

BERKLEY RENEWABLES INC.

CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2013 and 2012

(Expressed in Canadian Dollars)

Management's Responsibility

To the Shareholders of Berkley Renewables Inc.:

Management is responsible for the preparation, integrity and fair presentation of the consolidated financial statements. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and necessarily include amounts based on management's informed judgments and estimates within the acceptable limits of materiality. Financial information contained in management's discussion and analysis is consistent with the consolidated financial statements.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of the consolidated financial statements.

The Board of Directors, through its Audit Committee, is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control systems. The Audit Committee is composed of independent directors who are not employees of the Company. The Audit Committee is responsible for reviewing the consolidated financial statements and recommending them to the Board of Directors for approval. To discharge its duties the Audit Committee meets regularly with management and MNP LLP, an independent firm of Chartered Accountants, to discuss internal controls, accounting and financial reporting processes, audit plans and financial matters. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements for issuance to the shareholders. The Audit Committee also considers the independence of the external auditors and reviews their fees.

MNP LLP, is responsible for auditing the consolidated financial statements and expressing their opinion thereon and their report is presented separately. The external auditors have full and free access to, and meet regularly with, management and the Audit Committee.

(signed) "Matthew Wayrynen"

Chief Executive Officer

April 28, 2014

(signed) "Pamela Saulnier"

Chief Financial Officer

Independent Auditors' Report

To the Shareholders of Berkley Renewables Inc.:

We have audited the accompanying consolidated financial statements of Berkley Renewables Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2013 and 2012, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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 whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Berkley Renewables Inc. and its subsidiaries as at December 31, 2013 and 2012, and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 of the consolidated financial statements which indicates that the Company has a net loss for the year of \$533,735 and an accumulated deficit of \$16,768,510 as at December 31, 2013. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

Calgary, Alberta
April 28, 2014

MNP LLP
Chartered Accountants

BERKLEY RENEWABLES INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at:

| | December 31, 2013 | December 31, 2012 |
|---|----------------------|----------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 138,647 | \$ 462,365 |
| Marketable securities | 9,492 | 8,181 |
| Trade and other receivables (Note 18) | 100,102 | 164,215 |
| Due from related parties (Note 16) | 770,132 | 15,000 |
| Prepaid expenses | 10,000 | 1,500 |
| Total current assets | 1,028,373 | 651,261 |
| Investment in RepliCel Life Sciences (Note 5) | 459,060 | 684,994 |
| Petroleum and natural gas interests (Note 6) | 136,331 | 135,569 |
| Exploration and evaluation properties (Note 7) | - | 379,129 |
| Other property and equipment (Note 8) | 3,988 | 5,361 |
| Total non-current assets | 599,379 | 1,205,053 |
| Total assets | \$ 1,627,752 | 1,856,314 |
| LIABILITIES | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | \$ 395,825 | \$ 184,622 |
| Taxes payable (Note 15) | 177,846 | - |
| Due to related parties (Note 16) | 134,033 | 82,909 |
| Total current liabilities | 707,704 | 267,531 |
| Decommissioning liability (Note 9) | 139,596 | 88,162 |
| Total liabilities | 847,300 | 355,693 |
| SHAREHOLDERS' EQUITY | | |
| Share capital (Note 10) | 15,356,712 | 15,279,367 |
| Share subscription (Note 10) | - | 38,500 |
| Warrants (Note 12) | 80,942 | 80,287 |
| Contributed surplus | 1,733,013 | 1,733,013 |
| Deficit | (16,768,510) | (16,283,709) |
| Accumulated other comprehensive income | 23,436 | 249,370 |
| | 425,593 | 1,096,828 |
| Non-controlling interest (Note 14) | 354,859 | 403,793 |
| Total shareholders' equity | 780,452 | 1,500,621 |
| Total liabilities and shareholders' equity | \$ 1,627,752 | \$ 1,856,314 |

Going concern (Note 1)

Approved by the Board of Directors and authorized for issue on April 28, 2014

"Matt Wayrynen"
 Director

"Tyrone Docherty"
 Director

The accompanying notes form an integral part of these consolidated financial statements.

(BERKLEY RENEWABLES INC.)
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

For the years ended:

| | December 31, 2013 | December 31, 2012 |
|---|----------------------|-----------------------|
| Revenue (Note 20) | \$ 793,729 | \$ 37,749 |
| Operating expenses | | |
| Royalty expense | 1,686 | 1,490 |
| Operating costs | 49,152 | 23,071 |
| Depletion and accretion (Notes 6 & 9) | 17,731 | 14,465 |
| Net income (loss) from operations | 725,160 | (1,277) |
| General and administrative expenses | | |
| Management fees (Note 16) | 388,594 | 493,765 |
| Professional fees | 133,583 | 37,204 |
| Consulting fees | 78,840 | 106,668 |
| Administrative, office services and premises | 17,300 | 222,013 |
| Depreciation (Note 8) | 1,373 | 1,850 |
| Shareholder information | 9,868 | 18,624 |
| Filing and transfer agent fees | 15,389 | 19,853 |
| | 644,947 | 899,977 |
| Other income (expenses) | | |
| Realized foreign exchange gain (loss) | 103 | (501) |
| Bad debt expense | (28,450) | (14,439) |
| Gain on sale of wellsite equipment (Note 6) | - | 63,000 |
| Unrealized gain (loss) on marketable securities | 1,311 | (4,061) |
| Realized gain on marketable securities | - | 14,360 |
| Loss on impairment (Note 6 & 7) | (412,070) | - |
| Other income | 3,004 | 18,869 |
| | (436,102) | 77,228 |
| Loss before tax | (355,889) | (824,026) |
| Tax (expense) recovery (Note 15) | (177,846) | 35,624 |
| Net loss for the year | (533,735) | (788,402) |
| Other comprehensive loss | | |
| Items that may be reclassified subsequently to profit or loss | | |
| Unrealized loss on investment, net of tax (Note 5 & 15) | (225,934) | (1,544,940) |
| Total comprehensive loss | \$ (759,669) | \$ (2,333,342) |
| Net loss attributed to: | | |
| Owners of the parent | (484,801) | (612,893) |
| Non-controlling interest (Note 14) | (48,934) | (175,509) |
| | (533,735) | (788,402) |
| Total comprehensive loss attributed to: | | |
| Owners of the parent | (710,735) | (2,157,833) |
| Non-controlling interest (Note 14) | (48,934) | (175,509) |
| | (759,669) | (2,333,342) |
| Basic and diluted net loss per share (Note 13) | \$ (0.05) | \$ (0.10) |

The accompanying notes form an integral part of these consolidated financial statements.

