

BLUENERGIES LTD.
(formerly ACME GOLD COMPANY LIMITED)

**CONSOLIDATED CONDENSED INTERIM
FINANCIAL STATEMENTS**

(Unaudited)

(Presented in Canadian Dollars)

For the three and nine months ended

June 30, 2025 and 2024

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim financial statements, they must be accompanied by a notice indicating that the condensed interim financial statements have not been reviewed by an auditor.

The accompanying unaudited consolidated condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The unaudited consolidated condensed interim financial statements have been prepared using accounting policies in compliance with International Financial Reporting Standards for the preparation of unaudited consolidated condensed interim financial statements and are in accordance with International Accounting Standard 34 - Interim Financial Reporting.

The Company's independent auditor has not performed a review of these unaudited consolidated condensed interim financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

BLUENERGIES LTD. (formerly ACME GOLD COMPANY LIMITED)
CONSOLIDATED CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited - Presented in Canadian dollars)

	June 30, 2025	December 31, 2024
ASSETS		
Current		
Cash	\$ 2,618,362	\$ 1,144,521
Accounts receivable	21,629	-
Prepaid expenses	135,547	-
Deferred transaction costs (Note 3)	-	88,495
	2,775,538	1,233,016
Deferred exploration costs	707,802	1,218,806
Exploration and evaluation asset (Note 5 and 9)	2,930,437	1,421,459
	\$ 6,413,777	\$ 3,873,281
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Amounts payable and accrued liabilities (Note 5 and 10)	\$ 951,772	\$ 387,454
Due to related parties (Note 9)	125,790	291,758
	1,077,562	679,212
SHAREHOLDERS' EQUITY		
Share capital (Note 6)	11,659,449	4,441,660
Shareholder contributions (Note 6)	806,885	806,885
Reserves (Note 7 and 8)	107,208	-
Deficit	(7,237,327)	(2,054,476)
	5,336,215	3,194,069
	\$ 6,413,777	\$ 3,873,281

Nature of operations and going concern (Note 1)
Commitment (Note 10)

These financial statements were approved by the Board of Directors on August 29, 2025.

On behalf of the Board of Directors:

"Cyrus Driver" Director
Cyrus Driver

"Craig Steinke" Director
Craig Steinke

See accompanying notes to the consolidated condensed interim financial statements.

BLUENERGIES LTD. (formerly ACME GOLD COMPANY LIMITED)
CONSOLIDATED CONDENSED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Unaudited - Presented in Canadian dollars)

	Nine months ended June 30,		Three months ended June 30,	
	2025	2024	2025	2024
Expenses				
Conferences and shareholder relations	\$ 38,400	\$ -	\$ 11,571	\$ 9,952
Consulting and management fees (Note 9)	695,353	35,616	332,748	-
Insurance	7,813	-	7,813	-
Professional fees	223,750	6,697	85,253	327
Office and administration	92,038	1,120	35,210	595
Rent	18,333	2,625	2,625	1,312
Share-based compensation (Note 8)	94,917	-	94,917	-
Transfer agent and filing fees	59,671	-	24,769	-
Travel	78,792	(57)	30,287	-
Foreign exchange	35,319	(24)	893	(54)
	(1,344,386)	(45,977)	(626,086)	(12,132)
Other items				
Interest income	12,372	-	12,372	-
Listing fees (Note 3)	(4,243,770)	-	(4,243,770)	-
Loss and comprehensive loss	\$ (5,575,784)	\$ (45,977)	\$ (4,857,484)	\$ (12,132)
Basic and diluted loss per share	\$ (0.29)	\$ (120.90)	\$ (0.08)	\$ (16.33)
Weighted average number of common shares outstanding - basic and diluted	19,551,071	380	58,599,674	743

See accompanying notes to the consolidated condensed interim financial statements.

