

# **Gradek Energy Canada Inc.**

Unaudited Financial Statements  
For year ended December 31, 2013

# Gradek Energy Canada Inc.

Unaudited Balance Sheet

For the year ended December 31, 2012

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	2013 \$	2012 \$
<b>Assets</b>		
<b>Current Assets</b>		
Cash	0	0
Loan to an affiliated corporation (Note 1)	200,000	200,000
	<u>200,000</u>	<u>200,000</u>
<b>Property, Plant and Equipment</b>		
	0	0
	<u>200,000</u>	<u>200,000</u>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current Liabilities</b>		
Interest payable	27,595	19,595
Convertible Debenture (Note 2)	100,000	100,000
	<u>127,595</u>	<u>119,595</u>
<b>Shareholder's Equity</b>		
Capital Stock (Note 3)	100,000	100,000
Retained Earnings/(Deficit)	(27,595)	(19,595)
	<u>200,000</u>	<u>200,000</u>

# Gradek Energy Canada Inc.

Unaudited Statement of Retained Earnings/(Deficit)

For the year ended December 31, 2013

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	2013 \$	2012 \$
<b>Balance – Beginning of year</b>	(19,595)	(11,595)
Net Earnings/ (Loss) for the year	<u>(8,000)</u>	<u>(8,000)</u>
<b>Balance – End of year</b>	<u>(27,595)</u>	<u>(19,595)</u>

# Gradek Energy Canada Inc

Unaudited Income Statement

For the year ended December 31, 2013

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	2013	2012
	\$	\$
<b>Revenues</b>	0	0
<b>Expenditures</b>		
Salaries	0	0
Professional Fees	0	0
Interest Expense – Convertible Debenture (Note 2)	8,000	8,000
Office Expenses	0	0
Repairs and Maintenance	0	0
Supplies	0	0
Travel Expenses	0	0
Utilities	0	0
Depreciation	0	0
<b>Net Loss</b>	<u>8,000</u>	<u>8,000</u>

# Gradek Energy Canada Inc

Notes to the Unaudited Financial Statements

For the year ended December 31, 2013

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## Statutes and Nature of Operations.

Gradek Energy Canada Inc. (the "Company") is a privately-held holding company incorporated June 13, 2007 under the Canada Business Corporations Act.

The Company holds a licence granted from Gradek Energy Inc (the "Parent"), for the eventual commercialization of the Re-usable Hydrocarbon Sorbent ("RHS") beads in the field of use involving the extraction of hydrocarbons from oil sands in Canada only. The success of the Company is largely dependent on the success of the Parent company, which is currently in the process of demonstrating the economic viability of the RHS technology.

As per the Parent company's financial statements reviewed by KPMG for the fiscal year-ended 2012, the ability of the Parent to continue its operations in future depends upon successful completion of financing arrangements.

### 1 Loan to an Affiliated Company

In 2010, the Company provided a loan in the amount of \$100,000CDN to Gradek Energy Inc to finance the purchase of equipment and fund operational expenses. No formal loan conditions have been established. Gradek Energy Inc will repay the loan and interest in full upon the successful commercialization of the RHS technology and the generation revenues.

### 2 Convertible Debenture

On July 20, 2010, the Company issued a \$100,000 CDN secured convertible debenture to Entretien McGill Inc for a principal sum of \$100,000 CDN. The debenture is convertible into Common Shares of the Company at one of the following conversion prices: (i) issue price of Common Share pursuant to a private placement on or before Oct. 31, 2010 (ii) issue price of Common Share pursuant to a private placement multiplied by 75% between Oct. 31, 2010 and Mar. 31, 2011 (iii) \$4 per Common Share if no private placement has closed on or before March 31, 2011, in the amount of the principal, interest outstanding and any amounts payable.

As at March 31, 2011, the Company did not issue any Common Shares pursuant to a private placement and therefore the debenture is convertible into Common Shares of the Company at a conversion price of \$4.00 per Common Share.

The debenture bears interest at 8% annually, until conversion and/or repayment.

The convertible debenture does not have any warrant rights.

# Gradek Energy Canada Inc

Notes to the Unaudited Financial Statements

For the year ended December 31, 2013

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## 3 Capital stock

Authorized – in unlimited number  
Class A Common Shares, voting, with no par value

Issued and fully paid

	<b>2013</b>	<b>2012</b>
	\$	\$
10,000,000 Class A Common Shares	200,000	200,000

On September 9, 2010, the Company pledged 600,000 Class A Common Shares as collateral to Dundee Corporation to secure the financing agreement between the Parent and Dundee Corporation. The Common Shares will remain as collateral until the conversion or repayment of the Gradek Energy Inc convertible debentures held by Dundee Corporation. The Parent convertible debentures have a maturity date of April 30, 2018.