor as are necessary and appropriate in

the circumstances, granting a stay of proceedings on the terms set out in the draft Order, granting the priority charges as described herein, declaring service of this application to be good and sufficient, and granting such other relief as is set out in the draft form of Order sought.

Sworn before me in the City of Calgary, in the Province of Alberta, the 29th day of April, 2014.	)
A Commissioner of Oaths in and for the Province of Alberta	)

THIS IS EXHIBIT "A"

Referred to in the Affidavit of

MYLES HAMILTON

Sworn before me this 29th day of April, 2014

A Commissioner for Oaths in and for
the Province of Alberta
MATTHEW R. LINDSAY
Barrister & Solicitor

Government of Alberta ■

Corporation/Non-Profit Search
Corporate Registration System

Date of Search: 2014/04/22
Time of Search: 08:08 AM
Search provided by: ELDOR-WAL REGISTRATIONS (1987) LTD

Service Request Number: 21330417
Customer Reference Number:

Corporate Access Number: 2010466189
Legal Entity Name: KYOTO FUELS CORPORATION

Legal Entity Status: Active
Alberta Corporation Type: Named Alberta Corporation
Registration Date: 2003/05/15 YYYY/MM/DD
Date of Last Status Change: 2007/12/19 YYYY/MM/DD

Revival/Restoration Date: 2007/12/19 YYYY/MM/DD

Registered Office:
Street: 476 MT. SUNBURST CRES W
City: LETHBRIDGE
Province: ALBERTA
Postal Code: T1K 2S6

Records Address:
Street: 476 MT. SUNBURST CRES W
City: LETHBRIDGE
Province: ALBERTA
Postal Code: T1K 2S6

Directors:

Last Name: ARSENYCH
First Name: JEFFREY
Middle Name: W.C.
Street/Box Number: 810, 720 13 AVENUE SW
City: CALGARY
Province: ALBERTA
Postal Code: T2R 1M5

Last Name: KOLIASKA
First Name: JOHN
Middle Name: M.
Street/Box Number: BOX 493

City: LETHBRIDGE
Province: ALBERTA
Postal Code: T1J 3Z1

Last Name: PRENEVOST
First Name: KELSEY
Street/Box Number: 476 MT. SUNBURST CRESCENT W.
City: LETHBRIDGE
Province: ALBERTA
Postal Code: T1K 2S6

Last Name: SMITH
First Name: PETE
Middle Name: GRANVILLE
Street/Box Number: 63 MORAN AVENUE, SUITE B
City: PRINCETON
Province: NEW JERSEY
Postal Code: 08542

Last Name: TAMS
First Name: ROBIN
Street/Box Number: BOX 4194
City: TABER
Province: ALBERTA
Postal Code: T1G 2C7

Last Name: THACKER
First Name: JIM
Street/Box Number: PO BOX 1045
City: BOW ISLAND
Province: ALBERTA
Postal Code: T0K0S0

Voting Shareholders:

Last Name: AL TAYYAR ENERGY CANADA LTD.
Street: 3000, 700 - 9 AVENUE SW
City: CALGARY
Province: ALBERTA
Postal Code: T2P 3V4
Percent Of Voting Shares: 13.68

Legal Entity Name: T & E VENTURES INC.
Corporate Access Number: 2014991315
Street: RR1, SITE 16, BOX 25
City: DE WINTON
Province: ALBERTA
Postal Code: T0L 0X0
Percent Of Voting Shares: 8.07

Last Name:	TAMS
First Name:	IDA
Middle Name:	C.
Street:	611 PARK PLACE
City:	TABER
Province:	ALBERTA
Postal Code:	T1G 1E9
Percent Of Voting Shares:	6.48

Last Name:	TAMS
First Name:	ROB
Street:	BOX 4194
City:	TABER
Province:	ALBERTA
Postal Code:	T1G 2C7
Percent Of Voting Shares:	5.69

Last Name:	TAMS
First Name:	ROBIN
Street:	5909 43RD STREET
City:	TABER
Province:	ALBERTA
Postal Code:	T1G 0C9
Percent Of Voting Shares:	13.52

Details From Current Articles:

The information in this legal entity table supersedes equivalent electronic attachments

Share Structure:	THE ATTACHED SCHEDULE A IS INCORPORATED INTO AND FORMS A PART OF THIS FORM
Share Transfers Restrictions:	NONE
Min Number Of Directors:	3
Max Number Of Directors:	9
Business Restricted To:	NONE
Business Restricted From:	NONE
Other Provisions:	THE ATTACHED SCHEDULE RE OTHER PROVISIONS IS INCORPORATED IN THIS FORM

Holding Shares In:

Legal Entity Name
CTI RESOURCES CORPORATION
PRAIRIE BIOGAS & POWER CORPORATION

Other Information:

Last Annual Return Filed:

File Year	Date Filed (YYYY/MM/DD)
2013	2013/06/10

Filing History:

List Date (YYYY/MM/DD)	Type of Filing
2003/05/15	Incorporate Alberta Corporation
2006/02/28	Name/Structure Change Alberta Corporation
2007/07/02	Status Changed to Start for Failure to File Annual Returns
2007/11/02	Status Changed to Struck for Failure to File Annual Returns
2007/12/19	Initiate Revival of Alberta Corporation
2007/12/19	Complete Revival of Alberta Corporation
2008/03/18	Change Address
2012/02/23	Change Director / Shareholder
2013/06/10	Enter Annual Returns for Alberta and Extra-Provincial Corp.

Attachments:

Attachment Type	Microfilm Bar Code	Date Recorded (YYYY/MM/DD)
Share Structure	ELECTRONIC	2003/05/15
Restrictions on Share Transfers	ELECTRONIC	2003/05/15
Other Rules or Provisions	ELECTRONIC	2003/05/15
Other Rules or Provisions	ELECTRONIC	2006/02/28

This is to certify that, as of this date, the above information is an accurate reproduction of data contained within the official records of the Corporate Registry.

THIS IS EXHIBIT "B"

Referred to in the Affidavit of

MYLES HAMILTON

Sworn before me this 29th day of April, 2014

A Commissioner for Oaths in and for
the Province of Alberta

MATTHEW R. LINDSAY
Barrister & Solicitor

Personal Property Registry
Search Results Report

Search ID#: Z05613982

Transmitting Party
ELDOR-WAL REGISTRATIONS (1987) LTD.

29 10015 103 AVENUE
EDMONTON, AB T5J 0H1

Party Code: 50073881
Phone #: 780 429 5969
Reference #:

Search ID #: Z05613982 **Date of Search:** 2014-Apr-29 **Time of Search:** 12:14:54

Business Debtor Search For:

KYOTO FUELS CORPORATION

Both Exact and Inexact Result(s) Found

NOTE:

A complete Search may result in a Report of Exact and Inexact Matches.
Be sure to read the reports carefully.

Business Debtor Search For:

KYOTO FUELS CORPORATION

Search ID #: Z05613982 **Date of Search:** 2014-Apr-29 **Time of Search:** 12:14:54

Registration Number: 09081934066 Registration Type: SECURITY AGREEMENT
Registration Date: 2009-Aug-19 Registration Status: Current
Expiry Date: 2026-Aug-19 23:59:59

Exact Match on: Debtor No: 1

Amendments to Registration

13022805304	Amendment	2013-Feb-28
14012431583	Renewal	2014-Jan-24

Debtor(s)

Block **Status**

1 KYOTO FUELS CORPORATION Current
476 Mt. Sunburst Cres W
Lethbridge, AB T1K 2S6

Secured Party / Parties

Block **Status**

1 AGRICULTURE FINANCIAL SERVICES CORPORATION Deleted by 13022805304
P.O. Box 5000 Stat M, 4910 - 52 STREET
CAMROSE, AB T4V 4E8

Phone #: 780 679 1350 Fax #: 780 679 1394

Block **Status**

2 AGRICULTURE FINANCIAL SERVICES CORPORATION Current by 13022805304
4910 - 52 STREET
CAMROSE, AB T4V 2V4

Phone #: 780 679 1350 Fax #: 780 679 1394

Collateral: General

Block **Description** **Status**

1	All present and after-acquired personal property of the Debtor plus proceeds: goods, chattel paper, securities, documents of title, instruments, money and intangibles.	Current

Business Debtor Search For:

KYOTO FUELS CORPORATION

Search ID #: Z05613982 **Date of Search:** 2014-Apr-29 **Time of Search:** 12:14:54

Registration Number: 09081934075
Registration Date: 2009-Aug-19

Registration Type: LAND CHARGE
Registration Status: Current
Registration Term: Infinity

Exact Match on: Debtor No: 1

Amendments to Registration

13022803045	Amendment	2013-Feb-28

Debtor(s)

Block		Status
1	KYOTO FUELS CORPORATION 476 Mt. Sunburst Cres W Lethbridge, AB T1K 2S6	Current

Secured Party / Parties

Block		Status
1	AGRICULTURE FINANCIAL SERVICES CORPORATION P.O. Box 5000 Stat M, 4910 - 52 STREET CAMROSE, AB T4V 4E8 Phone #: 780 679 1350 Fax #: 780 679 1394	Deleted by 13022803045

Block		Status
2	AGRICULTURE FINANCIAL SERVICES CORPORATION 4910 - 52 STREET CAMROSE, AB T4V 2V4 Phone #: 780 679 1350 Fax #: 780 679 1394	Current by 13022803045

Business Debtor Search For:

KYOTO FUELS CORPORATION

Search ID #: Z05613982 **Date of Search:** 2014-Apr-29 **Time of Search:** 12:14:54

Registration Number: 10020113361
Registration Date: 2010-Feb-01

Registration Type: SECURITY AGREEMENT
Registration Status: Current
Expiry Date: 2016-Feb-01 23:59:59

Exact Match on: Debtor No: 2

Amendments to Registration

10020801897	Amendment	2010-Feb-08

Debtor(s)

Block		Status
1	KYOTO FUELS CORPORATION P.O. Box 493 Lethbridge, AB T1J3Z1	Deleted by 10020801897

Block		Status
2	KYOTO FUELS CORPORATION Lot 17, Blk 1, Pln 0813847 8-21-4 Lethbridge, AB T1J3Z1	Current by 10020801897

Secured Party / Parties

Block		Status
1	GENERAL ELECTRIC CANADA EQUIPMENT FINANCE G.P. 5500 NORTH SERVICE ROAD, 8TH FLOOR BURLINGTON, ON L7L 6W6	Current

Collateral: Serial Number Goods

Block	Serial Number	Year	Make and Model	Category	Status
1	K090052663	2009	Cummins 350DFEG Unit	MV - Motor Vehicle	Current

Collateral: General

Block	Description	Status
1	The goods described herein, wherever situated, and all present and after-acquired intellectual property, intangibles, attachments, accessories and accessions thereto and spare parts, replacements, substitutions, exchanges and trade-ins therefor, and all rights, receivables and chattel paper derived from or evidencing the lease or rental thereof by the Debtor to third parties, and all proceeds relating thereto. Proceeds: all of the Debtor's present and after-acquired personal property which is derived directly or indirectly from any dealing with or disposition of the above-described collateral, including, without limiting the generality of the foregoing, all insurance and other payments payable as indemnity or compensation for loss or damage thereto and all chattel paper, documents of title, goods, instruments, intangibles, money and securities.	Current

Business Debtor Search For:

KYOTO FUELS CORPORATION

Search ID #: Z05613982 **Date of Search:** 2014-Apr-29 **Time of Search:** 12:14:54

Registration Number: 10120324755 Registration Type: SECURITY AGREEMENT
Registration Date: 2010-Dec-03 Registration Status: Current
Expiry Date: 2020-Dec-03 23:59:59

Exact Match on: Debtor No: 1

Amendments to Registration

11020247956	Amendment	2011-Feb-02

Debtor(s)

Block		Status
1	KYOTO FUELS CORPORATION P.O. Box 493 Lethbridge, AB T1J 3Z1	Current

Secured Party / Parties

Block		Status
1	CP ENERGY MARKETING L.P. 5th Floor, 10088 - 102 Avenue Edmonton, AB T5J 2Z1	Current

Collateral: General

Block	Description	Status
1	ALL PRESENT AND AFTER-ACQUIRED PROPERTY OF THE DEBTOR.	Current

2 Pump Model # / Make / Serial # — Current By 11020247956

GG0801 / Tuthill / G17318
GG0801 / Tuthill / G17315
03UCBN2A2.5AIB / Ultramate Reducer
GG0801 / Tuthill / G17317
03UCBN2A3.2AIB / Ultramate Reducer
XJ10055-800-21766D4-1000-36-3y6 / Price / 77465
GG0801 / Tuthill / G16837
03UCBN2A3.2AIB / Ultramate Reducer
GG0801 / Tuthill / G16839
03UCBN2A3.2AIB / Ultramate Reducer
GG0801 / Tuthill / G16838
03UCBN2A3.2AIB / Ultramate Reducer
XJ10055-800-21766D4-1000-36-3y6 / Price / 77467
GG0801 / Tuthill / G16840
03UCBN2A3.2AIB / Ultramate Reducer
GG0801 / Tuthill / G16836
03UCBN2A3.2AIB / Ultramate Reducer
GG0801 Tuthill / G16844
03UCBN2A3.2AIB / Ultramate Reducer
MDFL250GFAG-D / IWAKI / 0703223348
MDFL250GFAG-D / IWAKI / 0703223355
MDFL250GFAG-D / IWAKI / 06035314319
MDFL250GFAG-D / IWAKI / 070212411
GG0801 / Tuthill / G17404
GG0801 / Tuthill / G17415
4314V6 CC-6 / Tuthill / 4740013
03UCBN242.5AIB / Ultramate / Reducer
GG0801 / Tuthill / G15618
03UCBN242.5AIB / Ultramate Reducer
D03XK5GTTTTA / Wanner / 201893
D03XK5GTTTTA / Wanner / 200641
D35C960000IH / Wanner / 200705
GG0801 / Tuthill / G17412
4314VCC-8 / Tuthill / 4740013
03UCBN2A2.5AB / Ultramate Reducer
GG0801 / Tuthill / G17314
XJ10055-800-2176604-100-36-3Y6 / Price / 82387
GG0801 / Tuthill / G17313
03UCBN2A2.5AIB / Ultramate Reducer
GG0801 / Tuthill / G17316
03UCBN2A2.5AIB / Ultramate Reducer
XJ100SS-800-217660Y-1000-36-3Y6 / Price / 82385
D35G9600001H / Wanner / 201942
D35G9600001H / Wanner / 201491
D03XK5GTTTTA / Wanner / 200637
GG0801 / Tuthill / G17413
GG0801 / Tuthill / G17410
A100L / Eagle Pump / A09137391A
A100L / Eagle Pump / A09137391B
A100L / Eagle Pump / A09137391C
2196 Ansi CI/SS C/W / Summit / 01002193