BERKLEY RENEWABLES INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

| | Note | Share Capital | Share Subscription | Warrants | Contributed Surplus | Deficit | Non- Controlling Interest | Accumulated Other Comprehensive Income | Total |
|--|----------|------------------|-----------------------|-----------|------------------------|-----------------|---------------------------------|---|--------------|
| Balance as at December 31, 2011 | | \$ 14,848,154 | \$ - | \$ - | \$ 1,733,013 | \$ (15,670,816) | \$ 579,302 | \$ 1,794,310 | \$ 3,283,963 |
| Private placement | 10 (ii) | 431,213 | - | - | - | - | - | - | 431,213 |
| Share subscription | 10 (iii) | - | 38,500 | - | - | - | - | - | 38,500 |
| Fair value of private placement warrants | 10 (ii) | - | - | 80,287 | - | - | - | - | 80,287 |
| Net loss for the year | | - | - | - | - | (612,893) | - | - | (612,893) |
| Unrealized loss on investment | 5 | - | - | - | - | - | - | (1,544,940) | (1,544,940) |
| Non-controlling interest | 14 | - | - | - | - | - | (175,509) | - | (175,509) |
| Balance as at December 31, 2012 | | \$ 15,279,367 | \$ 38,500 | \$ 80,287 | \$ 1,733,013 | \$ (16,283,709) | \$ 403,793 | \$ 249,370 | \$ 1,500,621 |
| Share subscription | 10 (iii) | - | (38,500) | - | - | - | - | - | (38,500) |
| Private placement | 10 (iii) | 46,685 | - | 4,815 | - | - | - | - | 51,500 |
| Exercise of warrants | 10 (iv) | 30,660 | - | (4,160) | - | - | - | - | 26,500 |
| Net loss for the year | | - | - | - | - | (484,801) | - | - | (484,801) |
| Unrealized loss on investment | 5 | - | - | - | - | - | - | (225,934) | (225,934) |
| Non-controlling interest | 14 | - | - | - | - | - | (48,934) | - | (48,934) |
| Balance as at December 31, 2013 | | \$ 15,356,712 | \$ - | \$ 80,942 | \$ 1,733,013 | \$ (16,768,510) | \$ 354,859 | \$ 23,436 | \$ 780,452 |

The accompanying notes form an integral part of these consolidated financial statements.

BERKLEY RENEWABLES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended:

| | December 31, 2013 | December 31, 2012 |
|--|----------------------|----------------------|
| CASH PROVIDED BY (USED IN): | | |
| OPERATING ACTIVITIES | | |
| Net loss for the year | \$ (533,735) | \$ (788,402) |
| Items not requiring cash in the year | | |
| Tax expense (recovery) (Note 15) | 177,846 | (35,624) |
| Depreciation, depletion and accretion (Notes 6, 8 & 9) | 19,104 | 16,315 |
| Loss on impairment (Note 6 & 7) | 412,070 | - |
| Unrealized (gain) loss on marketable securities | (1,311) | 4,061 |
| Realized gain on marketable securities | - | (14,360) |
| | 73,974 | (818,010) |
| Change in non-cash working capital (Note 17) | 266,816 | (25,811) |
| Cash provided by (used in) operating activities | 340,790 | (843,821) |
| INVESTING ACTIVITIES | | |
| Proceeds on sale of marketable securities | - | 55,835 |
| Cash received from investing activities | - | 55,835 |
| FINANCING ACTIVITIES | | |
| Non-brokered private placement (Note 10 (ii)) | - | 511,500 |
| Share subscription received (Note 10 (iii)) | 13,000 | 38,500 |
| Warrants exercised (Note 10 (iv)) | 26,500 | - |
| Advances from related parties (Note 16) | 51,124 | 355,926 |
| Advances to related parties (Note 16) | (755,132) | (329,902) |
| Cash (used in) provided by financing activities | (664,508) | 576,024 |
| Decrease in cash and cash equivalents | (323,718) | (211,962) |
| Cash and cash equivalents, beginning of year | 462,365 | 674,327 |
| Cash and cash equivalents, end of year | \$ 138,647 | \$ 462,365 |

The accompanying notes form an integral part of these consolidated financial statements.

BERKLEY RENEWABLES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2013 and 2012

1. Nature of Operations and Going Concern

Berkley Renewables Inc. ("Berkley") was created on the amalgamation of Fortune Island Mines Ltd., Kerry Mining Ltd. and Berkley Resources Ltd. under the Company Act (British Columbia) on July 18, 1986. Previously focused on the acquisition, exploration, development and production from petroleum and natural gas interests in Alberta, Canada, Berkley is currently diversifying its strategy into renewable sources of energy, specifically the management and operation of photovoltaic power generation. The address of the registered office is 900, 570 Granville Street, Vancouver, British Columbia, V6C 3P1.

On July 8, 2010, Berkley acquired a 53% interest in American Uranium Corporation ("AUC"). The results of American Uranium Corporation's operations have been included in these consolidated financial statements since that date. American Uranium Corporation is an exploration-stage company engaged in the acquisition and exploration of mineral property interests in the United States.

On November 7, 2011, Berkley acquired 501 common shares of Solar Flow-Through 2012-I Management Ltd. ("SFT2012") representing a 51% interest. As part of the acquisition, SFT2012 became a direct subsidiary of Berkley. On September 24, 2012, Berkley acquired an additional 449 common shares in SFT2012 for a total interest of 95% as at December 31, 2012 and 2013.

On November 7, 2011, Berkley acquired 501 common shares of Solar Flow-Through 2012-I General Partner Ltd. ("SFT2012 GP Ltd.") representing a 51% interest. As part of the acquisition, SFT2012 GP Ltd. became a direct subsidiary of Berkley. On September 24, 2012, Berkley acquired an additional 449 common shares in SFT2012 GP Ltd. for a total interest of 95% as at December 31, 2012 and 2013.

On April 12, 2013, Berkley acquired 950 common shares of Solar Flow-Through 2013-I Management Ltd. ("SFT2013") representing a 95% interest as at December 31, 2013. As part of the acquisition, SFT2013 became a direct subsidiary of Berkley.

On April 12, 2013, Berkley acquired 950 common shares of Solar Flow-Through 2013-I General Partner Ltd. ("SFT2013 GP Ltd.") representing a 95% interest as at December 31, 2013. As part of the acquisition, SFT2013 GP Ltd. became a direct subsidiary of Berkley.

The consolidated financial statements include the financial statements of Berkley Renewables Inc. and the subsidiaries listed in the following table (hereinafter together referred to as the "Company"):

| Name | Country of Incorporation | % equity interest | |
|--|--------------------------|-------------------|------|
| | | 2013 | 2012 |
| American Uranium Corp. | United States of America | 53% | 53% |
| Solar Flow-Through 2012-I General Partner Ltd. | Canada | 95% | 95% |
| Solar Flow-Through 2012-I Management Ltd. | Canada | 95% | 95% |
| Solar Flow-Through 2013-I General Partner Ltd. | Canada | 95% | - |
| Solar Flow-Through 2013-I Management Ltd. | Canada | 95% | - |

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

The Company has a net loss for the year of \$533,735 and an accumulated deficit of \$16,768,510 as at December 31, 2013. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

BERKLEY RENEWABLES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2013 and 2012

1. Nature of Operations and Going Concern *(continued)*

The Company's ability to continue as a going concern is dependent upon its ability to raise additional capital through the issuance of treasury shares or debt and achieve profitable operations in the future. The management of the Company has developed a strategy to address this uncertainty, including additional equity and/or debt financing; however, there are no assurances that any such financing can be obtained on favourable terms, if at all.

If the going concern assumption were not appropriate for these consolidated financial statements, then adjustments would be necessary in the carrying values of assets and liabilities, reported revenues and expenses, and the consolidated statement of financial position classifications used.

The consolidated financial statements were authorized for issuance on April 28, 2014 by the Directors of Berkley.