BLUENERGIES LTD. (formerly ACME GOLD COMPANY LIMITED)
CONSOLIDATED CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited - Presented in Canadian dollars)

For the nine months ended June 30, 2025 and 2024

	Common shares	Share capital	Shareholder contributions	Reserves	Deficit	Shareholders' equity
Balance, September 30, 2024	16,667	\$ 1,014,585	\$ 806,885	\$ -	\$ (1,661,543)	\$ 159,927
Common shares issued	7,894,236	6,509,020	-	-	-	6,509,020
Share issue costs	-	(220,565)	-	-	-	(220,565)
Common shares issued to settle debt	969	290,700	-	-	-	290,700
Shares issued for RTO	56,181,378	4,038,000	-	-	-	4,038,000
Exercise of warrants	200,000	40,000	-	-	-	40,000
Fair value of finders' fee warrants issued for RTO	-	(12,291)	-	12,291	-	-
Share-based compensation	-	-	-	94,917	-	94,917
Loss and comprehensive loss	-	-	-	-	(5,575,784)	(5,575,784)
Balance, June 30, 2025	64,293,250	\$ 11,659,449	\$ 806,885	\$ 107,208	\$ (7,237,327)	\$ 5,336,215
Balance, September 30, 2023	200	\$ 2	\$ 806,885	\$ 806,885	\$ (1,374,283)	\$ (567,396)
Amalgamation with 1391423 BC Ltd.	14,800	717,647	-	-	-	717,647
Common shares issued	1,667	296,936	-	-	-	296,936
Loss and comprehensive loss	-	-	-	-	(45,977)	(45,977)
Balance, June 30, 2024	16,667	\$ 1,014,585	\$ 806,885	\$ 806,885	\$ (1,420,260)	\$ 401,210

See accompanying notes to the consolidated condensed interim financial statements.

BLUENERGIES LTD. (formerly ACME GOLD COMPANY LIMITED)
CONSOLIDATED CONDENSED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited - Presented in Canadian dollars)

	Nine months ended June 30,	
	2025	2024
Operating activities		
Loss for the period	\$ (5,575,784)	\$ (45,977)
Items not involving cash:		
Share-based compensation	94,917	-
Listing fees	3,689,581	-
Changes in non-cash working capital items:		
Accounts receivable	(12,961)	-
Prepaid expenses	(134,764)	-
Amounts payable and accrued liabilities	44,877	(255,622)
Due to related parties	(165,010)	-
	(2,059,144)	(301,599)
Investing activities		
Exploration and evaluation assets	(2,516,575)	-
Cash acquired from RTO	353,782	91,469
	(2,162,793)	91,469
Financing activities		
Proceeds from common shares issued	6,509,000	296,936
Share issue costs	(49,545)	-
Exercise of warrants	40,000	-
	6,499,455	296,936
Change in cash	2,277,518	86,806
Cash, beginning	340,844	9,735
Cash, ending	\$ 2,618,362	\$ 96,541
Supplemental cash flow information		
Interest and income taxes	\$ -	\$ -
Exploration and evaluation assets included in accounts payable and accrued liabilities	\$ 314,492	\$ 13,748
Deferred exploration costs capitalized to exploration and evaluation assets	\$ 707,802	\$ -
Fair value of broker warrants	\$ 12,291	\$ -
Shares issued to settle debt	\$ 290,700	\$ -
Net asset acquired with RTO	\$ 185,814	\$ 717,647

See accompanying notes to the consolidated condensed interim financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

BluEnergies Ltd. (formerly Acme Gold Company Limited) (the “Company”) was incorporated under the laws of British Columbia, Canada, on September 25, 2020. The Company’s head office address Suite 3123, 595 Burrard Street, Vancouver, BC, V7X 1J1. The registered and records office address is Suite 2200, 885 West Georgia Street, Vancouver, BC, Canada, V6C 3E8. Effective May 24, 2022, the Company obtained a listing on the Canadian Securities Exchange (“CSE”) under the symbol “AGE” and commenced trading on May 26, 2022. Upon amalgamation with Canadian Global Energy (“CGE”), the Company changed its name to BluEnergies Ltd. (“BluEnergies”), was de-listed from the CSE and commenced listing on the TSX Venture Exchange (“TSXV”) on April 14, 2025 under the symbol “BLU”.