(2196) 2X3-6 DISS 316 SS C/W / Summit / 01002195

2196 Ansi pump CI/316 C/W / Summit / 01002202

2196 Ansi pump CI/316 C/W / Summit / 01002202-1

2196 Ansi pump 316 SS C/W / Summit / 01002201

2196 Ansi pump STO SST C/W SST / Summit / 01002197

3 Filter Model # / Make / Serial #
P2 Housings / FSI / 66387
P2 Housings / FSI / 67945
P2 Housings / FSI / 68325
662E / Fluid Engineering / 5515
662E / Fluid Engineering / 5515
662E / Fluid Engineering / 5516
662E / Fluid Engineering / 5116
662E / Fluid Engineering / 5517
662E / Fluid Engineering / 5517
662E / Fluid Engineering / 5118
662E / Fluid Engineering / 5118

Current By
11020247956

Heat exchanger / Make / Serial #
Heat exchanger / Armstrong / AC101078-101
Heat exchanger / APV / G2007000828
Heat exchanger / APV / G2007000832
Heat exchanger / APV / G2007000831
Heat exchanger / APV / G2007000830
Heat exchanger / Ketena / 340957

Boiler / Make / Serial #
Boiler / Viessmann / 714 23607 00112
Boiler / Viessmann / 714 23607 00131
Boiler / Sellers / 78920
Boiler surge tank / Sellers / 46591
Boiler deaerator / Sellers / 46590

Air Handling Unit / Make / Serial #
AHU-1 / Air Engineering / S44940
AHU-2 / Air Engineering / S44940

Nitrogen Generator / Make / Serial #
Nitrogen Generator / Ingersoll Rand / 810330

Air compressor / Make / Serial #
Air compressor / Ingersoll Rand / CA3555U08050
Air Dryer / Ingersoll Rand / 343419

VFD, MCC and Switchgear / Make / Serial #
VFD / MCI Technologies / M-08110187
VFD / MCI Technologies / M-08110188
VFD / MCI Technologies / M-08110189
MCC-1 and MCC-2 / Allen-Bradley / 21008C-R5052692/01
Switchgear Unit / Cutler-Hummer / 14E3981

4	Process and storage tanks/ Make / Serial # Recirculation tank / Harliss / 2720 Recirculation tank / Harliss / 2721 Recirculation tank / Harliss / 2727 Recirculation tank / Harliss / 2728 Recirculation tank / Harliss / 2738 Recirculation tank / Harliss / 2739 Recirculation tank / Harliss / 2737 Recirculation tank / Harliss / 2740 Settling tank / Harliss / 2707 Settling tank / Harliss / 2708 Settling tank / Harliss / 2711 Settling tank / Harliss / 2710 Storage tank / Rugged Tanks / 101907 Storage tank / Rugged Tanks / 101807 Storage tank / Rugged Tanks / 101707 Storage tank / Rugged Tanks / 0 11307 Storage tank / Rugged Tanks / 0 51909 Storage tank / Rugged Tanks / 101607 Storage tank / Rugged Tanks / 0 61607 Storage tank / Rugged Tanks / 0 60807 Storage tank / Rugged Tanks / 0 61407 Storage tank / Rugged Tanks / 0 60907 Storage tank / Rugged Tanks / 101207 Storage tank / Rugged Tanks / 0 61307 Storage tank / Rugged Tanks / 101407 Storage tank / Rugged Tanks / 101507 Storage tank / Rugged Tanks / 0 61807 Transformer and em.generator / Make / Serial # Transformer / ADB Power T&D Co, Inc / 08J112057 Emergency Generator / Global Power Components / 671423 Towers and columns / Make / Serial # Cooling towers / Baltimore Aircoil Company / U083402701 Cooling towers / Baltimore Aircoil Company / U083402702 Cooling towers / Baltimore Aircoil Company / U083402703 SRXC-700 Column / SRS Engineering Corporation / SRXC-700 ASV-3200 Column / SRS Engineering Corporation / ASV-3200 SRS remote panel / SRS Engineering Corporation / 121907-CPTL-3 Chiller / Make / Serial # Chiller CCW2-200 / Cooling Technology, Inc / compressors 7A5902, 7A5901, HE 472593, 472594, pump CM 4106T Loading skids / Make / Serial # Blending and loading skid / Don Johns / KH1005, 1001, 1002 Loading skid / Don Johns / KH 1004 Economizer / Make / Serial # Economizer RTR series / Cain industries / 5365	Current By 11020247956

Government of Alberta ■

Business Debtor Search For:

KYOTO FUELS CORPORATION

Search ID #: Z05613982 **Date of Search:** 2014-Apr-29 **Time of Search:** 12:14:54

Registration Number: 10120324886
Registration Type: LAND CHARGE
Registration Date: 2010-Dec-03
Registration Status: Current
Registration Term: Infinity

Exact Match on: Debtor No: 1

Debtor(s)

Block		Status
1	KYOTO FUELS CORPORATION P.O. Box 493 Lethbridge, AB T1J 3Z1	Current

Secured Party / Parties

Block		Status
1	CP ENERGY MARKETING L.P. 5th Floor, 10088 - 102 Avenue Edmonton, AB T5J 2Z1	Current

Business Debtor Search For:

KYOTO FUELS CORPORATION

Search ID #: Z05613982 **Date of Search:** 2014-Apr-29 **Time of Search:** 12:14:54

Registration Number: 11051603892 Registration Type: SECURITY AGREEMENT

Registration Date: 2011-May-16 Registration Status: Current

Expiry Date: 2017-May-16 23:59:59

Exact Match on: Debtor No: 1

Debtor(s)

Block		Status
1	KYOTO FUELS CORPORATION Plan 0813847 Block 1 Lot 17 Lethbridge, AB T1J3Z1	Current

Secured Party / Parties

Block		Status
1	GENERAL ELECTRIC CANADA EQUIPMENT FINANCE G.P. 5500 NORTH SERVICE ROAD, 8TH FLOOR BURLINGTON, ON L7L 6W6	Current

Collateral: Serial Number Goods

Block	Serial Number	Year	Make and Model	Category	Status
1	A5GM37144	2010	Bobcat S250	MV - Motor Vehicle	Current

Collateral: General

Block	Description	Status

1	The goods described herein, wherever situated, and all present and after-acquired intellectual property, intangibles, attachments, accessories and accessions thereto and spare parts, replacements, substitutions, exchanges and trade-ins therefor, and all rights, receivables and chattel paper derived from or evidencing the lease or rental thereof by the Debtor to third parties, and all proceeds relating thereto. Proceeds: all of the Debtor's present and after-acquired personal property which is derived directly or indirectly from any dealing with or disposition of the above-described collateral, including, without limiting the generality of the foregoing, all insurance and other payments payable as indemnity or compensation for loss or damage thereto and all chattel paper, documents of title, goods, instruments, intangibles, money and securities.	Current

Business Debtor Search For:

KYOTO FUELS CORPORATION

Search ID #: Z05613982 **Date of Search:** 2014-Apr-29 **Time of Search:** 12:14:54

Registration Number: 11092633272
Registration Date: 2011-Sep-26

Registration Type: SECURITY AGREEMENT
Registration Status: Current
Expiry Date: 2021-Sep-26 23:59:59

Exact Match on: Debtor No: 1

Debtor(s)

Block		Status
1	KYOTO FUELS CORPORATION BOX 493 LETHBRIDGE, AB T1J 3Z1	Current

Secured Party / Parties

Block		Status
1	ELL, STEVEN, WAYNE BOX 20 BURDETT, AB T0K0J0	Current

Collateral: General

Block	Description	Status
1	ALL PRESENT AND AFTER-ACQUIRED PERSONAL PROPERTY OF THE DEBTOR.	Current

Business Debtor Search For:

KYOTO FUELS CORPORATION

Search ID #: Z05613982 **Date of Search:** 2014-Apr-29 **Time of Search:** 12:14:54

Registration Number: 11092633338 Registration Type: SECURITY AGREEMENT

Registration Date: 2011-Sep-26 Registration Status: Current

Expiry Date: 2021-Sep-26 23:59:59

Exact Match on: Debtor No: 1

Debtor(s)

Block		Status
1	KYOTO FUELS CORPORATION BOX 493 LETHBRIDGE, AB T1J 3Z1	Current

Secured Party / Parties

Block		Status
1	COURTLAND HILL FARMS LTD. BOX 23 BOW ISLAND, AB T0K 0G0	Current

Collateral: General

Block	Description	Status
1	ALL PRESENT AND AFTER-ACQUIRED PERSONAL PROPERTY OF THE DEBTOR.	Current

Business Debtor Search For:

KYOTO FUELS CORPORATION

Search ID #: Z05613982 **Date of Search:** 2014-Apr-29 **Time of Search:** 12:14:54

Registration Number: 11092633363 Registration Type: SECURITY AGREEMENT
Registration Date: 2011-Sep-26 Registration Status: Current
Expiry Date: 2021-Sep-26 23:59:59

Exact Match on: Debtor No: 1

Debtor(s)

Block		Status
1	KYOTO FUELS CORPORATION BOX 493 LETHBRIDGE, AB T1J 3Z1	Current

Secured Party / Parties

Block		Status
1	647928 ALBERTA LTD. BOX 20 BURDETT, AB T0K 0J0	Current

Collateral: General

Block	Description	Status
1	ALL PRESENT AND AFTER-ACQUIRED PERSONAL PROPERTY OF THE DEBTOR.	Current

Business Debtor Search For:

KYOTO FUELS CORPORATION

Search ID #: Z05613982 **Date of Search:** 2014-Apr-29 **Time of Search:** 12:14:54

Registration Number: 13051027358 Registration Type: SECURITY AGREEMENT
Registration Date: 2013-May-10 Registration Status: Current
Expiry Date: 2018-May-10 23:59:59

Exact Match on: Debtor No: 1

Debtor(s)

Block		Status
1	KYOTO FUELS CORPORATION BOX 493 LETHBRIDGE, AB T1J 3Z1	Current

Secured Party / Parties

Block		Status
1	T&E VENTURES INC. R.R.#1 SITE 16, COMP 25 DEWINTON, AB T0L 0X0	Current

Collateral: General

Block	Description	Status

1	Security - As general and continuing security for the payment and performance of the Obligations, the Debtor hereby grants to the Secured Party, by way of mortgage, charge, assignment and transfer, a security interest (the "Security Interest") in all of the present and after-acquired personal property of the Debtor (collectively, the "Collateral"), and as further general and continuing security for the payment and performance of the Obligations, the Debtor hereby assigns the Collateral to the Secured Party and mortgages and charges the Collateral to the Secured Party. Without limiting the generality of the foregoing, the Collateral shall include all right, title and interest that the Debtor now has, may be possessed of, entitled to, or acquire, by way of amalgamation or otherwise, now or hereafter or may hereafter have in all property of the following kinds: (a) Accounts Receivable: all debts, accounts, dues, accounts receivables, claims, demands and choses in action of every nature and kind howsoever arising or secured including letters of credit and advices of credit, which are now due, owing or accruing to growing due to or owned by, or which may hereafter become due, owing or accruing or growing due to or owed by the Debtor (collectively, the "Receivables"); (b) Debts: all book accounts and book debts and generally all accounts, debts, dues, claims, chose in actions and demands of every nature and kind howsoever arising or secured including letters of credit and advices of credit, which are now due, owing or accruing to growing due to or owned by or which may hereafter become due, owing or accruing or growing due to or owned by Debtor (collectively, the "Debts");	Current
2	(c) Inventory: all inventory of whatever kind and wherever situated including, without limiting the generality of the foregoing, all goods held for sale or lease, or furnished or to be furnished under contracts for service, or that are work in progress, or that are raw materials used or consumed in the business of the Debtor (collectively, the "Inventory"); (d) Equipment: all goods, machinery, equipment, fixtures, furniture, plant, vehicles and other tangible personal property which are not Inventory, including, without limiting the generality of the foregoing, the tangible personal property described in any schedule hereto executed by both the Debtor and the Secured Party; (e) Chattel Paper: all chattel paper; (f) Documents of Title: all warehouse receipts, bills of lading and other documents of title, whether negotiable or not; (g) Investment Property and Instruments: all shares, stock, warrants, bonds, debentures, debenture stock and other investment property and all instruments (collectively, the "Securities");	Current
3	(h) Intangibles: all intangibles not described in Section 2.1(a) or (b) including, without limiting the generality of the foregoing, all permits, licenses and authorizations, whether directly or indirectly held, including without limitation, any rights owned, granted, approved or issued directly or indirectly, or held, or leased, licensed or otherwise acquired from or through any person, whether now owned or held or hereafter acquired or held by the Debtor, including without limitation the right to receive monies, proceeds, or other consideration in connection with the commercial use of same, the sale, transfer, assignment or other disposition of same or other intangible rights or benefits associated therewith; (i) Intellectual Property: all goodwill, patents, trademarks, industrial designs, trade secrets, know-how, confidential information, trade-names, personality rights, plant breeders rights, integrated circuit topographies, software, copyrights and other forms of industrial or intellectual property, whether registered or unregistered and any applications for, or continuations of, the foregoing; (j) Money: all coins or bills or other medium of exchange adopted for use as part of the currency of Canada or of any foreign government;	Current