2. Basis of Preparation

a) Statement of compliance:

These consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the Interpretations of the IFRS Interpretations Committee ("IFRIC") and in effect at the closing date of December 31, 2013.

b) Basis of measurement:

The consolidated financial statements of the Company have been prepared on a historical cost basis, except for financial instruments and share-based payment transactions that have been measured at fair value.

c) Functional and presentation currency:

The functional currency of the Company is the Canadian dollar. The consolidated financial statements are presented in Canadian dollars.

d) Use of estimates and judgements:

The preparation of the Company's consolidated financial statements requires management to make, at the end of the reporting period, judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and the disclosure of contingencies and commitments. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. The estimates and underlying assumptions are reviewed by management on an ongoing basis. Revisions to required estimates are recognized in the year in which the estimate is revised.

The key estimates and judgements concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are outlined below.

Significant judgments

Cash-generating-unit determination

The Company's assets are aggregated into cash-generating-units (CGUs) based on their ability to generate largely independent cash inflows. These CGU's are used for impairment testing. CGUs are determined by similar geological structure, shared infrastructure and geographical proximity.

2. Basis of Preparation *(continued)*

d) Use of estimates and judgements *(continued)*

Significant judgments *(continued)*

Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable earnings will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable earnings together with future tax planning strategies.

Significant estimates

Impairment of non-financial assets

The Company assesses its petroleum and natural gas ("P&NG") and exploration and evaluation ("E&E") assets for possible impairment if there are events or changes in circumstances that indicate the carrying values of the assets may not be recoverable. Such indicators include changes in the Company's business plans, changes in commodity prices, evidence of physical damage and significant downward revisions to estimated recoverable volumes or increases in estimated future development expenditures. The assessment for impairment for P&NG and E&E assets involves comparing the carrying value of the CGU with the higher of value in use and fair value less costs to sell. Determination as to whether and how much an asset is impaired involves management estimates on highly uncertain matters such as future commodity prices, the effects of inflation on operating expenses, discount rates, production profiles and the outlook for regional supply-and-demand conditions for crude oil, natural gas and liquids. Impairment is recognized in earnings in the period in which carrying amount exceeded the recoverable amount.

Share-based payment transactions

The Company follows the fair value method to record share-based payment expense with respect to options granted. The fair value of each option granted is estimated based on the date of grant and a provision for the cost is provided for with a corresponding credit to reserves in shareholders' equity over the vesting period of the option agreement. Forfeitures are estimated for each tranche, and adjusted as required to reflect actual forfeitures that have occurred in the period. In order to record share-based payment expense, the Company estimates the fair value of share options granted using assumptions related to interest rates, expected lives of the options, volatility of the underlying security, forfeitures and expected dividend yields. Useful lives of property and equipment

The Company estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the relevant assets. In addition, the estimation of the useful lives of property and equipment are based on internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the property and equipment would increase the recorded expenses and decrease the non-current assets.

2. Basis of Preparation *(continued)*

d) Use of estimates and judgements *(continued)*

Significant estimates *(continued)*

Allowance for doubtful debts

The Company makes allowances for doubtful debts based on an assessment of the recoverability of receivables. Allowances are applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analyses historical bad debts, customer concentrations, customer credit worthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the allowance for doubtful debts of receivables. The amount of the allowance is the difference between the carrying amount of the receivables and the amount expected to be collected.

Fair value of financial instruments

The estimated fair value of financial assets and liabilities, by their very nature, are subject to measurement uncertainty. Trade and other receivables are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary.

Decommissioning liabilities and accretion

The amounts recorded for decommissioning liabilities and the related accretion expenses are based on estimates of the costs to abandon and reclaim the wells and facilities and the estimated time period in which these costs are expected to be incurred in the future. In determining the fair value of the decommissioning liabilities, assumptions and estimates are made in relation to discount rates, the expected cost for the reclamation, the expected cost to recover the asset and the expected timing of those costs. The Company's operations are affected by federal, provincial and local laws and regulations concerning environmental protection. The Company's provisions for future site restoration and reclamation are based on known requirements. It is not currently possible to estimate the impact on operating results, if any, of future legislative or regulatory developments.

Depletion and depreciation

Amounts recorded for depreciation are based on estimates including economic life of the asset and residual values of the asset at the end of its economic life. Depletion of resource assets is measured over the life of proved and probable reserves on a unit-of production basis and commences when the wells are substantively complete and after commercial production has begun. Reserve estimates and the associated future capital can have a significant impact on earnings, as these are key components to the calculation of depletion. A downward revision in the reserve estimate or an upward revision to future capital would result in increased depletion, reduced earnings and reduced carrying value of petroleum and natural gas property assets.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by the Company.

a) Basis of consolidation

The consolidated financial statements include the accounts of Berkley and its subsidiaries and the proportionate share of the assets, liabilities, revenues, expenses and cash flows of its operations as at December 31, 2013 and 2012. The subsidiaries are fully consolidated from the date of acquisition, being the date on which Berkley obtained control, and continues to be consolidated until the date that such control ceases. Non-controlling interests represent equity interests in subsidiaries owned by outside parties. The share of net assets of subsidiaries attributable to non-controlling interests is presented as a component of equity. Their share of net loss and comprehensive loss is recognized directly in equity. The financial statements of the subsidiaries are prepared for the same reporting period as the parent, using consistent accounting policies. All intercompany balances and transactions are eliminated in full upon consolidation.

3. Significant Accounting Policies *(continued)*

b) Financial instruments

(i) Non-derivative financial instruments:

Non-derivative financial instruments comprise cash and cash equivalents, trade and other receivables, due from related parties, marketable securities, investment in RepliCel Life Sciences, accounts payable and accrued liabilities and due to related parties. Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Loans and receivables:

Loans and receivables are initially recognized at fair value plus transaction costs and subsequently carried at amortized cost using the effective interest method.

A provision for impairment of loans and receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the consolidated statement of loss and comprehensive loss. When a loan and receivable is uncollectible, it is written off against the allowance account for trade and other receivables. The Company has designated trade and other receivables and due from related parties as loans and receivables.

Financial assets at fair value through profit or loss:

A financial instrument is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's risk management and investment strategy. Upon initial recognition, attributable transaction costs are recognized in earnings when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognized in earnings. The Company has designated cash and cash equivalents and marketable securities at fair value through profit or loss.

Available-for-sale financial assets:

Available-for-sale financial assets are non-derivative financial assets that are not classified as loans and receivables or financial assets at fair value through profit or loss. Subsequent to initial recognition, they are measured at fair value, with gains or losses recognized within other comprehensive loss. Accumulated changes in fair value are recorded as a separate component of equity until the investment is impaired, sold or otherwise disposed of, then the cumulative gain or loss in other comprehensive loss is transferred to profit or loss. The Company's available-for-sale financial assets include the investment in RepliCel Life Sciences.

Other financial liabilities:

Other financial liabilities include accounts payable and accrued liabilities and due to related parties, and are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method.

3. Significant Accounting Policies *(continued)*

c) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and held at banks and highly liquid temporary money market instruments with original maturities of three months or less that are readily convertible into cash and which are subject to insignificant risk of changes in value. The balances at December 31, 2013 and 2012 consisted entirely of cash.

d) Revenue recognition

Revenue from the sale of petroleum and natural gas is recorded when title passes to an external party and is based on volumes delivered to customers at contractual delivery points, and rates and collectability are reasonably assured. The costs associated with the delivery, including operating and maintenance costs, transportation and production-based royalty expenses, are recognized during the same period in which the related revenue is earned and recorded.

Consulting revenues are recognized when services are rendered and when collection is reasonably assured.

e) Petroleum and natural gas interests

P&NG interests are carried at cost, less accumulated depletion, depreciation and accumulated impairment losses. The cost of an item of P&NG consists of the purchase price, any costs directly attributable to bringing the asset into the location and condition necessary for its intended use, a discounted current estimate of the decommissioning costs and borrowing costs for qualifying assets.