On April 8, 2025, the Company completed a three-cornered amalgamation whereby 1517742 BC Ltd., a newly formed 100% owned subsidiary of Acme Gold Company Limited (“Acme”), amalgamated with the Canadian Global Energy Corp. (“CGE”). Pursuant to the Amalgamation, 1517742 B.C. Ltd. acquired all of the issued and outstanding common shares of CGE (the “Transaction”). The Transaction constituted an arm’s length reverse take-over of the Acme by CGE under the policies of the TSXV. In connection with closing of the Transaction, Acme changed its name to “BluEnergies Ltd”. Furthermore, Acme consolidated its common shares on a two-for-one basis, and reconstituted its board of directors and management. Holders of common shares of the CGE received 1,600 post-consolidated common shares in the Company for each share held in CGE. A total of 46,115,200 post-consolidated common shares of the Company were issued to the shareholders of the CGE.

For accounting purposes, CGE was treated as the accounting parent company and these consolidated financial statements are a continuation of the consolidated financial statements of CGE.

The Company is engaged principally in the acquisition and exploration of oil and gas properties. The recovery of the Company’s investment in its exploration and evaluation assets is dependent upon the future discovery, development, and sale of oil and gas, upon the ability to raise sufficient capital to finance these activities, and/or upon the sale of these properties.

The consolidated condensed interim financial statements have been prepared assuming the Company will continue on a going-concern basis and be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. For the nine months ended June 30, 2025, the Company reported a loss of \$5,575,784 (2024 - \$45,977) and had an accumulated deficit of \$7,237,327 as of that date (December 31, 2024 - \$2,054,476). The Company had a working capital of \$1,697,976 as of June 30, 2025 (December 31, 2024 –\$553,804). These events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company’s ability to continue as a going concern.

Continuing operations as a going concern are dependent upon management’s ability to raise adequate financing in the capital markets and to ultimately achieve profitable operations in the future. Although management has been successful in the past; there is no assurance that these initiatives will be successful in the future.

The consolidated condensed interim financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

2. BASIS OF PREPARATION

Statement of compliance

These consolidated condensed interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standards (“IAS”) 34 ‘Interim Financial Reporting’ (“IAS 34”) using accounting policies consistent with the IFRS Accounting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”). The accounting policies and methods of computation applied by the Company in these consolidated condensed interim financial statements are the same as those applied in the Company’s annual financial statements as at and for the year ended December 31, 2024. The consolidated condensed interim financial statements do not include all of the information required for full annual financial statements. These consolidated condensed interim financial statements should be read in conjunction with the Company’s December 31, 2024 annual financial statements.

Basis of consolidation

These consolidated condensed interim financial statements include the accounts of BluEnergies and its 100% owned subsidiary company Canadian Global Energy Corp. and Canadian Global Energy (Liberia) Corp.

3. REVERSE TAKEOVER

As described in Note 1, on April 8, 2025, pursuant to the reverse takeover (“RTO”) between Acme, 1517742 B.C. Ltd. and CGE, 1517742 B.C. Ltd., acquired all of the issued and outstanding common shares of CGE. Prior to completing the RTO, Acme consolidated its share capital on a two-for-one basis. The shareholders of CGE then exchanged their common shares of CGE for post-Consolidation Acme shares on a one common share of CGE for 1,600 post-consolidation Acme shares. In connection with closing of the RTO, Acme changed its name to “BluEnergies Ltd”.

The RTO constituted a reverse acquisition of Acme and has been accounted for as a reverse acquisition transaction in accordance with the guidance provided under IFRS 2, Share-based Payment and IFRS 3, Business Combinations. As Acme did not qualify as a business according to the definition in IFRS 3, Business Combination, this reverse acquisition did not constitute a business combination; rather the transaction was accounted for as an acquisition by CGE of the net assets of Acme and its public listing. The fair value of the consideration paid (based on the fair value of the Acme shares and revaluation of stock options granted prior to the RTO) less the Acme net assets acquired, has been recognized as a listing expense in profit or loss for the nine months ended June 30, 2025.

For accounting purposes, CGE was treated as the accounting parent company (legal subsidiary) and Acme had been treated as the accounting subsidiary (legal parent) in these consolidated financial statements. As CGE was deemed to be the acquirer for accounting purposes, its assets, liabilities and operations since incorporation are included in these consolidated financial statements at their historical carrying values. The assets, liabilities and results of operations of Acme are included in these consolidated financial statements from the date of the acquisition on April 8, 2025.