4	(k) Books, Records, Etc.: all deeds, books, writings, papers, accounts, invoices, documents and other records in any form evidencing or relating to any of the property described in Sections 2.1(a) to (h) inclusive, or by which such are or may hereafter be secured, evidenced, acknowledged or made payable and all contracts, securities, instruments and other rights and benefits in respect thereof; (l) Substitutions, Etc.: all replacements of, substitutions for and increases, additions and accessions to any of the property described in Sections 2.1(a) to (i) inclusive; and (m) Proceeds: all proceeds of the property described in Sections 2.1(a) to (j) inclusive including, without limiting the generality of the foregoing, all personal property in any form or fixtures derived directly or indirectly from any dealing with such property or that indemnifies or compensates for the loss of or damage to such property; provided that the Charge shall not: (i) extend, include or apply to the last day of the term of any other lease now held or hereafter acquired by the Debtor, but should the Secured Party enforce the said Charge, the Debtor shall thereafter stand possessed of such last day and shall hold It in trust to assign the same to any person acquiring such term in the course of the enforcement of the said Charge, (ii) render the Secured Party liable to	Current
5	observe or perform any term, covenant or condition of any agreement, document or instrument to which the Debtor is a party or by which it is bound or (iii) extend to, and the Collateral shall not include any agreement, right, franchise, licence or permit (the "Contractual Rights") to which the Debtor is a party or of which the Debtor has benefit, to the extent that the creation of the Charge herein would constitute a breach of the terms of, or permit any person to terminate, the Contractual Rights, but the Debtor shall hold its interest therein in trust for the Secured Party and shall assign such Contractual Rights to the Secured Party forthwith upon obtaining the consent of all other parties thereto. The Debtor agrees that it shall, upon the request of the Secured Party, use all commercially reasonable efforts to obtain any consent required to permit any Contractual Rights to be subjected to the Charge herein.	Current

Particulars

Block	Additional Information	Status
1	THE INTEREST ACCRUED ON THE NOTE TO FEBRUARY 28, 2013 IS $194.487.12. INTEREST ON THE PRINCIPAL AMOUNT AS AND FROM THE FEBRUARY 28, 2013 AND ON ANY UNPAID INTEREST AS AND FROM MARCH 15, 2013 SHALL ACCRUE INTEREST AT THE RATE OF 20% PER ANNUM, COMPOUNDED ANNUALLY, WHICH INTEREST SHALL BE DUE AND PAYABLE ANNUALLY.	Current

Business Debtor Search For:

KYOTO FUELS CORPORATION

Search ID #: Z05613982 **Date of Search:** 2014-Apr-29 **Time of Search:** 12:14:54

Registration Number: 13092034036 Registration Type: SECURITY AGREEMENT

Registration Date: 2013-Sep-20 Registration Status: Current

Expiry Date: 2016-Sep-20 23:59:59

Exact Match on: Debtor No: 1

Debtor(s)

Block		Status
1	KYOTO FUELS CORPORATION 212054 TWP 81-A LETHBIDGE, AB T1V3Z1	Current

Secured Party / Parties

Block		Status
1	NATIONAL LEASING GROUP INC. 1525 Buffalo Place WINNIPEG, MB R3T 1L9 Phone #: 204 954 9000 Fax #: 204 954 9099	Current

Collateral: General

Block	Description	Status
1	ALL MOBILE RADIOS & COMMUNICATIONS SYSTEMS, SPEAKER MIC AND ACCESSORIES OF EVERY NATURE OR KIND DESCRIBED IN LEASE NUMBER 2638007 BETWEEN FIRST CAPITAL LEASING LTD., AS ORIGINAL LESSOR AND THE DEBTOR, AS LESSEE, WHICH LEASE WAS ASSIGNED BY THE ORIGINAL LESSOR TO THE SECURED PARTY, AS AMENDED FROM TIME TO TIME, TOGETHER WITH ALL ATTACHMENTS, ACCESSORIES AND SUBSTITUTIONS.	Current

Business Debtor Search For:

KYOTO FUELS CORPORATION

Search ID #: Z05613982 **Date of Search:** 2014-Apr-29 **Time of Search:** 12:14:54

Registration Number: 13121811558 Registration Type: SECURITY AGREEMENT
Registration Date: 2013-Dec-18 Registration Status: Current
Expiry Date: 2016-Dec-18 23:59:59

Exact Match on: Debtor No: 1

Debtor(s)

Block		Status
1	KYOTO FUELS CORPORATION P.O. Box 493 Lethbridge, AB T1J 3Z1	Current

Secured Party / Parties

Block		Status
1	DE LAGE LANDEN FINANCIAL SERVICES CANADA INC. 3450 SUPERIOR COURT, UNIT 1 OAKVILLE, ON L6L 0C4	Current

Collateral: General

Block	Description	Status
1	All personal property of the debtor financed by the secured	Current
2	party, wherever situated, consisting of ICAP 7400 ICP-OES RADIAL	Current
3	(N.AM), TF900 CHILLER W/TURBINE PUMP, ICAP 7000 DUO ORGANICS KIT,	Current
4	DELL OPTIPLEX WORSTATION WINDOWS 7, CETAC OIL UPGRADE KIT, 17"	Current
5	FLAT PANEL MONITOR US, CETAC ASX-520 AUTOSAMPLER, together with	Current
6	all parts and accessories relating thereto, all attachments,	Current

7	accessories and accessions thereto or thereon, all replacements,	Current
8	substitutions, additions and improvements of all or any part of	Current
9	the foregoing.	Current
10	Proceeds: all of the debtor's present and after acquired goods,	Current
11	motor vehicles, accounts, money, chattel paper, documents of	Current
12	title, investment property, instruments and intangibles as	Current
13	defined in the Personal Property Security Act, insurance proceeds	Current
14	and all other substitutions, renewals, alterations or proceeds of	Current
15	every description and of any kind whatsoever derived directly or	Current
16	indirectly from any dealings with the general collateral	Current
17	described above, or proceeds therefrom.	Current

Note:

The following is a list of matches closely approximating your Search Criteria, which is included for your convenience and protection.

Debtor Name / Address	Reg. #
CITY CENTRE FUEL CORP. 30 ST. CLAIR AVENUE W., SUITE 800 TORONTO, ON M4V 3A1	06072020131

SECURITY AGREEMENT

Debtor Name / Address	Reg. #
CITY CENTRE FUEL CORP. 30 ST. CLAIR AVENUE W., SUITE 800 TORONTO, ON M4V 3A1	06072020131

SECURITY AGREEMENT

Result Complete

THIS IS EXHIBIT "C"

Referred to in the Affidavit of

MYLES HAMILTON

Sworn before me this 29th day of April, 2014

A Commissioner for Oaths in and for
the Province of Alberta

MATTHEW R. LINDSAY
Barrister & Solicitor

KYOTO FUELS CORPORATION

FINANCIAL STATEMENTS

For the year ended December 31, 2012

(In Canadian dollars)

KYOTO FUELS CORPORATION
TABLE OF CONTENTS
December 31, 2012
(In Canadian dollars)

Young Parkyn McNab LLP

CHARTERED ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To: The Shareholders of
Kyoto Fuels Corporation

We have audited the accompanying financial statements of Kyoto Fuels Corporation, which comprise the statement of financial position as at December 31, 2012, and the statements of loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

Auditor's Responsibility
Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the corporation's preparation and fair presentation of the 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 corporation'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 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 financial statements present fairly, in all material respects, the financial position of Kyoto Fuels Corporation as at December 31, 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Young Parkyn McNab LLP

Lethbridge, Alberta

January 9, 2014

Chartered Accountants

KYOTO FUELS CORPORATION
STATEMENT OF FINANCIAL POSITION
As at December 31, 2012
(In Canadian dollars)

	2012	2011 (restated)
ASSETS		
Current		
Cash	$ 181,820	$ -
Restricted cash	-	1,815,295
Accounts receivable	391,991	360,873
Inventory	17,003	17,003
Prepaid expenses	-	10,000
Deposit	5,821	15,000
Loan receivable from related party (note 4)	44,075	44,075
	640,710	2,262,246
Investment (note 5)	17,500	17,500
Property, plant and equipment (note 6)	23,084,294	21,630,566
	$ 23,742,504	$ 23,910,312
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Cheques written in excess of deposits	$ -	$ 5,650
Accounts payable and accrued liabilities (note 7)	2,830,131	3,091,456
Unearned revenue (note 8)	-	1,815,295
Callable debt repayable within one year	2,144,705	1,916,244
Current portion of long-term debt	28,025	39,356
	5,002,861	6,868,001
Callable debt (note 9)	8,660,094	8,409,175
Due to shareholders (note 10)	1,820,295	1,108,264
	15,483,250	16,385,440
Long-term debt (note 11)	50,642	78,667
	15,533,892	16,464,107
Shareholders' equity		
Share capital (note 12)	15,050,033	13,208,233
Deficit	(6,841,421)	(5,762,028)
	8,208,612	7,446,205
	$ 23,742,504	$ 23,910,312

Approved on behalf of the board:

Director ______________________ Director ______________________

KYOTO FUELS CORPORATION
STATEMENT OF LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended December 31, 2012
(In Canadian dollars)

	2012	2011 (restated)
Revenue	$ -	$ -
Expenses		
Professional fees	373,168	312,657
Utilities	208,304	147,245
Management remuneration	193,388	143,038
Wages and benefits	144,056	365,715
Interest and bank charges	76,543	156,246
Insurance	64,511	118,548
Travel	33,838	35,043
Equipment lease	24,114	29,957
Rent	20,000	18,000
Subscriptions, permits and licenses	18,571	9,264
Telephone	14,393	15,397
Property taxes	14,159	22,888
Office and administration	13,744	12,197
Security	11,042	10,950
Materials	10,571	13,426
Interest on callable debt	9,528	10,862
Repairs and maintenance	8,768	17,314
Advertising and promotion	2,635	7,872
Freight	1,189	49,488
Fuel purchases	-	12,103
Depreciation	44,613	19,187
	1,287,135	1,527,397
Loss from operations	(1,287,135)	(1,527,397)
Other income (expense)		
Scientific research and experimental development tax credit	206,659	296,272
Gain on foreign exchange	1,079	7,456
Interest	4	1,666
Other	-	(39,797)
	207,742	265,597
Net loss	(1,079,393)	(1,261,800)
Other comprehensive income (loss)	-	-
Total comprehensive loss	$ (1,079,393)	$ (1,261,800)

KYOTO FUELS CORPORATION
STATEMENT OF CHANGES IN EQUITY
For the year ended December 31, 2012
(In Canadian dollars)

	Share capital	Deficit	Accumulated other comprehensive income (loss)	Total
As previously stated, January 1, 2012	$ 13,208,233	$ (5,698,593)	$ -	$ 7,509,640
Prior period adjustment (note 13)	-	(63,435)	-	(63,435)
As restated, January 1, 2012	13,208,233	(5,762,028)	-	7,446,205
Net loss	-	(1,079,393)	-	(1,079,393)
Share issuance	1,841,800	-	-	1,841,800
Balance, December 31, 2012	15,050,033	(6,841,421)	-	8,208,612
Balance, January 1, 2011	10,347,490	(4,500,228)	-	5,847,262
Net loss	-	(1,261,800)	-	(1,261,800)
Share issuance	2,860,743	-	-	2,860,743
Balance, December 31, 2011	$ 13,208,233	$ (5,762,028)	$ -	$ 7,446,205

KYOTO FUELS CORPORATION
STATEMENT OF CASH FLOWS
For the year ended December 31, 2012
(In Canadian dollars)

	2012	2011
Cash flows from operating activities		
Net loss	$ (1,079,393)	$ (1,261,800)
Adjustments for items which do not affect cash		
Depreciation	44,613	19,187
	(1,034,780)	(1,242,613)
Change in non-cash working capital items		
Accounts receivable	(31,118)	(111,297)
Inventory	-	(7,656)
Prepaid expenses	10,000	(10,000)
Deposit	9,179	382,000
Accounts payable and accrued liabilities	(261,324)	1,551,759
Loans payable	-	(2,524,983)
	(1,308,043)	(1,962,790)
Cash flows from investing activity		
Purchase of property, plant and equipment	(3,313,637)	(5,087,699)
Cash flows from financing activities		
Proceeds of callable debt	479,380	5,500,000
Repayment of callable debt	-	(1,421,949)
Advances from (to) shareholders	712,031	(400,515)
Proceeds of long-term debt	-	53,500
Repayment of long-term debt	(39,356)	(42,520)
Issuance of share capital	1,841,800	2,860,743
	2,993,855	6,549,259
Net decrease in cash	(1,627,825)	(501,230)
Cash, beginning of year	1,809,645	2,310,875
Cash, end of year	$ 181,820	$ 1,809,645
Cash consists of:		
Cash	$ 181,820	$ -
Restricted cash	-	1,815,295
Cheques written in excess of deposits	-	(5,650)
	$ 181,820	$ 1,809,645

1. Nature of operations

Kyoto Fuels Corporation was incorporated under the laws of the Province of Alberta. The corporation is in the development stage and is constructing a biodiesel bio-refinery which processes and converts animal fat and plant oils into biodiesel. Management estimates the corporation will no longer be in the development stage once the plant construction is completed, testing on the plant has occurred, and the plant is fully functional.

The principal address of the corporation is Box 493, Lethbridge, Alberta, T1J 3Z1.

2. Standards, amendments and interpretations issued and not yet adopted

The following standards and interpretations have not been adopted as they apply to future periods. They may result in future changes to the corporation's existing accounting policies and other note disclosures. The corporation is evaluating the impacts that these standards may have on the results of operations, financial position and disclosure.

IFRS 7 Financial Instruments: Disclosures - in December 2011, the IASB issued final amendments to the disclosure requirements for the offsetting of a financial asset and financial liabilities when offsetting is permitted under IFRS. The disclosure amendments are required to be adopted retrospectively for periods beginning January 1, 2013. The corporation is assessing the potential impact of these amendments.