Oil and gas capitalized costs are depleted using the unit-of-production method. Depletion is calculated using the ratio of production in the period to the remaining total proved and probable reserves before royalties, taking into account future development costs prior to inflation necessary to bring those reserves into production. These estimates are evaluated and reported on by independent reserve engineers annually. Proven and probable reserves are estimated using independent reserve engineer reports and represent the estimated quantities of crude oil, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially producible.

Changes in estimates such as quantities of proved and probable reserves that affect unit-of-production calculations are applied on a prospective basis.

An item of P&NG is derecognized upon disposal or is impaired when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss on disposal of the asset, determined as the difference between the net proceeds and the carrying amount of the asset, is recognized in the consolidated statement of loss and comprehensive loss in the period incurred.

f) Exploration and evaluation properties

E&E properties include land acquisition costs, geological and geophysical costs, exploratory drilling, directly attributable expenses and activities relating to evaluating the technical feasibility and commercial viability of our resources. All other expenditures are recognized in earnings as incurred.

E&E costs are capitalized and are not depleted until such time as the exploration phase is complete and technical feasibility and commercial viability of extracting the mineral resource has been demonstrated. Once demonstrated, E&E assets are tested for impairment in accordance with IAS 36 "Impairment of Assets ("IAS 36") and transferred to P&NG, and further development costs are capitalized to P&NG. E&E assets are also tested for impairment in accordance with IAS 36 if facts and circumstances suggest that the carrying amount exceeds the recoverable amount. If it is determined that technical feasibility and commercial viability has not been achieved in relation to a property, the resulting loss is included in the consolidated statement of loss and comprehensive loss.

3. Significant Accounting Policies *(continued)*

g) Other property and equipment

Other property and equipment

Other property and equipment consists of computer equipment and furniture, fixtures and equipment, and leasehold improvements that are depreciated at the following rates per annum under the declining balance and straight-line method:

| | |
|-----------------------------------|----------------------------------|
| Computer equipment | 30% declining balance |
| Furniture, fixtures and equipment | 20% declining balance |
| Leasehold improvements | Term of the lease, straight-line |

h) Impairment of assets

Non-financial assets

At each financial reporting date, the carrying amounts of P&NG and E&E assets are reviewed to determine whether there is any indication that those assets are impaired. If such indication exists, an estimate of the recoverable amount of the asset is calculated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash generating unit" or "CGU"). The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs to sell.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money to the Company and the risks specific to the asset. Fair value less cost to sell is derived by estimating the discounted after-tax future net cash flows. Discounted future net cash flows are based on forecasted commodity prices and costs over the expected economic life of the reserves and discounted market-based rates to reflect a market participant's view of the risks associated with the assets.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in earnings. Impairment losses recognized in respect of CGU's are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation or amortization, if no impairment loss had been recognized. A reversal of an impairment loss is recognized immediately in profit and loss.

Financial assets

Financial assets are assessed at each reporting date in order to determine whether objective evidence exists that the assets are impaired as a result of one or more events which have had a negative effect on the estimated future cash flows of the asset.

If there is objective evidence that a financial asset has become impaired, the amount of the impairment loss is calculated as the difference between its carrying amount and the present value of the estimated future cash flows from the asset discounted at its original effective interest rate. Impairment losses are recorded in earnings. If the amount of the impairment loss decreases in a subsequent period and the decrease can be objectively related to an event occurring after the impairment was recognized, the impairment loss is reversed up to the original carrying value of the asset. Any reversal is recognized in earnings.

3. Significant Accounting Policies *(continued)*

i) Taxes

Tax expense is comprised of current and deferred tax expenses. Tax expense is recognized in earnings except to the extent that if the tax expense related to items recognized directly in equity, the tax expense would also be recognized in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the liability method. Under this method, deferred tax assets and liabilities are recognized in relation to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

j) Earnings (loss) per share

Basic earnings (loss) per share is computed using the weighted average number of common shares outstanding during the period. The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on earnings per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that proceeds received from the exercise of stock options and warrants would be used to repurchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

k) Share-based payments

The Company uses the Black-Scholes pricing model to estimate the fair value of share-based payments at the grant date. The expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are satisfied.

No expense is recognized for awards that do not ultimately vest, except for equity-settled awards where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

l) Decommissioning liability

The Company's activities give rise to dismantling, decommissioning and site disturbance re-mediation activities. A provision is made for the estimated cost of site restoration and capitalized in the relevant asset category.

Decommissioning liabilities are measured at the present value of management's best estimate of expenditure required to settle the present obligation at the statement of financial position date. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation discounted using the risk-free rate, updated at each reporting date. The increase in the provision due to the passage of time is recognized as accretion expense whereas increases or decreases due to changes in the estimated cost are capitalized as P&NG. Actual costs incurred upon settlement of the decommissioning liability reduce the liability to the extent the provision was established. The related decommissioning asset is depleted on the same basis as the P&NG to which it relates.

3. Significant Accounting Policies *(continued)*

m) Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses. All operating segments' operating results are reviewed by the Company's management in order to make decisions regarding the allocation of resources to the segment. Segment results include items directly attributable to a segment as those that can be allocated on a reasonable basis.

4. Recent Accounting Pronouncements

Standards issued but not yet effective up to the date of issuance of the Company's consolidated financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date.

- (i) IFRS 2 Share-based payment - The amendments to IFRS 2, issued in December 2013 clarify the definition of "vesting conditions", and separately define a "performance condition" and a "service condition". A performance condition requires the counterparty to complete a specified period of service and to meet a specified performance target during the service period. A service condition solely requires the counterparty to complete a specified period of service. The amendments are effective for share-based payment transactions for which the grant date is on or after July 1, 2014.
- (ii) IFRS 3 Business combinations - The amendments to IFRS 3, issued in December 2013, clarify the accounting for contingent consideration in a business combination. At each reporting period, an entity measures contingent consideration classified as an asset or a financial liability at fair value, with changes in fair value recognized in profit or loss. The amendments are effective for business combinations for which the acquisition date is on or after July 1, 2014.
- (iii) IFRS 7 and IAS 32 – Financial instruments: Disclosures and financial instruments: presentation to clarify the current offsetting model and develop common disclosure requirements to enhance the understanding of the potential effects of offsetting arrangements. Amendments to IFRS are effective on January 1, 2014 with retrospective application and early adoption permitted. The Company is currently assessing the impact of this standard on its consolidated financial statements.
- (iv) IFRS 9 - Financial Instruments: issued in October 2010, is the first phase in the replacement of IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 revises the current multiple classification and measurement models for financial assets and liabilities and limits the models to two: amortized cost or fair value. The new standard is effective for the Company's interim and annual consolidated financial statements commencing January 1, 2015. The Company is currently assessing the impact of this standard on its consolidated financial statements.
- (v) IFRS 10, "Consolidated Financial Statements," supersedes IAS 27 "Consolidated and Separate Financial Statements" and SIC-12 "Consolidation – Special Purpose Entities". This standard provides a single model to be applied in control analysis for all investees including special purpose entities. The adoption of this standard had no impact on the amounts recorded in the Company's financial statements.
- (vi) IFRS 12, "Disclosure of Interest in Other Entities," combines the disclosure requirements for entities that have interest in subsidiaries, joint arrangements, and associates as well as unconsolidated structured entities. The adoption of this standard had no impact on the Company's financial statements.
- (vii) IFRS 13, "Fair Value Measurement," establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. This standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The adoption of this standard had no impact on the Company's financial statements.