Concurrently with the RTO, the Company completed a non-brokered private placement of 7,883,050 post-consolidated units at a price of \$0.40 per unit for gross proceeds of \$3,153,220 (the “Offering”). Each unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share at \$0.75 per share for a period of two years. The Company also granted 4,600,000 stock options to directors, officers and consultants of the Company at \$0.40 per share for a period of 5 years.

BLUENERGIES LTD. (formerly ACME GOLD COMPANY LIMITED)
NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS
June 30, 2025 and 2024
(Unaudited – Presented in Canadian dollars)

3. REVERSE TAKEOVER (continued)

In relation to the RTO, the Company incurred \$554,189 of legal, accounting, and regulatory fees which have been in listing fees in the nine months ended June 30, 2025, of which \$88,495 was included as deferred transaction costs as at December 31, 2024.

The following represents the fair value of Acme net assets acquired as at April 8, 2025 as a result of the RTO:

	Amount
Consideration	
10,095,001 shares at a value of \$0.40 per share	\$ 4,038,000
Net assets of Acme	
Cash	\$ 353,784
Other current assets	9,451
Deferred transaction costs	171,000
Accounts payable and accrued liabilities	(185,814)
Net assets acquired	\$ 348,419
Listing expense	\$ 3,689,581

4. AMALGAMATION WITH 1391423 BC LTD.

On June 27, 2024, CGE completed an amalgamation with 1391423 BC Ltd. (the “Amalgamation”), forming a new company under the name of Canadian Global Energy Corp. As part of the Amalgamation, 15,000 common shares of 1391423 BC Ltd. were exchanged for 14,800 common shares of the Company and the 200 outstanding common shares of CGE were exchanged for 200 common shares of the newly formed company. The Amalgamation constituted a common control business combination as the combining entity is ultimately controlled by the same shareholders. 1391423 BC Ltd. did not have a business. Upon Amalgamation, the Company assumed cash of \$91,469, accounts receivable of \$870,791, and shareholder loans of \$244,613. The accounts receivable of \$870,791 was due from CGE and was eliminated upon amalgamation. The shareholder loans are non-interest bearing and due on demand.

For accounting purposes, CGE was treated as the accounting parent company and these consolidated financial statements are a continuation of the consolidated financial statements of CGE.

5. EXPLORATION AND EVALUATION ASSETS

*included milestone commitment per the Joint Development Agreement (see Note 10)

Harper Basin Reconnaissance License

The Company holds 100% interest in the Reconnaissance License No. LPRA-002 (the “RL”), Harper basin, offshore Liberia, consisting of three blocks. The RL was issued by the Liberia Petroleum Regulatory Authority (“LPRA”) in September 2023, and expires on March 5, 2026.

There is a minimum work expenditure of US\$1,600,000 during the term of the license.

During the year ended December 31, 2023, the Company paid a license fee of US\$150,000 for each block (total of US\$450,000) on or before October 3, 2023 (\$597,195 paid).

The license may be further extended for an additional one year term so long as the Company has completed the work program and financial commitments and is not otherwise in breach of the Reconnaissance License. If the term of license is extended, the Company shall pay US\$50,000 for each block that is renewed.

On June 30, 2025, the Company paid a fee of US \$250,000 for the extension of the right-to-match from June 30, 2025 to December 15, 2025 (\$340,840 was paid subsequent to June 30, 2025 and was accrued as at June 30, 2025).

	Harper Basin Reconnaissance License
	\$
Acquisition Costs:	
Balance, December 31, 2023 and 2024	664,160
Additions	340,840
Balance, June 30, 2025	1,005,000
Exploration Costs:	
Balance, December 31, 2023	-
Consulting	196,580
Engineering	19,477
Geology and geophysics	257,366
Software and geological data licensing fees	281,973
Travel	1,903
Balance, December 31, 2024	757,299
Consulting	200,303
Engineering	16,440
Geology and geophysics	121,111
Software and geological data licensing fees	534,663
Other*	295,621
Balance, June 30, 2025	1,925,437
Carrying Value:	
December 31, 2024	\$ 1,421,459
June 30, 2025	\$ 2,930,437

5. EXPLORATION AND EVALUATION ASSETS (continued)

As at June 30, 2025, there was \$2,930,437 (December 31, 2024: \$1,421,459) of deferred exploration costs relating to the Harper Basin license.