IFRS 9 Financial Instruments - in November 2009, the IASB issued IFRS 9 to address classification and measurement of financial assets. In October 2010, the IASB issued additions to the standard to include financial liabilities. The standard is required to be adopted for periods beginning January 1, 2015. The corporation is assessing the potential impact of these amendments.

IFRS 10 Consolidated Financial Statements - in May 2011, the IASB issued IFRS 10 which provides additional guidance to determine whether an investee should be consolidated and establishes a new control model which applies to all entities including special purpose entities. The standard replaces the consolidation guidance in IAS 27 and is required to be adopted for periods beginning January 1, 2013. Adoption of IFRS 10 is not expected to have a significant impact on the corporation.

IFRS 11 Joint Arrangements - in May 2011, the IASB issued IFRS 11 which presents a new model for determining whether joint arrangements should be accounted for as a joint operation or as a joint venture. Joint operations are accounted for by recording an entity's relevant share of assets, liabilities, revenues and expenses. Under IFRS 11, an entity will follow the substance of the joint arrangement rather than legal form and will no longer have a choice of the accounting method to apply. In conjunction with this new standard, amendments to IAS 28 have been made to specify that joint ventures are accounted for using the equity method. Both IFRS 11 and the amendments to IAS 28 are required to be adopted for periods beginning January 1, 2013. Adoption of IFRS 11 is not expected to have a significant impact on the corporation.

IFRS 12 Disclosure of Interests in Other Entities - in May 2011, the IASB issued IFRS 12 which aggregates and amends disclosure requirements included within other standards. The standard requires companies to provide disclosures about subsidiaries, joint arrangements, associates and unconsolidated structured entities. The standard is required to be adopted for periods beginning January 1, 2013. The corporation is assessing the potential impact of these amendments.

IFRS 13 Fair Value Measurement - in May 2011, the IASB issued IFRS 13 to provide comprehensive guidance for instances where IFRS requires fair value to be used. The standard provides guidance on determining fair value and requires disclosures about those measurements. The standard is required to be adopted for periods beginning January 1, 2013. The corporation does not expect a material impact on the financial statements from the adoption of this standard; however, additional disclosures will be required.

IAS 1 Presentation of Items of Other Comprehensive Income - in June 2011, the IASB issued amendments to IAS 1 Presentation of Financial Statements to separate items of other comprehensive income (OCI) between those that are reclassed to income and those that do not. The standard is required to be adopted for periods beginning on or after July 1, 2012. Adoption of this standard is not expected to have a significant impact on the financial statements.

IAS 19 Employee Benefits - in June 2011, the IASB issued amendments to IAS 19 to revise certain aspects of the accounting for pension plans and other benefits. The amendments eliminate the corridor method of accounting for defined benefit plans, change the recognition pattern of gains and losses and require additional disclosures. The standard is required to be adopted for periods beginning on or after January 1, 2013. Adoption of this standard is not expected to have a significant impact on the financial statements.

IAS 32 Financial Instruments: Presentation - in December 2011, the IASB issued amendments to clarify certain of the criteria required to be met in order to permit the offsetting of financial assets and financial liabilities. The standard is required to be adopted retrospectively for periods beginning January 1, 2014. Adoption of this standard is not expected to have a significant impact on the financial statements.

3. Significant accounting policies

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The significant policies are detailed as follows:

(a) Revenue recognition
The corporation recognizes government grant income when the related expense is incurred. When the government grant relates to property, plant and equipment, it is netted against the cost of the property, plant and equipment. Revenue from goods sold or services provided is recognized when the goods are transferred or the service is provided. Investment revenue is recognized when earned.

(b) Cash and cash equivalents
The corporation includes cash on hand, held by financial institutions in operating accounts, cheques issued in excess of cash on deposit, and bank indebtedness in the determination of cash and cash equivalents.

(c) Inventory
Inventory is valued at the lower of cost and net realizable value. Cost is determined using the first-in, first-out method.

3. **Significant accounting policies, continued**

(d) Property, plant and equipment

Property, plant and equipment are recorded at cost. The corporation provides for depreciation using the declining balance method at rates designed to depreciate the cost of the property, plant and equipment over their estimated useful lives. The annual depreciation rates are as follows:

Buildings	5-20%
Site preparation	5%
Municipal reserve	5%
Fire pond	10%
Equipment	20%
Tank farm	20%
Computer equipment	45%
Computer software	50%

Most of the plant and equipment of the corporation is under construction and therefore not currently being depreciated.

(e) Share capital

Shares issued by the corporation are recorded at the value of proceeds received. Repurchased shares are removed from equity. No gain or loss is recognized in the statement of profit or loss on the purchase, sale, issue or cancellation of the corporation's shares.

(f) Income taxes

The corporation accounts for income taxes using the deferred income taxes method. In providing for corporate income taxes, temporary differences between the tax basis of assets or liabilities and their carrying amounts are reflected as deferred income taxes. The tax rates anticipated to be in effect when these temporary differences reverse are used to calculate deferred income taxes.

(g) Government assistance

Government and other grants related to property, plant and equipment is reflected as a reduction in the cost of such assets. When cash is received in advance of the related expenditures, the grant is recorded as deferred revenue and the cash is separately disclosed as restricted cash. Operating grants are accounted for as a reduction of operating expenses or as revenue when the related expenditures are Incurred.

(h) Research and development costs

Research costs are expensed as incurred. Development costs that meet specific criteria for deferral will be capitalized. These criteria relate to technical, market and financial feasibility. To date, all development costs have been expensed as they do not meet these criteria.

3. **Significant accounting policies, continued**

(i) Stock-based compensation

Equity-settled share-based payments to employees and directors are measured at fair value of the equity instrument granted. An option valuation model is used to fair value stock options issued to employees on the date of grant. The market value of the corporation's voting shares on the date of grant is used to determine the fair value of the equity-settled share-based payments issued to employees and directors on the date of grant.

The cost of the equity-settled share-based payments is recognized as compensation expense with a corresponding increase in contributed surplus over the related service period provided to the corporation. Estimates related to vesting conditions are reviewed regularly with any adjustments recorded to compensation expense. On the vesting date, the corporation revises, if necessary, the estimate to equal the number of equity instruments ultimately vested and adjusts the corresponding compensation expense and contributed surplus accordingly. The cost of the share based payment is recognized over the related service period if vesting conditions exist.

Upon exercise or settlement of equity-settle instruments, consideration received, if any, together with amounts previously recorded in contributed surplus, are recorded as an increase in share capital.

(j) Financial instruments

Recognition and measurement

Financial assets and financial liabilities are recognized in the Statement of Financial Position when the corporation becomes a party to the contractual provisions of a financial instrument or non-financial derivative contract. All financial instruments are required to be measured at fair value on initial recognition. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities classified as fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities classified as FVTPL are recognized immediately in profit or loss.

The corporation classifies financial instruments, at the time of initial recognition, according to their characteristics and management's choices and intentions related thereto for the purposes of ongoing measurement. Classification choices for financial assets include: a) FVTPL; b) held to maturity; c) available-for-sale; and d) loans and receivables. Classification choices for financial liabilities include: a) FVTPL and b) other liabilities.

Subsequent measurement of these assets and liabilities is based on either fair value or amortized cost using the effective interest method, depending upon their classification.

Financial assets and liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, the corporation has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Financial instruments at fair value through profit or loss

Financial instruments are classified as FVTPL when the financial instrument is either held for trading or designated as such upon initial recognition. Financial assets are classified as held for trading if acquired principally for the purpose of selling in the near future or if part of

3. **Significant accounting policies, continued**

(j) Financial instruments, continued

an identified portfolio of financial instruments that the corporation manages together and has a recent actual pattern of short-term profit-making. Derivatives are also categorized as held for trading unless they are designated as hedges.

Financial instruments classified as FVTPL are measured at fair value, with changes in fair value recorded in profit or loss in the period in which they arise.

Held to maturity

Debt instruments are classified as held to maturity if the corporation has the positive intent and ability to hold the instruments to maturity. Subsequent to initial recognition held to maturity financial assets are measured at amortized cost using the effective interest method, less any impairment losses. Any sale or reclassification of a more than insignificant amount of held to maturity investments not close to their maturity would result in the reclassification of all held to maturity investments as available-for-sale, and prevent the corporation from classifying financial assets as held to maturity for the current and the following two financial years.

Available-for-sale

Financial instruments classified as available-for-sale financial assets are measured at fair value with changes in fair value recognized in other comprehensive income ("OCI") until realized through disposal or impairment. Dividend income from available-for-sale financial assets is recognized in profit or loss when the corporation's right to receive payments is established. Interest income on available-for-sale financial assets, calculated using the effective interest method, is recognized in profit or loss.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment, with gains and losses recognized in profit or loss in the period that the asset is derecognized or impaired.

Other liabilities

Subsequent to initial recognition other financial liabilities are measured at amortized cost using the effective interest method with gains and losses recognized in profit or loss in the period that the liability is derecognized.

Cash, deposits, and investments are classified as available-for-sale and are measured at fair value. When fair value cannot be reliably measured, these financial instruments are measured at amortized cost.

Trade and loans receivable are classified as loans and receivables and measured at amortized cost.

Bank indebtedness, trade and other payables, callable debt, loans payable, due to shareholders and long-term debt are classified as other liabilities and measured at amortized cost.

Long-term debt is recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost and any difference between the

3. **Significant accounting policies, continued**

(j) Financial instruments, continued

proceeds (net of transaction costs) and the redemption value Is recognized in the Statement of Loss and Other Comprehensive Income over the term of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the corporation has an unconditional right to defer settlement of the liability for at least 12 months after the date of the Statement of Financial Position.

The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

Derecognition of financial instruments

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire or when the corporation transfers the financial asset to another party without retaining control or substantially all the risks and rewards of ownership of the asset. Any interest in transferred financial assets that is created or retained by the corporation is recognized as a separate asset or liability.

A financial liability is derecognized when its contractual obligations are discharged, cancelled or expire.

(k) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS 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 balance sheet date and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates. The most significant estimates include recoverability of property, plant and equipment and investments.

Judgment is used mainly in determining whether a balance or transaction should be recognized in the financial statements. Estimates and assumptions are used mainly in determining the measurement of recognized transactions and balances. However, judgment and estimates are often interrelated.

Judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

The corporation has applied judgment in its assessment of the classification of leases and financial instruments, the recognition of tax losses and provisions, the identification of investments and the identification of indicators of impairment for property and equipment.

Estimates are used when estimating the useful lives of property and equipment for the purposes of depreciation, when accounting for and measuring items such as deferred revenue, income and other taxes, provisions, share-based payments and financial instruments, and other assets for impairment had occurred at the beginning of the corporation's fiscal year.

(In Canadian dollars)

4. Due from related party and related party transactions

(a) During the year, the corporation entered into transactions with the following related parties:

Prairie BioGas Ltd., - common shareholders
JK Trucking, - division of a company owned by a common shareholder

(b) Transactions

		2012		2011
JK Trucking				
Freight	$	1,018	$	14,087
Other		-		15,067

(c) Due from related party

		2012		2011
Prairie BioGas Ltd.	$	44,075	$	44,075

The balance due from the related party is unsecured, bears Interest at 6% with no specific terms of repayment. The company has resolved to not charge any interest in the current year.

(d) Accounts payable and accrued liabilities include amounts payable to:

		2012		2011
Directors and Officers	$	309,603	$	222,982
JK Trucking		-		27,601
	$	309,603	$	250,583

During the year rent was paid to a relative of key management of $20,000 (2011 - $18,000).

Amounts paid as management remuneration to directors totaled $108,340 (2011 - $140,000).

Total key management compensation was $133,332 (2011 - $215,158).

5. Investment

		2012		2011
Prairie BioGas Ltd.	$	17,500	$	17,500

The corporation owns 350,000 shares, which is 15.03% of the company.

(In Canadian dollars)

6. Property, plant and equipment

The following table presents the net carrying amount of the corporation's property, plant and equipment:

	Cost	Accumulated depreciation	2012 Net	2011 Net
Land	$ 2,002,706	$ -	$ 2,002,706	$ 2,002,706
Buildings	12,969,511	-	12,969,511	11,505,305
Site preparation	189,289	-	189,289	189,289
Municipal reserve	4,910	-	4,910	4,910
Fire pond	31,737	6,030	25,707	28,563
Equipment	1,855,453	40,360	1,815,093	1,934,131
Tank farm	6,015,330	-	6,015,330	5,962,826
Computer equipment	76,762	23,444	53,318	976
Computer software	13,719	5,289	8,430	1,860
	$ 23,159,417	$ 75,123	$ 23,084,294	$ 21,630,566
Buildings consists of:				
Building	$ 4,232,457	$ -	$ 4,232,457	$ 4,242,056
Biodiesel plant	8,737,054	-	8,737,054	7,263,249
	$ 12,969,511	$ -	$ 12,969,511	$ 11,505,305

(In Canadian dollars)

6. Property, plant and equipment, continued

The following table presents the changes in the gross carrying amount of the corporation's property, plant and equipment:

	Gross amount at January 1, 2012	Additions	Disposals	Grants	Gross amount at December 31, 2012
Land	$ 2,002,706	$ -	$ -	$ -	$ 2,002,706
Buildings	11,505,305	2,584,664	(27,507)	(1,092,951)	12,969,511
Site preparation	189,289	-	-	-	189,289
Fire pond	31,737	-	-	-	31,737
Equipment	1,951,928	59,790	(156,265)	-	1,855,453
Tank farm	5,962,826	774,848	-	(722,344)	6,015,330
Computer equipment	8,656	68,106	-	-	76,762
Computer software	3,719	10,000	-	-	13,719
Municipal reserve	4,910	-	-	-	4,910
	$ 21,661,076	$ 3,497,408	$ (183,772)	$ (1,815,295)	$ 23,159,417

	Gross amount at January 1, 2011	Additions	Disposals	Grants	Gross amount at December 31, 2011
Land	$ 308,187	$ 1,961,078	$ -	$ (266,559)	$ 2,002,706
Buildings	10,879,057	3,302,396	(2,524,983)	(151,165)	11,505,305
Site preparation	188,949	340	-	-	189,289
Fire pond	31,737	-	-	-	31,737
Equipment	1,286,316	686,493	-	(20,881)	1,951,928
Tank farm	4,301,426	1,661,400	-	-	5,962,826
Computer equipment	7,680	976	-	-	8,656
Computer software	3,719	-	-	-	3,719
Municipal reserve	4,910	-	-	-	4,910
	$ 17,011,981	$ 7,612,683	$ (2,524,983)	$ (438,605)	$ 21,661,076

(In Canadian dollars)

6. **Property, plant and equipment, continued**

The following table presents the changes to accumulated deprecation and impairment on the corporation's property, plant and equipment:

	Accumulated depreciation and impairment at January 1, 2012	Depreciation for the year	Impairment	Disposals	Accumulated depreciation and impairment at December 31, 2012
Fire pond	$ 3,174	$ 2,856	$ -	$ -	$ 6,030
Equipment	17,797	22,563	-	-	40,360
Computer equipment	7,680	15,764	-	-	23,444
Computer software	1,859	3,430	-	-	5,289
	$ 30,510	$ 44,613	$ -	$ -	$ 75,123

	Accumulated depreciation and impairment at January 1, 2011	Depreciation for the year	Impairment	Disposals	Accumulated depreciation and impairment at December 31, 2011
Fire pond	$ -	$ 3,174	$ -	$ -	$ 3,174
Equipment	4,041	13,756	-	-	17,797
Computer equipment	7,282	398	-	-	7,680
Computer software	-	1,859	-	-	1,859
	$ 11,323	$ 19,187	$ -	$ -	$ 30,510

The corporation capitalized borrowing costs of $1,394,363 (2011 - $890,907) on indebtedness related to property, plant and equipment under construction.