BERKLEY RENEWABLES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2013 and 2012

4. Recent Accounting Pronouncements *(continued)*

- (viii) IAS 24 Related party disclosures - The amendments to IAS 24, issued in December 2013, clarify that a management entity, or any member of a group of which it is a part, that provides key management services to a reporting entity, or its parent, is a related party of the reporting entity. The amendments also require an entity to disclose amounts incurred for key management personnel services provided by a separate management entity. This replaces the more detailed disclosure by category required for other key management personnel compensation. The amendments will only affect disclosure and are effective for annual periods beginning on or after July 1, 2014. In May 2013, the IASB issued amendments to IAS 36 "Impairment of Assets" which reduces the circumstances in which the recoverable amount of CGUs is required to be disclosed and clarify the disclosures required when an impairment loss has been recognized or reversed in the period. The amendments are required to be adopted retrospectively for fiscal years beginning on or after January 1, 2014, with earlier adoption permitted. These amendments will be applied by the Company on January 1, 2014 and the adoption will only impact the Company's disclosures in the notes to the financial statements in periods when an impairment loss or impairment reversal is recognized.
- (ix) IAS 39 Financial Instruments: Recognition and measurement - The amendments to IAS 39, issued in June 2013, clarify that novation of a hedging derivative to a clearing counterparty as a consequence of laws or regulations or the introduction of laws or regulations, does not terminate hedge accounting. The amendments are effective for annual periods beginning on or after January 1, 2014.
- (x) IFRIC 21 Levies - IFRIC 21 Levies, issued in May 2013, provides guidance on the accounting for levies within the scope of IAS 37 Provisions, contingent liabilities and contingent assets. The main features of IFRIC 21 are as follows:
- The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation; and,
 - The liability to pay a levy is recognized progressively if the obligating event occurs over a period of time.
- The standard is effective for annual periods beginning on or after January 1, 2014.

5. Investment in RepliCel Life Sciences

During 2010, Berkley acquired 400,000 common shares of Trichoscience Innovations Inc. ("Trichoscience") at a price of \$1.00 per share. On May 9, 2011, Trichoscience became a wholly-owned subsidiary of RepliCel Life Sciences ("RepliCel"). Each outstanding share of Trichoscience was exchanged for 2.2953 common shares of RepliCel. The common shares were being held in escrow and have been released at 15% per quarter beginning January 1, 2012.

As at December 31, 2012, there were 367,248 shares held in escrow. The investment in common shares in RepliCel still held in escrow was measured at the fair value using the Black-Scholes pricing model. The following assumptions were used to measure fair value of the investment:

| | 2012 |
|-------------------------|-------|
| Risk free interest rate | 1.13% |
| Expected volatility | 81% |
| Expected life (years) | 0.13 |

As at December 31, 2013, all 918,120 shares have been released from escrow (2012 – 550,872) and have been valued at RepliCel's trading price at the reporting date. The Company recognized an unrealized loss on investment in other comprehensive loss for the year ended December 31, 2013 of \$225,934 (2012 - unrealized loss of \$1,544,940).

BERKLEY RENEWABLES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2013 and 2012

6. Petroleum and Natural Gas Interests

Cost or deemed cost

| | | |
|------------------------------|----|---------|
| Balance at December 31, 2011 | \$ | 749,443 |
| Change in estimate (Note 9) | | 1,155 |

| | | |
|------------------------------|--|---------|
| Balance at December 31, 2012 | | 750,598 |
| Change in estimate (Note 9) | | 49,133 |

| | | |
|-------------------------------------|-----------|----------------|
| Balance at December 31, 2013 | \$ | 799,731 |
|-------------------------------------|-----------|----------------|

Depletion

| | | |
|------------------------------|----|---------|
| Balance at December 31, 2011 | \$ | 601,948 |
| Depletion | | 13,081 |

| | | |
|------------------------------|--|----------------|
| Balance at December 31, 2012 | | 615,029 |
| Depletion | | 15,430 |
| Impairment | | 32,941 |

| | | |
|-------------------------------------|-----------|----------------|
| Balance at December 31, 2013 | \$ | 663,400 |
|-------------------------------------|-----------|----------------|

Net book value

| | | |
|-----------------------------|-----------|----------------|
| At December 31, 2012 | \$ | 135,569 |
| At December 31, 2013 | \$ | 136,331 |

During the year ended December 31, 2012, the Company sold well site equipment for proceeds of \$63,000. The wellsite equipment had no carrying value and the full amount of the proceeds was recorded as a gain in the statement of loss and comprehensive loss.

As at December 31, 2013 oil and gas properties were impaired by \$32,941 (2012 - \$nil). The impairment resulted from a significant decrease in the reserve volumes allocated to oil and gas properties as at December 31, 2012.

The oil and gas properties were written down to fair value less cost to sell. Fair value was determined using a valuation technique that incorporates the estimated future cash flows based on reserve volumes and prices. Corporate assets were allocated to each CGU on a systematic basis based on total carrying value. Management has deemed the cost to sell as 2% of the fair value of the assets.

The calculation of value in use is most sensitive to the following assumptions:

- Production volumes;
- Discount rates;
- Commodity prices

The impairment test was based on the following future prices at December 31, 2013 of the Company's independent reserve evaluator:

| Year | Natural gas – Alberta AECO Average Price Current (\$CDN/mcf) |
|------|--|
| 2014 | 3.99 |
| 2015 | 4.30 |
| 2016 | 4.49 |
| 2017 | 4.73 |
| 2018 | 5.20 |
| 2019 | 5.56 |
| 2020 | 6.05 |
| 2021 | 6.60 |
| 2022 | 7.09 |
| 2023 | 7.52 |

Increases after 2024 approximate 2% per year.

BERKLEY RENEWABLES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2013 and 2012

7. Exploration and Evaluation Assets

| | |
|---------------------------------------|------------|
| Balance at December 31, 2011 and 2012 | \$ 379,129 |
| Impairment | (379,129) |
| Balance at December 31, 2013 | \$ - |

Exploration and evaluation (E&E) assets consisted of the Company's exploration projects which were pending the determination of proven or probable reserves. During the year ended December 31, 2013, the Company recorded an impairment of \$379,129, as a result of management's assessment that the properties would no longer be commercially viable due to decreases in natural gas prices; there are no plans to continue development of these properties.