6. SHARE CAPITAL

Authorized: Unlimited common shares without par value.

Period ended June 30, 2025:

During the period ended June 30, 2025, the Company issued 12,853 shares at \$300 per share for total cash proceeds of \$3,774,900. The Company incurred \$74,525 of share issue costs associated with the share issuances.

On December 3, 2024, the Company issued 969 common shares to settle \$290,700 of debt.

On April 8, 2025, as part of the RTO (Note 3) the Company issued 46,115,200 common shares of BluEnergies in exchange for the 28,822 common shares held by shareholders of CGE on a 1:1,600 basis valued at \$4,038,000. Also as part of the RTO, the shareholders of Acme retained 10,095,001 common shares for 10,095,001 common shares of the Company.

Concurrently with RTO, the Company completed a non-brokered private placement of 7,883,050 units at a price of \$0.40 per unit for gross proceeds of \$3,153,220. Each unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share at \$0.75 per share for a period of two years. The Company paid \$146,040 as finders' fee and issued 126,900 finders' fee warrants as part of the Offering. The finder's fee warrants have an exercise price of \$0.75 and expires on March 4, 2026.

During the period ended June 30, 2025, 200,000 warrants were exercised at \$0.20 per share for total proceeds of \$40,000.

Period ended June 30, 2024:

On June 27, 2024, the Company issued 14,800 common shares of the Company to shareholders of 1391423 BC Ltd. and 200 common shares to the shareholders of the Company in connection with the Amalgamation (Note 4). The value attributed to the 14,800 common shares issued was \$717,647 based on the net assets of 1391423 BC Ltd, which was recorded to share capital as at the date of amalgamation.

On June 27, 2024, the Company issued 1,667 common shares at US\$130 (C\$178) per share for gross proceeds of \$296,936.

7. WARRANTS

As at June 30, 2025, the following share purchase warrants were outstanding:

Number of Warrants	Exercise Price	Weighted Average Remaining Life (Years)	Expiry Date
7,883,050	\$0.75	1.75	April 8, 2027
126,900	\$0.75	0.75	March 4, 2026
8,009,950	\$0.75	1.73	

7. WARRANTS (continued)

During the nine months ended June 30, 2025, 200,000 warrants previously issued by Acme prior to the RTO were exercised at \$0.20 per share for proceeds of \$40,000.

During the nine months ended June 30, 2025, the Company issued 7,883,050 warrants and 126,900 finders' fee warrants as part of the RTO (Note 3). The warrants attached to the concurrent financing had \$Nil value based on the residual value method. The fair value of the finders' fee warrants was \$12,291 using the Black-Scholes valuation method using the following assumptions: stock price volatility – 75%, risk-free interest rate – 2.45%, expected life of options – 2.00 years, and expected dividend yield – 0%.

8. SHARE-BASED PAYMENTS RESERVE

Stock option plan

The Company grants stock options to directors, officers, employees, and consultants pursuant to the Company's Stock Option Plan (the "Plan"). The number of options that may be issued pursuant to the Plan are limited to 10% of the Company's issued and outstanding common shares, and to other restrictions with respect to any single participant (not greater than 5% of the issued common shares), or any one consultant (not greater than 2% of the issued common shares), or consultants performing investor relations activities (not greater than 1% of the issued common shares).

Vesting provisions may also be applied to other option grants, at the discretion of the directors. Options issued pursuant to the Plan will have an exercise price as determined by the directors, and permitted by the regulatory authorities, at the time of the grant. Options have a maximum expiry date of 10 years from the grant date.

Share-based compensation

As at June 30, 2025, the following stock options were outstanding:

Number of Options	Exercise Price	Weighted Average Remaining Life (Years)	Expiry Date
250,000	\$0.20	1.33	October 31, 2026
3,800,000	\$0.40	4.75	April 8, 2030
4,050,000	\$0.39	4.54	

On April 8, 2025, 4,600,000 stock options were granted to directors, officers and consultants of the Company at \$0.40 per share for a period of 5 years. 10% of the stock options vested on June 26, 2025, 30% vests on October 8, 2025, 30% vests on April 8, 2026 and 30% vests on October 8, 2026. 800,000 of these stock options were cancelled on May 7, 2025. The fair value of the stock options that vested as at June 30, 2025 was \$94,917 using the Black-Scholes valuation method using the following assumptions: stock price volatility – 75%, risk-free interest rate – 2.67%, expected life of options – 5.00 years, and expected dividend yield – 0%.

9. RELATED PARTY TRANSACTIONS

Key management personnel are the persons responsible for planning, directing and controlling the activities of the Company, and include both executive and non-executive directors, and entities controlled by such persons. The Company considers all directors, former directors, officers and significant shareholders of the Company to be key management personnel.

During the nine months ended June 30, 2025, the Company incurred \$492,396 (2024: \$Nil) of consulting and management fees from officers, directors and former officers of the Company and capitalized \$194,773 (2024: \$Nil) of consulting fees to exploration and evaluation asset from an officer of the Company.

Total fair value of the share-based payments made to directors and officers was \$64,943 (2024 - \$Nil) for the nine months ended June 30, 2025.

As at June 30, 2025, there is \$125,790 (December 31, 2024: \$191,120) due to officers and directors of the Company. As at December 31, 2024, there was \$100,638 due to a former significant shareholder who is no longer a significant shareholder after the RTO and therefore is not included in due to related parties as at June 30, 2025. All amounts owed to related parties are non-interest bearing, unsecured, and have no fixed terms of repayment.

10. COMMITMENT

On September 22, 2021 and amended on February 6, 2025, the Company entered into a joint development agreement (“JDA”) with an international geophysical company based in Houston, Texas. The purpose for the JDA was to collaborate on a comprehensive international oil and gas database in view of identifying oil and gas exploration opportunities for a five year term. In consideration of the services and activities undertaken for the first year of the agreement, the Company has paid a total of US\$500,000. Of the total, US\$333,333 (\$419,339) was paid during the year ended December 31, 2022 and the remaining US\$166,667 (\$216,867) was paid in the year ended December 31, 2024.

Additionally, the Company shall pay the vendor according to the following milestones, paid within 30 days of each milestone achievement (“Milestone Considerations”):

Milestone	Consideration
Equity investment acquired by the Company as a sole operator or as part of an exploration group over any block regardless of size	US\$500,000
Capital raise *	10% of capital raised, maximum of US\$1,000,000
Commencement of physical operation of drilling a well in which the land surface is penetrated by a drill bit (“Spud Well”)	US\$1,000,000
Executing an agreement with a third party to acquire an equity investment through an exploration group	10% of value of investment, maximum of US\$2,000,000
Board of directors approving to undertake the project	US\$2,500,000
First commercial oil production	US\$1,000,000
Net profit interest	2% on a quarterly basis
Disposal of interest	2% of net proceeds

*As part of the concurrent financing with the RTO (Note 3), the Company has accrued \$293,768 which was paid subsequent to June 30, 2025 and included in exploration and evaluation assets (Note 5)

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

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

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

a) *Credit risk*

Credit risk arises from the potential for non-performance by counterparties of contractual financial obligations. The Company is exposed to credit risk on its cash. The Company reduces credit risk on its cash by maintaining its bank account with a large international financial institution. Accordingly, the Company does not believe it is subject to significant credit risk. The carrying value of this financial asset represents the maximum credit exposure.

b) *Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company has liquidity risk as it has historically relied upon related parties to satisfy its capital requirements. Due to related parties are due within one year.

c) *Market risk*

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

d) *Interest rate risk*

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk, from time to time, on its cash balances. Surplus cash, if any, is placed on call with financial institutions.

e) *Commodity price risk*

Oil and natural gas prices have been and are expected to remain volatile due to market uncertainties over the supply and demand of these commodities due to various factors including OPEC actions, the current state of world economies and ongoing credit and liquidity concerns. Depressed commodity prices have had and will continue to have a significant impact on the Company's ability to raise future capital to fund operations. Therefore, management regularly monitors natural resource commodity prices to determine the appropriate course of action to be taken by the Company.

12. CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders.

The Company depends on external financing to fund its activities. The capital structure of the Company currently consists of equity comprised of share capital, reserves and deficit. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets, being mineral properties. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements to fund operations. Management reviews its capital management approach on a regular basis. The Company is not subject to externally imposed capital requirements and there were no changes in approach during the current period.