The carrying amount of specific property, plant and equipment pledged as security for liabilities is $219,373 (2011 - $230,173). In addition, a general security agreement over all present and future acquired property, plant and equipment exists.

(In Canadian dollars)

6. Property, plant and equipment, continued

Impairment of property, plant and equipment
Property, plant and equipment are reviewed at each reporting date for indicators of impairment. The corporation uses both external indicators (significant decline in market value, adverse effects from technological, market, economic, legal environment and lower carrying value than market capitalization) and internal indicators (physical damage, obsolescence, discontinuance, disposal or restructuring plans, declining asset performance or expected decline in performance) in reviewing for indicators of impairment. Where indicators of impairment exlst the individual assets are tested for impairment based on either the fair value less cost of sale or the value in use method.

Impairment recognized in the year
There was no impairment of property, plant and equipment recorded in 2012 or 2011. There were no reversal of impairments in 2012 and 2011.

7. Accounts payable and accrued liabilities

	2012	2011 (restated)
Trade payables	$ 1,410,285	$ 2,471,127
Payroll taxes payable	12,780	2,403
Interest payable	1,407,066	617,926
	$ 2,830,131	$ 3,091,456

8. Unearned revenue

	2012	2011
Biorefining Commercialization and Market Development Program - 2010	$ -	$ 1,815,295

The corporation received $2,253,900 in 2010 from the Alberta Government Biorefining Commercialization and Market Development Program (BCMDP) Grant Agreement. The program is designed to stimulate investment in the bio-energy sector in Alberta through construction of ethanol, biodiesel and biogas (methane) processing facilities in Alberta. The purpose of the funds was to assist the corporation with the establishment of a 66 million litre per year biodiesel processing facility based on vegetable oils and animal fats through its partnership agreement with a "midstream" petroleum corporation.

See note 6 for grant amounts net against property, plant and equipment. No grant amounts were recognized in profit or loss.

(In Canadian dollars)

9. Callable debt

Callable debt is measured at amortized cost and includes the following:

	2012	2011
Agriculture Financial Services Corporation (AFSC) This loan is repayable at $44,314 per month including interest at 4.73%. The loan matures in 2015.	$ 3,968,708	$ 3,760,517
This loan is repayable at $18,737 per month including interest at 4.81%. The loan matures in 2016.	1,017,850	985,185
AFSC holds the following as security: mortgages in the amount of $4,250,000 and $1,000,000, general security agreement over all present and after acquired property and assignment of life insurance on the life of key management. There is also a Pari Passu agreement in effect between the AFSC and CP Energy Marketing L.P.		
CP Energy Marketing L.P. This loan bears interest at 12% and is repayable via delivery of emission offsets. If the Lender determines that the corporation will not be able to deliver emission offsets the loan becomes repayable in cash in equal monthly blended principal and interest instalments of $155,163 commencing March 1, 2012. Security pledged consists of a general security agreement and collateral mortgage. The loan matures in 2015.	4,250,000	4,250,000
T E Ventures Inc. This loan bears interest at 15%. Security pledged consists of a general security agreement. This loan matures in 2012.	1,568,241	1,329,717
	10,804,799	10,325,419
Repayable within one year	2,144,705	1,916,244
	$ 8,660,094	$ 8,409,175

Estimated principal repayments based on currently accepted repayment terms are as follows:

2013	$ 2,144,705
2014	593,460
2015	4,861,278
2016	3,205,356
	$ 10,804,799

The corporation is in default on all the above loans as a result of not meeting the repayment terms of the loans. The corporation continues to be in default subsequent to year end, however none of the loans have been demanded.

10. Due to shareholders

(In Canadian dollars)

10. Due to shareholders, continued

The amounts due to the shareholders are secured with a general security agreement and bear interest at rates between nil and 15% with no specific terms of repayment.

$1,215,870 of the amounts due to shareholders are convertible to common shares. These shareholders have the option to convert the amount of the loan and accrued interest into common shares at $6 per share prior to December 31, 2013.

11. Long-term debt

Long-term debt is measured at amortized cost and include the following:

	2012	2011
GE Canada		
This loan is repayable at $1,749 per month including interest at 10%. Security pledged consists of specified equipment of the corporation with a carrying value of $92,300. The loan is due in 2015.	$ 39,326	$ 55,494
This loan is repayable at $1,137 per month including interest at 10%. Security pledged consists of specified equipment of the corporation with a carrying value of $54,000. The loan is due in 2016.	39,341	48,541
De Lage Landen		
Paid out.	-	13,988
	78,667	118,023
Less current portion	28,025	39,356
	$ 50,642	$ 78,667

Estimated principal repayments are as follows:

2013	$ 28,025
2014	30,959
2015	14,139
2016	5,544
	$ 78,667

(In Canadian dollars)

12. Share capital

Authorized
Unlimited Class A common voting shares
Unlimited Class B common non-voting shares

Issued

	2012	2011
5,186,344 Class A common shares (2011 - 4,163,029)	$ 15,050,033	$ 13,208,233

1,023,315 Class A common shares were issued for $1,841,800 (2011 - 478,371 Class A shares for $2,860,226). There were no shares cancelled in 2012 or 2011.

T E Ventures Inc. has the right to purchase shares at $6 per share up to the amount of principal and interest on the debenture issued to the corporation (see note 9).

Warrants
The corporation has issued warrants to specified shareholders in relation to convertible shareholder loan balances (see note 10.) These warrants are issued at one warrant per $12 of principal, and provide the holder the right to purchase shares at $6 per share. The remaining warrants expire on January 24, 2013.

Number outstanding as at December 31, 2011	-
Granted	150,530
Expired	-
Number outstanding as at December 31, 2012	150,530

Stock options
The corporation has issued options to specified directors and employees to purchase 98,416 shares from treasury at $6 per share, expring in 2013, 330,000 shares from treasury at $6 per share, expiring in 2016; 25,000 shares from treasury at $6 per share, expiring in 2017; and 25,000 shares from treasury at $6 per share, expiring in 2018.

Number outstanding as at December 31, 2011	380,000
Granted	98,416
Forfeited	-
Number outstanding as at December 31, 2012	478,416

13. Prior period adjustment

In the prior year, amounts held in trust were being applied to outstanding invoices rather than being advanced to the corporation. As a result of adjusting for these amounts, accounts receivable decreased by $88,998, accounts payable decreased by $25,563, professional fees increased by $63,435 and 2011 closing deficit increased by $63,435.

(In Canadian dollars)

14. **Capital management**

The corporation's objectives when managing capital are:
- ensuring sufficient liquidity to support its financial obligations and execute its operating and strategic plans;
- maintaining healthy liquidity reserves and access to capital; and
- minimizing the after-tax cost of capital while taking into consideration current and future industry, market and economic risks and conditions.

The definition of capital varies from company to company, industry to industry and for different purposes. In the process of managing the corporation's capital, management includes the following items in its definition of capital: bank indebtedness, callable debt, long-term debt, due to shareholders, share capital and retained earnings.

Under the existing debt agreements, key financial covenants are monitored on an on-going basis by management to ensure compliance with the agreements. The key covenants are as follows:
- a limitation on the ability to distribute to shareholders whereby the corporation is restricted from distributions (including dividends and redemptions or purchases of shares) without prior written consent;
- a limitation on the amount of commitments which will result in capital expenditures in excess of $500,000 in any fiscal year;
- a limitation on the ability to declare or pay interest or principal on shareholders loans without prior written consent;
- a limitation on the ability to issue Class B common shares without prior written consent

The corporation was not in compliance with the limitation on the ability to declare interest on shareholder loans during the year.

In order to maintain or adjust the capital structure, the corporation has the flexibility to issue new shares, issue new debt and issue new debt with different characteristics to replace existing debt.

	2012	% of total	2011	% of total
Capital components				
Bank indebtedness	$ -	- %	$ 5,650	- %
Callable debt	10,804,799	38.9 %	10,325,418	41.7 %
Long-term debt	78,667	0.3 %	118,023	0.5 %
Loan payable	-	- %	-	- %
Due to shareholders	1,820,295	6.6 %	1,108,264	4.5 %
Total debt	12,703,761	45.8 %	11,557,355	46.7 %
Share capital	15,050,033	54.2 %	13,208,233	53.3 %
Total capital under management	$ 27,753,794	100.0 %	$ 24,765,588	100.0 %

15. Financial instruments

Foreign exchange risk
The corporation is exposed to foreign exchange risk in United States dollars. Foreign exchange risk is the risk that the exchange rate that was in effect on the date that an obligation in a foreign currency was made to the corporation by a customer, or that an obligation in a foreign currency was made to the corporation to a supplier, is different at the time of settlement than it was at time that the obligation was determined. The corporation does not utilize financial instruments to manage its foreign exchange risk. In the opinion of management the foreign exchange risk exposure to the corporation is low and is not material.

Credit risk
The corporation does have credit risk in accounts receivable of $391,991 (2011 - $360,873). Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. The corporation's exposure to credit risk is minimal as the balances are receivable from government agencies. In the opinion of management the credit risk exposure to the corporation is low and is not material.

Liquidity risk
The corporation does have a liquidity risk in the cheques written in excess of deposits and accounts payable and accrued liabilities of $2,830,131 (2011 - $3,097,106) and in callable, shareholder and long-term debt as referenced below. Liquidity risk is the risk that the corporation cannot repay its obligations when they become due to its creditors. The corporation reduces its exposure to liquidity risk by ensuring that it documents when authorized payments become due, and is actively working with shareholders and financial institutions to secure additional investment and/or debt to cover the expenses of the corporation up to the point that production commences in 2014 and related positive cash flows are realized. In the opinion of management the liquidity risk exposure is moderate.

Due to the diversification of funding sources, the corporation is not exposed to any concentration risk regarding liquidity.

The following summarizes the corporation's contractual maturity for its financial liabilities:
- Bank indebtedness, trade and other payables and short term borrowings are due within the next 12 months.
- Callable debt refer to note 9
- Due to shareholders refer to note 10
- Long-term debt refer to note 11

Interest rate risk
The corporation manages its exposure to interest rate risk through fixed rate interest on their borrowings. The corporation is exposed to interest rate risk through raising funds to complete construction and begin production. As funds become more limited, the fixed interest rates have increased from 10% to 15% on debenture offerings.

Fair value hierarchy
• Level 1 - quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date
• Level 2 - inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
• Level 3 - unobservable inputs for the asset or liability

(In Canadian dollars)

16. Income taxes

For income tax purposes, the corporation has non-capital losses which can be applied to reduce future years' taxable income. These losses expire as follows:

2015	$	42,573
2026		225,643
2027		587,068
2028		796,240
2029		1,031,225
2030		1,753,519
2031		1,068,157
2032		1,136,363
	$	6,640,788

The future income tax benefits of these losses, resource deductions and other tax assets have not been reflected in these financial statements as the certainty of the ability to recover all or a portion of these losses is not currently determinable.

17. Lease commitments

The corporation's total commitments, under various operating leases are as follows:

2013	$	20,989
2014		20,989
2015		1,749
	$	43,727

18. Subsequent events

Subsequent to the year end, 535,714 shares were issued for $937,500. In addition, 1,011,315 shares related to deposits received in 2012 were issued for $1,862,800.

Also, subsequent to the year end, $4,920,000 of debentures were issued, which bear interest at 25% and are convertible to common shares at $1.75.

The facility officially started commissioning on September 28, 2013. Biodiesel production commenced with the front end, being all production equipment excepting the ion exchange and flash columns. On this date the facility achieved about 60% of production capacity.

The corporation has entered into a sales contract to sell 100% of its annual production. Under the terms of the contract, the corporation has the option to withhold up to 15% of production for sale to local customers within 150 kilometres of the plant.

THIS IS EXHIBIT "D"

Referred to in the Affidavit of

MYLES HAMILTON

Sworn before me this 29th day of April, 2014

A Commissioner for Oaths in and for
the Province of Alberta

MATTHEW R. LINDSAY
Barrister & Solicitor

KYOTO FUELS CORPORATION

FINANCIAL STATEMENTS
For the two month period
ended February 28, 2104
(in Canadian dollars)

(Unaudited See Attached Notice to Reader)

40 King Street West, Lower Level, ON, N0N 1J0
Ph: 226-776-9091

NOTICE TO READER

To The Board of Directors of Kyoto Fuels Corporation:

On the basis of information provided by management, we have compiled the statement of financial position of Kyoto Fuels Corporation as at February 28, 2014 and the statements of loss, deficit and cash flows for the year then ended.