8. Other Property and Equipment

| | Computer equipment | | Furniture, fixtures and equipment | | Leasehold improvements | | Total |
|--|-----------------------|-----------|---|-----------|---------------------------|-----------|---------------|
| Cost or deemed cost | | | | | | | |
| Balance at January 1, 2012 and December 31, 2012 and 2013 | \$ 36,724 | \$ | 9,199 | \$ | 4,078 | \$ | 50,001 |
| | Computer equipment | | Furniture, fixtures and equipment | | Leasehold improvements | | Total |
| Depreciation | | | | | | | |
| Balance at December 31, 2011 | 30,757 | \$ | 7,955 | \$ | 4,078 | \$ | 42,790 |
| Depreciation | 1,620 | | 230 | | - | | 1,850 |
| Balance at December 31, 2012 | 32,377 | \$ | 8,185 | \$ | 4,078 | \$ | 44,640 |
| Depreciation | 1,185 | | 188 | | - | | 1,373 |
| Balance at December 31, 2013 | \$ 33,562 | \$ | 8,373 | \$ | 4,078 | \$ | 46,013 |
| Net book value | | | | | | | |
| At December 31, 2012 | | | | | \$ | | 5,361 |
| At December 31, 2013 | | | | | \$ | | 3,988 |

BERKLEY RENEWABLES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2013 and 2012

9. Decommissioning Liability

The following table presents the reconciliation of the carrying amount of the obligation associated with the decommissioning of the Company's P&NG assets:

| | 2013 | 2012 |
|----------------------------|------------|-----------|
| Balance, beginning of year | \$ 88,162 | \$ 85,623 |
| Accretion | 2,301 | 1,384 |
| Change in estimates | 49,133 | 1,155 |
| Balance, end of year | \$ 139,596 | \$ 88,162 |

Berkley estimates the total undiscounted amount of cash flows required to settle its decommissioning liability is approximately \$160,811 (2012 - \$81,879) which will be incurred between 2017 and 2029. The majority of these obligations will be incurred in 2017. An inflation factor of 1.5% has been applied to the estimated asset retirement cost. Risk-free discount rates of 1.30% - 3.24% (2012 - 1.38% - 2.36%) was used to calculate the fair value of the decommissioning liability.

10. Share Capital

a) Authorized

Unlimited Class A common shares, without par value.

b) Issued

| | Number of shares | Amount |
|-------------------------------------|-------------------|----------------------|
| Balance as at December 31, 2011 (i) | 4,613,951 | \$ 14,848,154 |
| Private placement (ii) | 5,115,000 | 511,500 |
| Fair value of warrants (ii) | - | (80,287) |
| Balance as at December 31, 2012 | 9,728,951 | \$ 15,279,367 |
| Private placement (iii) | 515,000 | 46,685 |
| Warrants exercised (iv) | 132,500 | 30,660 |
| Balance at December 31, 2013 | 10,376,451 | \$ 15,356,712 |

- i. In April 2012, the Company effected a share consolidation of its share capital on a 10 for 1 basis, consolidating its 46,139,482 outstanding common shares to 4,613,951 common shares (fraction adjustment of three). All references to common stock in these consolidated financial statements have been changed to reflect the share consolidation.
- ii. On September 18, 2012, the Company completed a non-brokered private placement and issued 5,115,000 units for gross proceeds of \$511,500. Each unit consists of one common share and one half of one common share purchase warrant. Each whole warrant entitles the holder thereof to purchase one additional common share of the Company at a price of \$0.20 per share for a period of two years following the close of the private placement. The fair value of the warrants issued using the Black-Scholes model was \$80,287, the following assumptions were used; volatility of 91.67%, expected life of two years and risk free interest rate of 1.18% (Note 12).

BERKLEY RENEWABLES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2013 and 2012

10. Share Capital *(continued)*

- iii. On January 11, 2013 a non-brokered private placement was closed consisting of 515,000 units for aggregate proceeds of \$51,500. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder thereof to purchase one additional common share of the Company at a price of \$0.20 per warrant share for a period of two years following the close of the private placement. As at December 31, 2012, the Company had received advance funds of \$38,500 included in share subscription. On January 11, 2013, the remaining \$13,000 was received and the full \$51,500 was recorded to share capital. The fair value of the warrants issued using the Black-Scholes model was \$4,815, the following assumptions were used; volatility of 128.64%, expected life of two years and risk free interest rate of 1.19% (Note 12).
- iv. On December 12, 2013, 265,000 warrants were exercised in exchange for the issuance of 132,500 shares for gross proceeds of \$26,500. The fair value of the warrants exercised was \$4,160, as determined using the Black-Scholes model on issuance (Note 10 (ii)).

11. Share-Based Payments

The Company has an equity-settled stock option plan under which the Board of Directors may grant options to directors, officers, other employees and key consultants. The purpose of the plan is to advance the interests of the Company by encouraging these individuals to acquire shares in the Company and thereby remain associated with, and seek to maximize the value of, the Company.

Under the plan, the number of shares reserved for issuance pursuant to the exercise of all options under the plan may not exceed 10% of the issued and outstanding common shares on a non-diluted basis at any time. The options expire not more than five years from the date of grant, or earlier if the individual ceases to be associated with the Company, and vest over terms determined at the time of grant.

The following tables summarize information about stock options outstanding as at:

| | December 31, 2013 | | December 31, 2012 | |
|--|------------------------------------|--|------------------------------------|--|
| | Number of shares subject to option | Weighted average exercise price per option | Number of shares subject to option | Weighted average exercise price per option |
| Balance outstanding, beginning of year | - | - | 35,000 | \$5.60 |
| Activity in the year: | | | | |
| Issued | - | - | (35,000) | (\$5.60) |
| Expired | - | - | (35,000) | (\$5.60) |
| Balance outstanding, end of year | - | - | - | - |
| Exercisable, end of year | - | - | - | - |

BERKLEY RENEWABLES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2013 and 2012

12. Warrants

The following table summarizes information about warrants outstanding as at:

| | December 31, 2013 | | December 31, 2012 | |
|--|--------------------------------------|----------------------|--------------------------------------|----------------------|
| | Number of Shares Subject to Warrants | Exercise price range | Number of Shares Subject to Warrants | Exercise price range |
| Balance outstanding, beginning of year | 2,557,500 | \$0.20 | - | - |
| Issued (Note 10 (iii)) | 257,500 | \$0.20 | 2,557,500 | \$0.20 |
| Exercised (Note 10 (iv)) | (132,500) | \$0.20 | - | - |
| Balance outstanding, end of year | 2,682,500 | \$0.20 | 2,557,500 | \$0.20 |

13. Loss Per Share

Basic income or loss per share amounts are calculated by dividing the net income or loss of the year attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year.

The Company's dilutive instruments consist of common share purchase warrants and stock options.

| | 2013 | 2012 |
|---|--------------|--------------|
| Net loss attributable to owners of the parent | \$ (484,801) | \$ (612,893) |
| Weighted average shares outstanding | 10,235,328 | 6,071,376 |
| Basic and diluted loss per common share | \$ (0.05) | \$ (0.10) |

The basic and diluted loss per share amounts are the same as the common share purchase warrants and stock options were excluded from the dilution calculation, as they were anti-dilutive.

14. Non-Controlling Interest

The Company's non-controlling interest in the consolidated statement of financial position was as follows:

| | 2013 | 2012 |
|---|------------|------------|
| American Uranium Corp. | \$ 342,933 | \$ 422,557 |
| Solar Flow-Through 2012-I General Partner Ltd | (6,340) | (2,669) |
| Solar Flow-Through 2012-I Management Ltd. | (17,093) | (16,095) |
| Solar Flow-Through 2013-I General Partner Ltd | (209) | - |
| Solar Flow-Through 2013-I Management Ltd. | 35,568 | - |
| | \$ 354,859 | \$ 403,793 |

BERKLEY RENEWABLES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2013 and 2012

14. Non-Controlling Interest *(continued)*

The Company's non-controlling interests included in the consolidated statement of loss and comprehensive loss were as follows:

| | 2013 | 2012 |
|---|--------------------|---------------------|
| American Uranium Corp. | \$ (79,624) | \$ (156,745) |
| Solar Flow-Through 2012-I General Partner Ltd | (3,671) | (2,669) |
| Solar Flow-Through 2012-I Management Ltd. | (998) | (16,095) |
| Solar Flow-Through 2013-I General Partner Ltd | (209) | - |
| Solar Flow-Through 2013-I Management Ltd. | 35,568 | - |
| | \$ (48,934) | \$ (175,509) |

15. Taxes

The net tax provision differs from that expected by applying the combined federal and provincial tax rates of 25.0% (2012 – 25.0%) to profit before taxes for the following reasons:

| | 2013 | 2012 |
|--|-------------------|--------------------|
| Loss before tax | \$ (355,889) | \$ (824,026) |
| Combined federal and provincial tax rate | 25.00% | 25.00% |
| Expected tax recovery | (88,972) | (206,007) |
| Meals and entertainment | - | 1,705 |
| Interest and penalties | - | - |
| Tax adjustment from rate change and other | 1,112,919 | (195,768) |
| Change in deferred tax benefits not recognized | (846,100) | 364,446 |
| | \$ 177,846 | \$ (35,624) |

Deferred tax assets and liabilities are attributable to the following:

| | 2013 | 2012 |
|--------------------------------------|------------------|--------------|
| Deferred tax assets (liabilities) | | |
| Non-capital losses | \$ 1,975,412 | \$ 2,856,288 |
| Property and equipment | 1,574,853 | 1,494,458 |
| Decommissioning liabilities | 34,899 | 22,040 |
| Cumulative eligible capital | 1,052 | 1,131 |
| Marketable securities | 9,502 | 18,445 |
| Investments | (7,383) | (35,624) |
| Net deferred tax assets | 3,588,335 | 4,356,738 |
| Deferred tax benefits not recognized | (3,588,335) | (4,356,738) |
| | \$ - | \$ - |

A deferred tax asset of \$28,242 in respect of the unrealized loss on investment included in other comprehensive loss has not been recognized (see Note 5). The Company's non-capital losses of \$9,013,671 (2012 - \$8,390,957), expire between 2015 and 2033.

BERKLEY RENEWABLES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2013 and 2012

16. Related Party Transactions

The consolidated financial statements include the financial statements of Berkley Renewables Ltd. and the subsidiaries listed below:

| Name | Country of Incorporation | % equity interest | |
|--|--------------------------|-------------------|-------------------|
| | | December 31, 2013 | December 31, 2012 |
| American Uranium Corp. | United States of America | 53% | 53% |
| Solar Flow-Through 2012-I General Partner Ltd. | Canada | 95% | 95% |
| Solar Flow-Through 2012-I Management Ltd. | Canada | 95% | 95% |
| Solar Flow-Through 2013-I General Partner Ltd. | Canada | 95% | - |
| Solar Flow-Through 2013-I Management Ltd. | Canada | 95% | - |

Balances and transactions between Berkley and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Details of transactions with other related parties are disclosed below:

- a) Due to related parties consists of \$53,104 (2012 - \$55,604) due to Directors of Berkley for Directors fees, consulting fees and expenses. The remaining \$80,929 (2012 - \$27,305) are amounts due to Solar Flow-Through 2013-I Limited Partnership, a company under common management for legal expenses paid on the Company's behalf.
- b) During the year, Solar Flow-Through 2013-I Management Ltd. earned \$750,000 of consulting revenues from Solar Flow-Through 2013-I Limited Partnership in accordance with the management agreement dated September 30, 2013 based on 7.5% of the gross proceeds from units issued in the year for the investment and development of solar photovoltaic power generation projects, at December 31, 2013 \$431,000 was included in due from related parties. The remaining \$339,132 included in due from related parties at December 31, 2013 relates to financing and other expenses paid on behalf of Solar Flow-Through 2012-I Limited Partnership, a company under common management. At December 31, 2012, due from related parties of \$15,000 related to an advance to key management personnel. Additional revenues of 7.5% from Solar Flow-Through 2013-I Limited Partnership will be received once photovoltaic projects are in operation. Upon a liquidity event, Solar Flow-Through 2013-Management Ltd. may propose a compensation structure that will need to be approved by the Limited Partners. Solar Flow Through 2012-I Management Ltd. receives a 1.5% fee based on total available funds and amounts raised in debt financing. Berkley takes part in a cost sharing arrangement to reimburse Oniva International Services Corporation ("Oniva"), a private company owned by public companies having common Directors, for a variable percentage of its overhead expenses, to reimburse 100% of its out-of-pocket expenses incurred on behalf of Berkley, and to pay a percentage fee based on the total overhead and corporate expenses. The agreement may be terminated with one-month notice by either party. Rent, administrative services, office supplies and accounting charges totalling \$42,687 were incurred by the Company to Oniva during the year ended December 31, 2013 (2012 - \$81,057).

Management and consulting fees totalling \$473,491 were paid to management and their private companies in 2013 (2012 - \$459,189).

Related party transactions were in the normal course of operations and have been measured at fair value, are non-interest bearing and are due on demand. At December 31, 2013, \$87,267 (2012 - \$86,881) was included in accounts payable and accrued liabilities for management fees and overhead.

BERKLEY RENEWABLES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2013 and 2012

16. Related Party Transactions *(continued)*

Compensation of key management personnel

The remuneration of directors and other members of key management personnel during the years consisted of salaries and bonuses, as follows:

| | 2013 \$ | 2012 \$ |
|--------------|----------------|----------------|
| Compensation | 441,774 | 484,189 |
| | 441,774 | 484,189 |

17. Supplemental Cash Flow Information

| | 2013 \$ | 2012 \$ |
|--|----------------|-----------------|
| Change in non-cash working capital items: | | |
| Trade and other receivables | 64,113 | (31,848) |
| Prepaid expenses | (8,500) | 55,355 |
| Accounts payable and accrued liabilities | 211,203 | (49,318) |
| Net change in non-cash working capital items | 266,816 | (25,811) |

18. Financial Instruments and Financial Risk Management

Fair Values

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgement, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values. At December 31, 2013 and 2012, the Company's financial instruments include cash and cash equivalents, trade and other receivables, due from related parties, marketable securities, investment in RepliCel Life Sciences, accounts payable and accrued liabilities and due to related parties.

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act.

Berkley classifies the fair value of the financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument:

- Level 1 - inputs to the valuation methodology are quoted prices for identical assets or liabilities in active markets;
- Level 2 - inputs to the valuation methodology included quoted prices for identical assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace; and,
- Level 3 - inputs to the valuation methodology are not based on observable market data.

Cash and cash equivalents and marketable securities are recorded based on Level 1 of the fair value hierarchy. Investment in RepliCel is recorded based on Level 1 of the fair value hierarchy for shares released from escrow and shares in escrow are recorded based on Level 2 of the fair value hierarchy.

BERKLEY RENEWABLES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2013 and 2012

18. Financial Instruments and Financial Risk Management *(continued)*

The carrying value of trade and other receivables, due from related parties, accounts payable and accrued liabilities and due to related parties equals fair value due to the short-term nature of these balances.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities. The Company has exposure to credit risk, liquidity risk and market risk as a result of its use of financial instruments. This note presents information about the Company's exposure to each of the above risks and the Company's objectives, policies and processes for measuring and managing these risks. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has implemented and monitors compliance with the risk management policies as set out herein:

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The carrying amount of cash and cash equivalents and trade and other receivables represents the maximum credit exposure. A substantial portion of the Company's trade and other receivables are with natural gas and liquids marketers and joint venture partners in the oil and gas industry and are subject to normal industry credit risks. As at December 31, 2013, the maximum credit exposure is the carrying amount of the trade and other receivables of \$100,102 (2012 - \$164,215). As at December 31, 2013, the Company had cash of \$138,647 (2012 - \$462,365) that is deposited in banks. Management has assessed the risk of loss to be minimal. As at December 31, 2013, the Company's receivables consisted of \$98,550 from joint venture partners and other trade receivables (2012 - \$140,513) and \$1,552 (2012 - \$23,702) of revenue receivable from petroleum and natural gas marketers.

The Company did not provide for any doubtful accounts, however was required to write off \$28,450 of receivables (2012 - \$14,439). The Company would only choose to write-off a receivable balance (as opposed to providing an allowance) after all reasonable avenues of collection had been exhausted.

The Company considers its trade and other receivables to be aged as follows:

| | 2013 | 2012 |
|-------------------------------|-------------------|-------------------|
| Past due by less than 30 days | \$ 6,191 | \$ 77,361 |
| Past due by less than 90 days | 12,002 | 4,581 |
| Past due by more than 90 days | 81,909 | 82,273 |
| | \$ 100,102 | \$ 164,215 |

Amounts past due by more than 90 days are from Canada Revenue Agency therefore impairment would not be required as the Company expects to receive the full amount from this government agency.

Liquidity risk

Liquidity risk is the risk that the Company will incur difficulties meeting its financial obligations as they are due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Company's reputation.

The Company's operating cash requirements are continuously monitored by management. As factors impacting cash requirements change, liquidity risks may necessitate the need for the Company to raise capital by issuing equity. The Company's financial liabilities are comprised of accounts payable and accrued liabilities and due to related parties, which have expected maturities of less than one year.

BERKLEY RENEWABLES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2013 and 2012

18. Financial Instruments and Financial Risk Management *(continued)*

Market risk

The significant market risk exposures affecting the financial instruments held by the Company are those related to foreign currency exchange rates and commodity price risk which are explained as follows:

i. Currency risk

Foreign currency exchange rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company enters into transactions denominated in United States currency for which the related expenses and accounts payable balances are subject to exchange rate fluctuations. As at December 31, 2013, the following items are denominated in United States currency:

| | 2013 | 2012 |
|--|---------------|-------|
| | CAD\$ | CAD\$ |
| Cash and cash equivalents | 287 | 317 |
| Accounts payable and accrued liabilities | 26,921 | 167 |

The Company's foreign exchange sensitivity is in relation to movements of the USD against the Canadian dollar. Based on USD balances as at December 31, 2013, a 5% increase/decrease of the USD against the Canadian dollar would result in an increase/decrease in total comprehensive loss of approximately \$1,400.

ii. Commodity price risk

Commodity price risk is the risk that the cash flows and operations of the Company will fluctuate as a result of changes in commodity prices. Significant changes in commodity prices can also impact the Company's ability to raise capital or obtain additional debt financing. Commodity prices for crude oil are impacted by world economic events that dictate the levels of supply and demand.

The Company's financial performance is closely linked to crude oil and natural gas prices. While the Company may employ the use of financial instruments in the future to manage these price exposures, it currently does not have enough producing wells to hedge its production, and its crude oil and natural gas liquids are sold into spot markets. Given production levels, a 10% change in commodity prices would not have a material effect on earnings.

19. Capital Management

The Company defines its capital to include the following:

| | 2013 | 2012 |
|---------------------------|-------------------|--------------|
| Cash and cash equivalents | \$ 138,647 | \$ 462,365 |
| Shareholders' equity | \$ 425,593 | \$ 1,096,828 |

The Company's objective is to maintain access to sources of capital with which to finance its operations. The Company manages its capital structure and makes changes to it in light of changes in economic conditions and the risk characteristics of the underlying investments. The Company will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate in the specific circumstances. At December 31, 2013 and 2012, the Company was not subjected to any externally imposed capital requirements.

BERKLEY RENEWABLES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2013 and 2012

20. Operating Segments

For management purposes, the Company is organized into divisions based on their products and services provided. Management monitors the operating results of each division separately for the purpose of making decisions about resource allocation and performance assessment.

The Corporation has two reportable operating segments as follows:

- The oil and gas division is involved in the development and production of oil and natural gas from petroleum and natural gas interests in Alberta, Canada;
- The Solar management division provides consulting services relating to the financing, strategy and operations management to companies in the renewable energy industry, specifically photovoltaic power generation; and,
- The Corporate division does not represent an operating segment and is included for informational purposes only. Corporate division expenses consist of public company costs, as well as salaries, share-based compensation, interest and finance costs and office and administrative costs relating to corporate employees.

| | Oil and Gas | Solar Management | Corporate | Total |
|---|--------------------|-----------------------------|------------------|--------------|
| Year ended December 31, 2013 | | | | |
| Revenue | 43,729 | 750,000 | - | 793,729 |
| Royalties | (1,686) | - | - | (1,686) |
| Operating costs | (49,152) | - | - | (49,152) |
| Depletion and accretion | (17,731) | - | - | (17,731) |
| General and administrative expenses | 1,373 | 80,566 | 563,008 | 644,947 |
| Other income (expenses) | | | | |
| Realized foreign exchange gain (loss) | - | - | 103 | 103 |
| Bad debt expense | (28,450) | - | - | (28,450) |
| Unrealized gain (loss) on marketable securities | - | - | 1,311 | 1,311 |
| Loss on impairment | (412,070) | - | - | (412,070) |
| Other income | - | - | 3,004 | 3,004 |
| Loss before tax | (466,733) | 669,434 | (558,590) | (355,889) |
| As at December 31, 2013 | | | | |
| Current assets | 362,844 | 547,881 | 117,648 | 1,028,373 |
| Total assets | 962,223 | 547,881 | 117,648 | 1,627,752 |
| Current liabilities | 680,783 | - | 26,921 | 707,704 |
| Total liabilities | 820,379 | - | 26,921 | 847,300 |

BERKLEY RENEWABLES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2013 and 2012

20. Operating Segments *(continued)*

| | Oil and Gas | Solar Management | Corporate | Total |
|---|-------------|---------------------|-----------|-----------|
| Year ended December 31, 2012 | | | | |
| Revenue | 37,749 | - | - | 37,749 |
| Royalties | (1,490) | - | - | (1,490) |
| Operating costs | (23,071) | - | - | (23,071) |
| Depletion and accretion | (14,465) | - | - | (14,465) |
| General and administrative expenses | 1,850 | 5,191 | 892,936 | 899,977 |
| Other income (expenses) | | | | |
| Realized foreign exchange gain (loss) | - | - | (501) | (501) |
| Bad debt expense | (14,439) | - | - | (14,439) |
| Gain on wellsite equipment | 63,000 | - | - | 63,000 |
| Unrealized gain (loss) on marketable securities | - | - | (4,061) | (4,061) |
| Realized gain on marketable securities | 14,360 | - | - | 14,360 |
| Other income | - | 18,869 | - | 18,869 |
| Loss before tax | 59,794 | 13,678 | (897,498) | (824,026) |
| As at December 31, 2012 | | | | |
| Current assets | 229,792 | 326,923 | 94,546 | 651,261 |
| Total assets | 1,434,845 | 326,923 | 94,546 | 1,856,314 |
| Current liabilities | 195,517 | 72,014 | - | 267,531 |
| Total liabilities | 283,679 | 72,014 | - | 355,693 |