We have not performed an audit or a review engagement in respect of these financial statements and, accordingly, we express no assurance thereon.

Readers are cautioned that these statements may not be appropriate for their purposes.

Forest Ontario
March 16, 2014

Integrated Industrial Solutions (2011) Inc.

KYOTO FUELS CORPORATION

Balance Sheet

As At February 28, 2014

(Unaudited - See Notice To Reader)

	2014	2013
ASSETS		
CURRENT		
Cash	$ 35,300	$ 219,820
Accounts receivable	16,299	296,598
Inventory	1,043,315	1,043,315
Prepaid expenses	2,471	7,712
Deposits	80,555	5,000
	1,177,940	1,572,445
PROPERTY AND EQUIPMENT *(Note 4)*	34,663,033	34,646,674
LOANS AND NOTES RECEIVABLE *(Note 10)*	44,075	44,075
LONG TERM INVESTMENTS *(Note 3)*	17,500	17,500
	$ 35,902,548	$ 36,280,694
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT		
Accounts payable and accrued liabilities	$ 5,014,946	$ 4,782,607
Debentures payable *(Note 7)*	8,178,062	7,862,903
Notes payable *(Note 5)*	799,366	780,936
Current portion of long term debt *(Note 9)*	30,959	30,959
	14,023,333	13,457,405
Callable debt due thereafter *(Note 8)*	14,968,577	14,044,564
	28,991,910	27,501,969
LONG TERM DEBT *(Note 9)*	14,736	19,684
DUE TO SHAREHOLDERS	3,925	3,925
	29,010,571	27,525,578
SHAREHOLDERS' EQUITY		
Share capital *(Note 11)*	16,482,533	16,482,533
Deficit	(9,590,556)	(7,727,417)
	6,891,977	8,755,116
	$ 35,902,548	$ 36,280,694

See notes to financial statements

KYOTO FUELS CORPORATION

Statement of Deficit

2 Months Ended February 28, 2014

(Unaudited - See Notice To Reader)

	2014 (2 months)	2013 (12 months)
DEFICIT - BEGINNING OF PERIOD	$ (7,727,417)	$ (6,841,421)
NET LOSS FOR THE PERIOD	(1,863,139)	(885,996)
DEFICIT - END OF PERIOD	$ (9,590,556)	$ (7,727,417)

See notes to financial statements

KYOTO FUELS CORPORATION

Statement of Loss

2 Months Ended February 28, 2014

(Unaudited - See Notice To Reader)

	2014 (2 months)	2013 (12 months)
SALES	$ 33,783	$ -
COST OF SALES		
Purchases	32,444	-
Benefits for direct wages	123	1,716
Direct wages	318,232	122,604
Equipment rentals	55,578	-
Supplies	105,527	-
Training	4,082	-
Freight in and duty	9,565	29,430
Trades and sub-contracts	110,911	-
	636,462	153,750
GROSS PROFIT *((1,784)%; 2013 - %)*	(602,679)	(153,750)
EXPENSES		
Advertising and promotion	219	3,077
Amortization	-	89,506
Insurance	62,201	115,311
Interest and bank charges	1,460	12,558
Interest on debt	910,690	-
Management fees	57,975	101,138
Management salaries	21,488	-
Meetings and conventions	625	3,672
Memberships	-	12,827
Office	1,930	43,453
Professional fees	62,500	45,977
Property taxes	-	16,824
Repairs and maintenance	34,724	75,234
Security	-	4,689
Telephone	1,521	17,156
Utilities	99,355	193,698
	1,254,688	735,120
LOSS FROM OPERATIONS	(1,857,367)	(888,870)
OTHER INCOME		
Gain on disposal of assets	-	1,300
Interest	-	1,574
Gain (loss) on foreign exchange	(5,772)	-
	(5,772)	2,874
NET LOSS	$ (1,863,139)	$ (885,996)

See notes to financial statements

KYOTO FUELS CORPORATION

Statement of Cash Flows

2 Months Ended February 28, 2014

(Unaudited - See Notice To Reader)

	2014 (2 months) 2 Months	2013 (12 months) 12 Months
OPERATING ACTIVITIES		
Net loss	$ (1,863,139)	$ (885,996)
Items not affecting cash:		
Amortization of property and equipment	-	89,506
Gain on disposal of assets	-	(1,300)
Gain (loss) on foreign exchange	5,772	-
	(1,857,367)	(797,790)
Changes in non-cash working capital:		
Accounts receivable	280,295	95,393
Inventory	-	(1,026,312)
Prepaid expenses	5,241	(6,891)
Deposits	(75,555)	-
Accounts payable and accrued liabilities	232,344	3,329,243
	442,325	2,391,433
Cash flow from (used by) operating activities	(1,415,042)	1,593,643
INVESTING ACTIVITIES		
Purchase of property and equipment	(16,359)	(11,695,086)
Proceeds on disposal of property, plant and equipment	-	44,500
Foreign exchange	(5,772)	-
Cash flow used by investing activities	(22,131)	(11,650,586)
FINANCING ACTIVITIES		
Notes payable	18,430	717,936
Advances to shareholders	-	(10,000)
T&E Ventures Loan #1	63,673	385,560
T&E Ventures Loan #2	730,744	1,023,014
Debentures payable	315,159	6,119,533
Common shares Class A	-	1,432,500
AFSC Loan	7,633	13,446
Repayment of long term debt	(4,948)	(28,025)
Capital Power	121,962	440,979
Cash flow from financing activities	1,252,653	10,094,943
INCREASE (DECREASE) IN CASH FLOW	(184,520)	38,000
Cash - beginning of period	219,820	181,820
CASH - END OF PERIOD	$ 35,300	$ 219,820

See notes to financial statements

1. DESCRIPTION OF BUSINESS

Kyoto Fuels Corporation (the "company") was incorporated under the laws of the Province of Alberta. The corporation is in the development stage and is constructing a biodiesel bio-refinery which processes and converts animal fat and plant oils into biodiesel. Management estimates the corporation will no longer be in the development stage once the plant construction is completed, testing on the plant has occurred, and the plant is fully functional.

The principal address of the company is Box 493, Lethbridge, Alberta, T1J 3Z1.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The significant policies are detailed as follows:

(a) Revenue recognition
The corporation recognizes government grant income when the related expense is incurred. When the government grant relates to property, plant and equipment, it is netted against the cost of the property, plant and equipment. Revenue from goods sold or services provided is recognized when the goods are transferred or the service is provided. Investment revenue is recognized when earned.

(b) Cash and cash equivalents
The corporation includes cash on hand, held by financial institutions in operating accounts, cheques issued in excess of cash on deposit, and bank indebtedness in the determination of cash and cash equivalents.

(c) Inventory
Inventory is valued at the lower of cost and net realizable value. Cost is determined using the first-in, first-out method.

(d) Property, plant and equipment
Property, plant and equipment are recorded at cost. The corporation provides for amortization using the declining balance method at rates designed to amortize the cost of the property, plant and equipment over their estimated useful lives. The annual amortization rates are as follows:

Buildings	5-20%
Site preparation	5%
Municipal reserve	5%
Fire pond	10%
Equipment	20%
Tank farm	20%
Computer equipment	45%
Computer software	50%

Most of the property, plant and equipment of the corporation is under construction and therefore not currently being amortized.

(continues)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Share capital
Shares issued by the corporation are recorded at the value of proceeds received. Repurchased shares are removed from equity. No gain or loss is recognized in the statement of profit or loss on the purchase, sale, issue or cancellation of the corporation's shares.

(f) Income taxes
The corporation accounts for income taxes using the deferred income taxes method. In providing for corporate income taxes, temporary differences between the tax basis of assets or liabilities and their carrying amounts are reflected as deferred income taxes. The tax rates anticipated to be in effect when these temporary differences reverse are used to calculate deferred income taxes.

(g) Government assistance
Government and other grants related to property, plant and equipment is reflected as a reduction in the cost of such assets. When cash is received in advance of the related expenditures, the grant is recorded as deferred revenue and the cash is separately disclosed as restricted cash. Operating grants are accounted for as a reduction of operating expenses or as revenue when the related expenditures are incurred.

(h) Research and development costs
Research costs are expensed as incurred. Development costs that meet specific criteria for deferral will be capitalized. These criteria relate to technical, market and financial feasibility. To date, all development costs have been expensed as they do not meet these criteria.

(i) Stock-based compensation
Equity-settled share-based payments to employees and directors are measured at fair value of the equity instrument granted. An option valuation model is used to fair value stock options issued to employees on the date of grant. The market value of the corporation's voting shares on the date of grant is used to determine the fair value of the equity-settled share-based payments issued to employees and directors on the date of grant.

The cost of the equity-settled share-based payments is recognized as compensation expense with a corresponding increase in contributed surplus over the related service period provided to the corporation. Estimates related to vesting conditions are reviewed regularly with any adjustments recorded to compensation expense. On the vesting date, the corporation revises, if necessary, the estimate to equal the number of equity instruments ultimately vested and adjusts the corresponding compensation expense and contributed surplus accordingly. The cost of the share based payment is recognized over the related service period if vesting conditions exist.

Upon exercise or settlement of equity-settle instruments, consideration received, if any, together with amounts previously recorded in contributed surplus, are recorded as an increase in share capital.

(continues)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Financial instruments

Recognition and measurement

Financial assets and financial liabilities are recognized in the Statement of Financial Position when the corporation becomes a party to the contractual provisions of a financial instrument or non-financial derivative contract. All financial instruments are required to be measured at fair value on initial recognition. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities classified as fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities classified as FVTPL are recognized immediately in profit or loss.

The corporation classifies financial instruments, at the time of initial recognition, according to their characteristics and management's choices and intentions related thereto for the purposes of ongoing measurement. Classification choices for financial assets include: a) FVTPL; b) held to maturity; c) available-for-sale; and d) loans and receivables. Classification choices for financial liabilities include: a) FVTPL and b) other liabilities.

Subsequent measurement of these assets and liabilities is based on either fair value or amortized cost using the effective interest method, depending upon their classification.

Financial assets and liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, the corporation has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Financial instruments at fair value through profit or loss

Financial instruments are classified as FVTPL when the financial instrument is either held for trading or designated as such upon initial recognition. Financial assets are classified as held for trading if acquired principally for the purpose of selling in the near future or if part of an identified portfolio of financial instruments that the corporation manages together and has a recent actual pattern of short-term profit-making. Derivatives are also categorized as held for trading unless they are designated as hedges.

Financial instruments classified as FVTPL are measured at fair value, with changes in fair value recorded in profit or loss in the period in which they arise.

Held to maturity

Debt instruments are classified as held to maturity if the corporation has the positive intent and ability to hold the instruments to maturity. Subsequent to initial recognition held to maturity financial assets are measured at amortized cost using the effective interest method, less any impairment losses. Any sale or reclassification of a more than insignificant amount of held to maturity investments not close to their maturity would result in the reclassification of all held to maturity investments as available-for-sale, and prevent the corporation from classifying financial assets as held to maturity for the current and the following two financial years.

(continues)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Available-for-sale
Financial instruments classified as available-for-sale financial assets are measured at fair value with changes in fair value recognized in other comprehensive income ("OCI") until realized through disposal or impairment. Dividend income from available-for-sale financial assets is recognized in profit or loss when the corporation's right to receive payments is established. Interest income on available-for-sale financial assets, calculated using the effective interest method, is recognized in profit or loss.

Loans and receivables
Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment, with gains and losses recognized in profit or loss in the period that the asset is derecognized or impaired.

Other liabilities
Subsequent to initial recognition other financial liabilities are measured at amortized cost using the effective interest method with gains and losses recognized in profit or loss in the period that the liability is derecognized.

Cash, deposits, and investments are classified as classified as available-for-sale and are measured at fair value. When fair value cannot be reliably measured, these financial instruments are measured at amortized cost.

Trade and loans receivable are classified as loans and receivables and measured at amortized cost.

Bank indebtedness, trade and other payables, callable debt, loans payable, due to shareholders and long-term debt are classified as other liabilities and measured at amortized cost.

Long-term debt is recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost and any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the Statement of Loss and Other Comprehensive Income over the term of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the corporation has an unconditional right to defer settlement of the liability for at least 12 months after the date of the Statement of Financial Position.

The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

Derecognition of financial instruments
A financial asset is derecognized when the contractual rights to the cash flows from the asset expire or when the corporation transfers the financial asset to another party without retaining control or substantially all the risks and rewards of ownership of the asset. Any interest in transferred financial assets that is created or retained by the corporation is recognized as a separate asset or liability.

A financial liability is derecognized when its contractual obligations are discharged, cancelled or expire.

(continues)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Use of estimates and judgements
The preparation of financial statements in conformity with International Financial Reporting Standards 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 balance sheet date and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates. The most significant estimates include recoverability of property, plant and equipment and investments.

Judgment is used mainly in determining whether a balance or transaction should be recognized in the financial statements. Estimates and assumptions are used mainly in determining the measurement of recognized transactions and balances. However, judgment and estimates are often interrelated.

Judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

The corporation has applied judgment in its assessment of the classification of leases and financial instruments, the recognition of tax losses and provisions, the identification of its investment property, the identification of the indicators of impairment for property and equipment and the level of componentization of property and equipment.

Estimates are used when estimating the useful lives of property and equipment for the purposes of depreciation and amortization, when accounting for and measuring items such as deferred revenue, income and other taxes, provisions, share-based payments and financial instruments, and other assets for impairment had occurred at the beginning of the corporation's fiscal year.

3. LONG TERM INVESTMENTS

	2014	2013
Prairie BioGas Ltd.	$ **17,500**	$ 17,500

The corporation purchased 350,000 shares of this company in a prior year. In 2010, the investment was written down from $350,000 to $17,500. Management has advised that there is no impairment of value in the current year.

4. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated amortization	**2014 Net book value**	2013 Net book value
Bio Diesel plant and buildings	$ 23,351,170	$ -	**$ 23,351,170**	$ 23,334,811
Computer equipment	80,724	48,329	**32,395**	32,395
Computer software	181,969	51,567	**130,402**	130,402
Equipment	1,751,301	17,427	**1,733,874**	1,733,874
Fire pond	31,737	8,600	**23,137**	23,137
Furniture and fixtures	40,366	21,906	**18,460**	18,460
Land	2,002,706	-	**2,002,706**	2,002,706
Municipal reserve	4,910	-	**4,910**	4,910
Other capital asset #5	17,069	-	**17,069**	17,069
Site preparation- parking lot	189,289	-	**189,289**	189,289
Tank farm	7,159,621	-	**7,159,621**	7,159,621
	$ 34,810,862	$ 147,829	**$ 34,663,033**	$ 34,646,674

The corporation capitalized borrowing costs of $nil (2013 - $2,264,534) on indebtedness related to property, plant and equipment under construction.

During the year property, plant and equipment additions totalled $16,359 (2013 - $11,695,086). Government grants totalling $nil (2013 - $nil) were netted against these additions resulting in net additions during the year of $16,359 (2013 - $11,695,086).

The carrying amount of specific property, plant and equipment pledged as security for liabilities is $219,373 (2013 - $219,373). In addition, a general security agreement over all present and future acquired property, plant and equipment exists.

Impairment of property, plant and equipment
Property, plant and equipment are reviewed at each reporting date for indicators of impairment. The corporation uses both external indicators (significant decline in market value, adverse effects from technological, market, economic, legal, environment and lower carrying value than market capitalization) and internal indicators (physical damage, obsolescence, discontinuance, disposal or restructuring plans, declining asset performance or expected decline in performance) in reviewing indicators of impairment. Where indicators or impairment exist the individual assets are tested for impairment on either fair value less cost of sale or the value in use method.

Impairment recognized during the year
There was no impairment of property, plant and equipment recorded in 2014 or 2013. There were no reversals of impairments in 2014 or 2013.

5. NOTES PAYABLE

		2014		2013
Note Payable - Courtland Hill Farms	$	**357,041**	$	348,809
Note Payable - 647928 Alberta Ltd.		**357,041**		348,809
Note Payable - Steven Ell		**85,284**		83,318
	$	**799,366**	$	780,936

Notes payable bear interest at a rate of 15% per year and were due December 31, 2013 but were not repaid. The corporation is in negotiation with note holders to extend the term on these notes. Security pledged consists of promissory notes and registered general security agreement over all of the assets of the corporation subservient only to prior registrations existing at the time of borrowing (AFSC and CP Energy). Notes payable are convertible to common shares at a rate of $3.00 per share and have purchase warrants at a rate of $3.00 per share.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		2014		2013
Trade payables	$	**5,013,186**	$	4,781,849
Payroll taxes payable		**(2,138)**		(3,139)
Interest Payable		**3,898**		3,898
	$	**5,014,946**	$	4,782,608

7. DEBENTURES

Debentures bear interest at 15% (issued in 2012) or 25% (issued in 2013) and are convertible to common shares at $3 (2012 issues) or $1.75 per share (issued in 2013). Debentures were due in 2013 but were not repaid. The corporation is in negotiation with debenture holders to extend the term on these debentures.

8. CALLABLE DEBT

		2014		2013
Agriculture Financial Services Corporation (AFSC) loan bearing interest at 4.73 % per annum, repayable in monthly blended payments of $44,314 The loan matures in 2015.	$	**4,058,984**	$	4,046,349

(continues)

8. CALLABLE DEBT *(continued)*

	2014	2013
Agriculture Financial Services Corporation (AFSC) loan bearing interest at 4.81 % per annum, repayable in monthly blended payments of $18,737. The loan matures in 2016. AFSC holds the following as security: mortgages in the amount of $4,250,000 and $1,000,000, general security agreement over all present and after acquired property and assignment of life insurance on the life of key management. There is also a Pari Passu agreement in effect between the AFSC and CP Energy Marketing L.P.	**948,652**	953,653
CP Energy Marketing L.P loan bearing interest at 12% and repayable via delivery of emission offsets. If the lender determines that the corporation will not be able to deliver emission offsets the loan becomes repayable in cash in equal monthly blended principal and interest installments of $155,163 commencing March 1, 2012. Security pledged consists of a general security agreement and collateral mortgage. The loan matures in 2015.	**6,189,709**	6,067,747
T E Ventures Inc. loan bearing interest at 20%. Security pledged consists a promissory note and a registered general security agreement over all of the assets of the corporation subservient only to prior registrations existing as at July 22, 2011 (AFSC, CP Energy, Steve Ell, 647928 Alberta Ltd. and Courtland Hill Farm's interests at the time of borrowing).	**2,017,474**	1,953,801
E Ventures Inc. loan bearing interest at 30%. Security pledged consists a promissory note and a registered general security agreement over all of the assets of the corporation subservient only to prior registrations existing as at July 22, 2011 (AFSC, CP Energy, Steve Ell, 647928 Alberta Ltd. and Courtland Hill Farm's interests at the time of borrowing).	**1,753,758**	1,023,014
	$ 14,968,577	$ 14,044,564

The corporation is in default on all the above loans as a result of not meeting the repayment terms of the loans. The corporation continues to be in default subsequent to year end, however, none of the loans have been demanded. As a result, all callable debt has been shown as current in these financial statements.

9. LONG TERM DEBT

	2014	2013
GE Canada loan bearing interest at 10% per annum, repayable in monthly blended payments of $1,749. The loan matures on June 21, 2015 and is secured by specified equipment of the corporation with a carrying value of $92,300.	$ 18,312	$ 21,466
GE Canada loan bearing interest at 10% per annum, repayable in monthly blended payments of $1,137. The loan matures on November 6, 2016 and is secured by specified equipment with a carrying value of $54,000.	27,383	29,177
	45,695	50,643
Amounts payable within one year	(30,959)	(30,959)
	$ 14,736	$ 19,684

Principal repayment terms are approximately:

2015	$ 30,959
2016	14,736
	$ 45,695

10. DUE TO / FROM RELATED PARTIES

	2014	2013
Due from related party		
Prairie BioGas Ltd.	$ 44,075	$ 44,075

The balance due from the related party in unsecured, bears interest at 6% with no specific terms of repayment. Interest is currently not charged on this balance due.

	2014	2013
Accounts payable and accrued liabilities include amounts payable to:		
JK Trucking	$ 37,772	$ 37,772
Directors and Officers	362,103	362,103
	$ 399,875	$ 399,875

11. SHARE CAPITAL

Authorized:

Unlimited	Class A common voting shares
Unlimited	Class B common non-voting shares

		2014	2013
Issued:			
6,217,059	Common shares Class A	**$ 16,482,533**	$ 16,482,533

During the year, no shares were issued, (2013 - 1,030,714 Class A shares for $1,432,500). There were no shares cancelled during the current or prior year.

T E Ventures Inc. has the right to purchase shares at $6.00 per share up to the amount of principal and interest on the loan to the corporation. Refer to note 7.

The corporation has issued options to specified shareholders to purchase 330,000 shares from treasury at $6.00 per share, expiring in 2016; 25,000 shares from treasury at $6 per share, expiring in 2017; and 25,000 shares from treasury at $6.00 per share, expiring in 2018.

In addition, holders of debentures have the option to convert their debenture to shares at $3.00 per share for debentures issued in 2012 or $1.75 per share for debentures issued in 2013. If all were converted, an additional 4,340,882 would be issued.

12. CAPITAL MANAGEMENT

The corporation's objectives when managing capital are:
- Ensuring sufficient liquidity to support its financial obligations and execute its operating and strategic plans;
- Maintaining healthy liquidity reserves and access to capital; and
- Minimizing the after-tax cost of capital while taking into consideration current and future industry, market and economic risks and conditions.

The current economic environment and the transition to IFRS have not changed the corporation's objectives in managing capital.

The definition of capital varies from company to company, industry to industry and for different purposes. In the process of managing the corporation's capital, management includes the following items in its definition of capital: bank indebtedness, callable debt, long-term debt, due to shareholders, share capital and retained earnings.

Under the existing debt agreements, key financial covenants are monitored on an ongoing basis by management to ensure compliance with the agreements. The key covenants are as follows:
- a limitation on the ability to distribute to shareholders whereby the corporation is restricted from distributions (including dividends and redemptions or purchases of shares) without prior written consent;
- a limitation on the amount of commitments which will result in capital expenditures in excess of $500,000 in any fiscal year;
- a limitation on the ability to declare or pay interest or principal on shareholders loans without prior written consent;
- a limitation on the ability to issue Class B common shares without prior written consent

The corporation was not in compliance with the limitation on the ability to declare interest on shareholders loan during the year. Under these covenants, the corporation currently has sufficient flexibility to fund business growth and maintain or amend dividend rates.

In order to maintain or adjust the capital structure, the corporation has the flexibility to adjust the amount of dividends paid to shareholders, purchase shares for cancellation, issue new shares, issue new debt and issue new debt with different characteristics to replace existing debt.

13. FINANCIAL INSTRUMENTS

Foreign exchange risk
The corporation is exposed to foreign exchange risk in United States dollars. Foreign exchange risk is the risk that the exchange rate that was in effect on the date that an obligation in a foreign currency was made to the corporation by a customer, or that an obligation in a foreign currency was made to the corporation to a supplier, is different at the time of settlement than it was at time that the obligation was determined. The corporation does not utilize financial instruments to manage its foreign exchange risk. In the opinion of management the foreign exchange risk exposure to the corporation is low and is not material.

(continues)

13. FINANCIAL INSTRUMENTS *(continued)*

Credit risk
The corporation does have credit risk in accounts receivable, income taxes receivable and GST receivable totalling $16,299 (2013 - $296,598). Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. The corporation's exposure to credit risk is minimal as the balances are receivable from government agencies. In the opinion of management the credit risk exposure to the corporation is low and is not material.

Liquidity risk
The corporation does have a liquidity risk in the cheques written in excess of deposits and accounts payable and accrued liabilities of $5,014,948 (2013 - $4,782,607). Liquidity risk is the risk that the corporation cannot repay its obligations when they become due to its creditors. The corporation attempts to reduce its exposure to liquidity risk by ensuring that it documents when authorized payments become due; striving to maintain an adequate line of credit to repay trade creditors and repays long term debt interest and principal as they become due. Due to ongoing cash flow challenges, in the opinion of management the liquidity risk exposure to the corporation is moderate to high.

Due to the large debt balances owing to lenders and certain other creditors, the corporation may be exposed to concentration risk regarding liquidity.

The Following summarizes the corporation's contractual maturity for its financial liabilities:

- Bank indebtedness, trade and other payables and short term borrowings are due within the next 12 months.
- Callable debt refer to note 7
- Due to shareholders refer to note 11
- Long-term debt refer to note 8
- Debentures refer to note 6

Interest rate risk
The corporation manages its exposure to interest rate risk through fixed rate interest on their long-term debt.

Fair value hierarchy

- Level 1 – quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date
- Level 2 – inputs other than quoted market prices included within level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for the asset or liability

14. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.

THIS IS EXHIBIT "E"

Referred to in the Affidavit of

MYLES HAMILTON

Sworn before me this 29th day of April, 2014

A Commissioner for Oaths in and for
the Province of Alberta
MATTHEW R. LINDSAY
Barrister & Solicitor

Kyoto Fuels Corporation
Forecasted cash flow for 13 weeks ending July 26, 2014
C$, unaudited

	Notes	Wk Ending 3-May-14	Wk Ending 10-May-14	Wk Ending 17-May-14	Wk Ending 24-May-14	Wk Ending 31-May-14	Wk Ending 7-Jun-14	Wk Ending 14-Jun-14	Wk Ending 21-Jun-14	Wk Ending 28-Jun-14	Wk Ending 5-Jul-14	Wk Ending 12-Jul-14	Wk Ending 19-Jul-14	Wk Ending 26-Jul-14	Total
Receipts															
DIP Financing	1	$ 133,755	$ 39,637	$ 46,135	$ 109,025	$ 44,560	$ 64,076	$ 43,072	$ 101,500	$ 45,085	$ 64,076	$ 41,386	$ 40,186	$ 109,771	$ 882,264
Other receipts	2	52,613	-	-	-	-	-	-	-	-	-	-	-	-	52,613
		$ 186,368	$ 39,637	$ 46,135	$ 109,025	$ 44,560	$ 64,076	$ 43,072	$ 101,500	$ 45,085	$ 64,076	$ 41,386	$ 40,186	$ 109,771	934,877
Payments															
Process Operators Fees	3	14,500	14,500	14,500	14,500	14,500	14,500	14,500	14,500	14,500	14,500	14,500	14,500	14,500	188,500
Maintenance Fees	3	5,800	5,800	5,800	5,800	5,800	5,800	5,800	5,800	5,800	5,800	5,800	5,800	5,800	75,400
CFO and COO Fees	3	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	71,500
Purchasing/Controller Fees	3	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	35,100
First Capital Insurance 4th of mth	4	16,429	-	-	-	-	16,429	-	-	-	16,429	-	-	-	49,287
First Capital equip lease (Radios)1st of mth		569	-	-	-	-	569	-	-	-	569	-	-	-	1,707
Telephone/Internet 4th of mth		325	-	-	-	-	325	-	-	-	325	-	-	-	975
Delage Landen 1st of mth		163	-	-	-	-	163	-	-	-	163	-	-	-	489
GE Capital Lease 20th of mth	5	-	1,137	-	-	-	-	1,137	-	-	-	1,137	-	-	3,411
Source Deductions (Kelsey's Payroll)	6	-	-	4,200	-	-	-	-	-	-	-	-	-	-	4,200
Bank Fees 21st of mth		-	-	-	-	50	-	-	-	50	-	-	-	50	150
Rocket Leasing 24th of mth		-	-	1,686	-	-	-	1,686	-	-	-	-	1,686	1,686	6,744
GE Capital Lease 21st of mth		-	-	1,749	-	-	-	1,749	-	-	-	1,749	-	-	5,247
Alberta Road Tax Collected 30th		4,161	-	-	-	4,161	-	-	-	4,161	-	-	-	4,161	16,644
Federal Excise Tax Collected30th		1,849	-	-	-	1,849	-	-	-	1,849	-	-	-	1,849	7,396
GST Refund/Due quarterly		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Epcor (Utility) 21st of mth	7	26,195	-	-	27,000	-	-	-	20,000	-	-	-	-	20,000	93,195
Direct Energy (Utility) 20th of mth	8	12,559	-	-	32,000	-	-	-	32,000	-	-	-	-	32,000	108,559
Taber Water (water for plant)	9	-	-	-	10,000	-	-	-	10,000	-	-	-	-	10,000	30,000
Bell Mobility (21st of mth)		-	-	-	1,000	-	-	-	1,000	-	-	-	-	1,000	3,000
Payroll Kelsey Prenevost 15th of mth	10	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Elbow River (Railcar Lease)		-	-	-	-	-	7,090	-	-	-	7,090	-	-	-	14,180
Bissett Cleaning		-	-	-	525	-	-	-	-	525	-	-	-	525	1,575
Canadian Linen- Safety Overalls	11	3,000	-	-	-	-	1,000	-	-	-	1,000	-	-	-	5,000
CCAA Monitor and Legal Costs	12	100,000	-	-	-	-	-	-	-	-	-	-	-	-	100,000
Contingency	13	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	130,000
		$ 203,750	$ 39,637	$ 46,135	$ 109,025	$ 44,560	$ 64,076	$ 43,072	$ 101,500	$ 45,085	$ 64,076	$ 41,386	$ 40,186	$ 109,771	$ 952,259
Opening cash position		$ 17,382	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 17,382
Net cash outflow		(203,750)	(39,637)	(46,135)	(109,025)	(44,560)	(64,076)	(43,072)	(101,500)	(45,085)	(64,076)	(41,386)	(40,186)	(109,771)	(952,259)
Net cash inflow		186,368	39,637	46,135	109,025	44,560	64,076	43,072	101,500	45,085	64,076	41,386	40,186	109,771	934,877
Closing Bank Balance		-	-	-	-	-	-	-	-	-	-	-	-	-	-

Kyoto Fuels Corporation
Forecasted cash flow for 13 weeks ending July 19, 2014
Notes
C$, unaudited

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1 DIP financing required to cover required payments for each of the 13 weeks

2 Comprising a GST refund of $52,613. The collectability of this amount is unknown

3 Process Operators Fees- Paid to Integrated Industrial Solutions (2011) Inc [IIS] for 24 hour coverage to keep plant from shutting down- 4 operators, 1 chief engineer and 1 lab tech
Maintenance Fees- paid to IIS to maintain equipment in running condition- 1 electrician; 1 general maintenance- 40 hour per week schedule plus on call in case of emergency
IIS- CFO and COO Fees- 30 hours per week shared between Don Pearson, CFO and Dennis Pearson, COO to manage financing, oversee accounting and operations of plant. In addition, with the termination of Kelsey Prenevost, an additional 20 hours per week will for Don and Dennis will be necessary to cover what work he was doing.
Purchasing/Controller Fees- 1 full time equivalent controller to do all accounting and administration- 40 hours per week; 6 hours per week for purchasing- mainly sourcing feedstock and buying necessary materials and supplies to keep plant operating

4 $16,429 payments to First Insurance is for insurance policies for plant , property, liabiltiy and Director liability insurance coverage

5 Lease payment for the compressor

6 Source deductions for Kyoto's only employee, Kelsey Prenevost President (see Note 10 for net salary amount); Kelsey to be terminated Week Ending May 3, 2014 so May 15th will be last source deductions to pay to be compliant with CRA.

7 Epcor is the electricity supplier- currently still amounts due from February and March that must be caught up week ending May 3rd

8 Direct Energy is for natural gas- amounts due from February and March that must be caught up

9 Taber Water- all water used at plant must be purchased; all waste water needs to be trucked from plant and fee paid to dispose of it

10

Net salary payment to Kelsey Prenevost, President. Gross salary is $10,000 per month. Source deductions as per Note 6 above. Kelsey Prenevost to be terminated Week Ending May 3, 2014. Kelsey has not taken any salary since February. The amount of outstanding pay due to him is $26,207 as at April 30, 2014.

11 Canadian Linen- safety overalls are a mandated essential for all workers in the plant. These are not ordinary coveralls as they have to be resistent to certain chemicals. The cost of one overall is approximately $1,500. Kyoto must pay a minimum of $3,000 to keep Canadian Linen supply the overalls. After that the approximate cost is $1,000 per month.

12 Estimated professional fees for the initial 30 day period.

13 Contingency.

THIS IS EXHIBIT "F"

Referred to in the Affidavit of

MYLES HAMILTON

Sworn before me this 29th day of April, 2014

A Commissioner for Oaths in and for
the Province of Alberta
MATTHEW R. LINDSAY
Barrister & Solicitor

T&E Ventures Inc.

RR1 Site 16 Box 25 | De Winton, AB | T0L 0X0
O: 403-995-2181 | F: 403-995-2147

April 29, 2014

Kyoto Fuels Corporation
Box 493
Lethbridge, Alberta
T1J 3Z1

Dear Sir:

Re: Interim Financing Facility Commitment Letter

It is expected that Kyoto Fuels Corporation (the "**Borrower**") will be the subject of an Initial Order (the "**Initial Order**") of the Alberta Court of Queen's Bench (the "**Court**"), dated April 30, 2014 (the "**Filing Date**") made pursuant to the *Companies' Creditors Arrangement Act* (Canada) (the "**CCAA**"). The Initial Order, among other things, will stay actions by the Borrower's creditors and approve the Borrower entering into this super priority interim financing commitment with T&E Ventures Inc. (the "**Lender**"). The Borrower, with the assistance of the Court-appointed monitor, Ernst & Young Inc. (the "**Monitor**") has the opportunity to effect a successful restructuring under the CCAA.

The Lender has agreed to provide the Borrower with immediate funding in order to enable the Borrower to continue operations and meet obligations to its critical suppliers over the next 30 days. Subject to the terms set out herein and in the Initial Order, the Lender will make the following facility (the "**Facility**") available to the Borrower:

Borrower:	Kyoto Fuels Corporation
Lender:	T&E Ventures Inc.
Purpose/Use of Proceeds:	To provide short-term funding on a super-priority basis to the insolvent Borrower to enable it to continue operations and pay critical suppliers and professional fees, as identified in the attached 30 day cash flow forecast (the "**Cash Flow**"). The Borrower may only borrow funds under the Facility in accordance with the Cash Flow and subject to the continuing satisfaction of each of the terms and conditions set out herein.
Prohibited Use of Funds:	The Borrower shall not be permitted to use the proceeds of the Facility to pay any amounts that were owing to creditors as at the Filing Date, except as may be specifically provided for in the Cash Flow.
Maximum Amount:	The maximum amount available under the Facility shall be CAD$400,000 (the "**Maximum Amount**").

Repayment: The Facility shall immediately terminate and the Facility shall be repayable in full on the earlier of (i) the occurrence of an Event of Default hereunder; and (ii) 30 days from the date in which the first advance is made hereunder (the earliest such date being referred to herein as the "**Maturity Date**"). The Maturity Date may be extended with the written consent of the Lender, but the Lender shall have no obligation whatsoever to extend the Maturity Date.

The Lender's commitment in respect of the Facility shall expire on the Maturity Date and all amounts outstanding under the Facility shall be repaid in full no later than the Maturity Date, without the Lender being required to make demand upon the Borrower or to give notice that the Facility has expired and the obligations under the Facility are due and payable.

Availability: The Facility shall be available: (a) only subject to and upon the terms and conditions set out in this commitment letter (the "**Commitment Letter**"); and (b) subject to compliance by the Borrower with the Cash Flow annexed hereto as Schedule "A" or as otherwise may be agreed to by the Lender, with the consent of the Monitor.

Cash Management The Borrower shall deposit all amounts from the collection of its receivables or the sale of assets into its bank accounts and provide regular reporting to the Lender and the Monitor in respect of the Borrower's cash balances.

Reporting: The Borrower will report to the Monitor, the Monitor's agent and the Lender, within 2 business day of a written request being made, in respect of information concerning: i) the Borrower's current finances, ii) an accounting in respect of the Cash Flow, and iii) any matter relating to the Facility or Commitment Letter.

Interest Rate: Interest on advances made under the Facility shall accrue at the rate of 5% per annum. Interest shall be calculated daily for the actual number of days elapsed in the period during which it accrues based on a year of 365/366 days, as applicable.

Interest Payments: Interest on account of the Facility shall be paid on the Maturity Date.

Commitment Fee: Nil.

Lender's Fees and Expenses: The Borrower shall pay all legal fees and costs incurred by the Lender in connection with the Facility and the financing contemplated hereby, or failing such payment, such amounts shall be added to and form part of the Borrower's indebtedness under the Facility.

DIP Security: All obligations of the Borrower under or in connection with the Facility for advances made after the Filing Date shall be secured by a super-priority charge pursuant to the Initial Order (the "**Priority Charge**") over all of the Borrower's real and personal property, wheresoever located, in priority to all other creditors, interest holders, lien holders, trust claimants and claimants of any kind whatsoever (collectively, the "**Encumbrances**"), other than the Administration Charge as granted in the Initial Order. The Lender shall not be required to take any steps to register, reflect or perfect the Priority Charge granted pursuant to the Initial Order.

Condition Precedent

It is a condition precedent to the effectiveness of the Facility and the requirement for the Lender to advance funds that the Initial Order be granted in favour of the Lender in a form satisfactory to the Lender (including, without limitation, authorizing the Borrower to execute and perform this Commitment Letter and grant the Priority Charge), and that the Initial Order not be appealed, stayed, rescinded or otherwise not be in effect after the Filing Date.

Representations and Warranties:

The Borrower represents and warrants to the Lender, upon which the Lender relies in entering into this Commitment Letter, that all factual information provided by or on behalf of the Borrower to the Lender for the purposes of or in connection with this Commitment Letter or any transaction contemplated herein is true and accurate in all material respects on the date as of which such information is dated or certified and is not incomplete by omitting to state any fact necessary to make such information not materially misleading at such time.

Affirmative Covenants:

The Borrower covenants and agrees to do the following:

(a) keep the Lender apprised on a timely basis of all material developments with respect to the business and affairs of the Borrower;

(b) use the proceeds of the Facility only for the purposes set out in the Cash Flow and consistent with the restrictions set out herein;

(c) forthwith notify the Lender of any Event of Default (as defined below) or of any event or circumstance that may impair the Borrower's ability to comply with its obligations under this Commitment Letter or any court order, including but not limited to the Initial Order;

(d) take all actions necessary or available to defend the Initial Order from any appeal, reversal, modifications, amendment, stay or vacating not expressly consented to in advance by the Lender; and

(e) duly and punctually pay or cause to be paid to the Lender all principal, interest, fees and other amounts payable by the Borrower under this Commitment Letter on the dates, at the places and in the amounts and manner set forth herein.

Negative Covenants:

The Borrower covenants and agrees not to do the following other than with the prior written consent of the Lender:

(a) transfer or otherwise dispose of all or any part of their property, assets or undertaking except as permitted in the Initial Order;

(b) make any payments that are not reflected in the Cash Flow or that would exceed the maximum available under the Facility, except with the prior written approval of the Lender; and

(c) create or permit to exist any other Encumbrance which is senior to or *pari passu* with the Priority Charge (other than the Administration Charge).

Events of Default:

The occurrence of any one or more of the following events shall constitute an event of default ("**Event of Default**") under this Commitment Letter:

(a) the issuance of any order lifting the stay granted under the Initial Order in favour of the Borrower to permit the taking of any steps by any person or creditor against the Borrower or the Borrower's property, assets or undertaking;

(b) the enforcement of any security against the Borrower or the appointment of a receiver, receiver and manager, interim receiver, trustee in bankruptcy or similar official;

(c) the entry of an order granting any other party super priority security or a lien or charge equal or superior to the Priority Charge;

(d) the issuance of an order by any court which, in the sole discretion of the Lender, adversely impacts the Lender's rights as Lender under this Commitment Letter or as a pre-Filing secured creditor of the Borrower;

(e) the occurrence of any court order, liability or event, including any change in the business, assets, or conditions, financial or otherwise, of the Borrower that does or could, in the Lender's sole discretion, impair any of the Borrower's ability to comply with their obligations under this Commitment Letter;

(f) failure of the Borrower to perform or comply with any term or covenant under this Commitment Letter;

(g) any representation or warranty by the Borrower being incorrect or misleading in any material respect when made.

Remedies: Upon the occurrence of an Event of Default, the Lender may immediately terminate the Facility, accelerate the indebtedness thereunder and enforce, without any requirement for demand or further notice to the Borrower, all of its rights and remedies under the Commitment Letter, the Initial Order and the Priority Charge.

Governing Law and Jurisdiction: This Commitment Letter shall be governed by, and construed in accordance with, the laws of the Province of Alberta and the federal laws of Canada applicable therein.

This Commitment Letter may be accepted by the Borrower by signing and returning it to the Lender on or before 5:00 pm on Wednesday, April 30, 2014. Failing such acceptance, the offer of credit contained in this Commitment Letter shall be of no further force or effect.

T&E VENTURES INC.

____
Name:
Title:
I have the authority to bind the Corporation.

The foregoing is accepted and agreed as of the date of this Commitment Letter:

KYOTO FUELS CORPORATION

____
Name:
Title:
I have the authority to bind the Corporation.

The foregoing is acknowledged and agreed to by Ernst & Young Inc., in its capacity as Court-appointed monitor of Kyoto Fuels Corporation:

____
Per: