

**BERKLEY RENEWABLES INC.**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**For the Six Months Ended June 30, 2018 and 2017**

*(Expressed in Canadian Dollars)*

## **NOTICE TO READER**

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

The condensed consolidated interim financial statements for the Company for the second quarter ended June 30, 2018 have been prepared by and are the responsibility of the Company's management.

The Company's independent auditors have not performed a review of these unaudited interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

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**BERKLEY RENEWABLES INC.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(Unaudited)

|   | June 30,<br>2018    | December 31,<br>2017 |
|---|---------------------|----------------------|
| <b>ASSETS</b>   |                     |                      |
| <b>Current assets</b>   |                     |                      |
| Cash and cash equivalents   | \$ 81,073           | \$ 569,387           |
| Due from related parties (Note 12)                                  | 6,437,189           | 5,748,266            |
| Investment classified as fair value through profit or loss (Note 5) | 79,050              | 86,756               |
| Prepaid expenses  | 27,399              | 17,649               |
| <b>Total current assets</b>   | <b>6,624,711</b>    | <b>6,422,058</b>     |
| Other property and equipment (Note 6)                               | 1,206               | 1,314                |
| <b>Total non-current assets</b>                                     | <b>1,206</b>        | <b>1,314</b>         |
| <b>Total assets</b>   | <b>\$ 6,625,917</b> | <b>6,423,372</b>     |
| <b>LIABILITIES</b>  |                     |                      |
| <b>Current liabilities</b>  |                     |                      |
| Accounts payable and accrued liabilities                            | \$ 2,405,147        | \$ 2,221,228         |
| Due to related parties (Note 12)                                    | 5,706,050           | 5,330,814            |
| Notes payable (Note 8)  | 86,512              | 86,512               |
| <b>Total current liabilities</b>                                    | <b>8,197,709</b>    | <b>7,638,554</b>     |
| Decommissioning liability (Note 7)                                  | 116,262             | 119,129              |
| <b>Total liabilities</b>  | <b>8,313,971</b>    | <b>7,757,683</b>     |
| <b>SHAREHOLDERS' DEFICIT</b>  |                     |                      |
| Share capital (Note 9)  | 15,364,367          | 15,364,367           |
| Contributed surplus   | 1,813,300           | 1,813,300            |
| Deficit   | (18,644,771)        | (18,365,783)         |
|   | (1,467,104)         | (1,188,116)          |
| Non-controlling interest (Note 11)                                  | (220,950)           | (146,195)            |
| <b>Total shareholders' deficit</b>                                  | <b>(1,688,054)</b>  | <b>(1,334,311)</b>   |
| <b>Total liabilities and shareholders' deficit</b>                  | <b>\$ 6,625,917</b> | <b>\$ 6,423,372</b>  |

Going concern (Note 1)

Approved by the Board of Directors and authorized for issue on August 29, 2018

"Matt Wayrynen"

Matt Wayrynen, Director

"Tyrone Docherty"

Tyrone Docherty, Director

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

**BERKLEY RENEWABLES INC.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

(Unaudited)

|  | For the three<br>months ended<br>June 30, 2018 |           | For the three<br>months ended<br>June 30, 2017 |           | For the six<br>months ended<br>June 30, 2018 |           | For the six<br>months ended<br>June 30, 2017 |           |
|--|--|-----------|--|-----------|--|-----------|--|-----------|
| <b>Revenue</b>   | \$   |           | \$   |           | \$   |           | \$   |           |
| Consulting revenue   |  | 244,695   |  | 109,416   |  | 489,372   |  | 230,284   |
|  |  | 244,695   |  | 109,416   |  | 489,372   |  | 230,284   |
| <b>Expenses</b>  |  |           |  |           |  |           |  |           |
| General and administrative (Note 16)   |  | 411,215   |  | 297,694   |  | 832,542   |  | 548,868   |
| Accretion (Note 7)   |  | 1,450     |  | -         |  | 2,867     |  | -         |
| <b>Net loss from operations</b>  |  | (167,970) |  | (188,278) |  | (346,037) |  | (318,584) |
| <b>Other income (expenses)</b>   |  |           |  |           |  |           |  |           |
| Other income   |  | -         |  | 13,303    |  | -         |  | 13,303    |
|  |  | -         |  | 13,303    |  | -         |  | 13,303    |
| <b>Net loss for the period</b>   |  | (167,970) |  | (174,975) |  | (346,037) |  | (305,281) |
| <b>Other comprehensive loss</b>  |  |           |  |           |  |           |  |           |
| Unrealized gain (loss) on investment (Note 5)  |  | (770)     |  | 9,738     |  | (7,706)   |  | 3,969     |
| <b>Total comprehensive (loss) income for the period</b>  | \$   | (168,740) | \$   | (165,237) | \$   | (353,743) | \$   | (301,312) |
| <b>Net loss and comprehensive loss attributed to:</b>  |  |           |  |           |  |           |  |           |
| Shareholders of the Company  |  | (133,974) |  | (262,707) |  | (278,988) |  | (211,028) |
| Non-controlling interest (Note 11)   |  | (34,766)  |  | (12,399)  |  | (74,755)  |  | (94,253)  |
|  |  | (168,740) |  | (165,237) |  | (353,743) |  | (301,312) |
| <b>Basic and diluted net (loss) earnings per share attributable to shareholders of the Company (Note 10)</b> | \$   | (0.02)    | \$   | (0.01)    | \$   | (0.03)    | \$   | (0.03)    |

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

**BERKLEY RENEWABLES INC.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIT**

|  | <i>Note</i> | Share<br>Capital | Contributed<br>Surplus | Deficit         | Non-<br>Controlling<br>Interest | Accumulated<br>Other<br>Comprehensive<br>Income | Total          |
|--|-------------|------------------|------------------------|-----------------|---------------------------------|---|----------------|
| <b>Balance as at December 31, 2016</b> |             | \$ 15,364,367    | \$ 1,813,300           | \$ (17,735,277) | \$ 66,727                       | \$ -  | \$ (490,883)   |
| Net loss for the period                |             | -                | -                      | (211,208)       | -                               | -   | (211,208)      |
| Unrealized loss on investment          | 5           | -                | -                      | -               | -                               | 3,969   | 3,969          |
| Non-controlling interest               | 11          | -                | -                      | -               | (94,253)                        | -   | 94,253         |
| <b>Balance as at June 30, 2017</b>     |             | \$ 15,364,367    | \$ 1,813,300           | \$ (17,849,757) | \$ (27,256)                     | \$ 3,969  | \$ (792,375)   |
| <b>Balance as at December 31, 2017</b> |             | \$ 15,364,367    | \$ 1,813,300           | \$ (18,365,783) | \$ (146,195)                    | \$ -  | \$ (1,334,311) |
| Net loss for the period                |             | -                | -                      | (278,988)       | -                               | -   | (278,988)      |
| Non-controlling interest               | 11          | -                | -                      | -               | (74,755)                        | -   | (74,755)       |
| <b>Balance as at June 30, 2018</b>     |             | \$ 15,364,367    | \$ 1,813,300           | \$ (18,644,771) | \$ (220,950)                    | \$ -  | \$ (1,688,054) |

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

**BERKLEY RENEWABLES INC.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**

(unaudited)

|  | For the three<br>months ended<br>June 30, 2018 | For the three<br>months ended<br>June 30, 2017 | For the six<br>months ended<br>June 30, 2018 | For the six<br>months ended<br>June 30, 2017 |
|--|--|--|--|--|
| <b>CASH PROVIDED BY (USED IN):</b>   |  |  |  |  |
| <b>OPERATING ACTIVITIES</b>  |  |  |  |  |
| Net income (loss) for the period   | \$ (167,970)                                   | \$ (136,075)                                   | \$ (346,037)                                 | \$ (305,281)                                 |
| Items not requiring cash in the period   |  |  |  |  |
| Depreciation, depletion and accretion<br>(Notes 6, 7 & 8)                        | 1,539  | 118  | 3,051  | 244  |
| Unrealized gain on investment classified as<br>fair value through profit or loss | (770)  | 9,738  | (7,706)                                      | 3,969  |
|  | (167,201)                                      | (165,119)                                      | (350,692)                                    | (301,068)                                    |
| Change in non-cash working capital (Note 13)                                     | 340,330  | (358,662)                                      | 176,065                                      | (230,659)                                    |
| Cash provided by (used in) operating activities                                  | 173,129  | (523,781)                                      | (174,627)                                    | (531,727)                                    |
| <b>INVESTING ACTIVITIES</b>  |  |  |  |  |
| Proceeds on sale of marketable securities  | -  | 28,879   | -  | 28,879                                       |
| Cash received from investing activities  | -  | 28,879   | -  | 28,879                                       |
| <b>FINANCING ACTIVITIES</b>  |  |  |  |  |
| Amounts due from related parties (Note 12)                                       | (257,880)                                      | 482,738  | (688,923)                                    | 335,367                                      |
| Amounts due to related parties (Note 12)   | 18,472   | (116,671)                                      | 375,236                                      | (16,671)                                     |
| Cash (used in) provided by financing activities                                  | (239,408)                                      | 366,067  | (313,687)                                    | 318,696                                      |
| <b>Decrease in cash and cash equivalents</b>                                     | <b>(66,279)</b>                                | <b>(128,835)</b>                               | <b>(488,314)</b>                             | <b>(184,152)</b>                             |
| <b>Cash and cash equivalents, beginning of<br/>period</b>                        | <b>147,352</b>                                 | <b>214,996</b>                                 | <b>569,387</b>                               | <b>270,313</b>                               |
| <b>Cash and cash equivalents, end of period</b>                                  | <b>\$ 81,073</b>                               | <b>\$ 86,161</b>                               | <b>\$ 81,073</b>                             | <b>\$ 86,161</b>                             |

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

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**BERKLEY RENEWABLES INC.****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****For the six months ended June 30, 2018 and 2017**

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**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.

The consolidated financial statements include the financial statements of Berkley Renewables Inc. and the subsidiaries listed below (hereinafter together referred to as the “Company”):

| Name   | Country of Incorporation | Functional Currency | % equity interest |               |
|--|--------------------------|---------------------|-------------------|---------------|
|  |                          |                     | June 30, 2018     | Dec. 31, 2017 |
| Blue Star Global Inc. (formerly AUC)           | US                       | Canadian Dollars    | 53%               | 53%           |
| Solar Flow-Through 2012-I General Partner Ltd. | Canada                   | Canadian Dollars    | 95%               | 95%           |
| Solar Flow-Through 2012-I Management Ltd.      | Canada                   | Canadian Dollars    | 95%               | 95%           |
| Solar Flow-Through 2013-I General Partner Ltd. | Canada                   | Canadian Dollars    | 95%               | 95%           |
| Solar Flow-Through 2013-I Management Ltd.      | Canada                   | Canadian Dollars    | 95%               | 95%           |
| Solar Flow-Through 2014-I General Partner Ltd. | Canada                   | Canadian Dollars    | 95%               | 95%           |
| Solar Flow-Through 2014-I Management Ltd.      | Canada                   | Canadian Dollars    | 95%               | 95%           |
| Solar Flow-Through 2015-I General Partner Ltd. | Canada                   | Canadian Dollars    | 95%               | 95%           |
| Solar Flow-Through 2015-I Management Ltd.      | Canada                   | Canadian Dollars    | 95%               | 95%           |
| Solar Flow-Through 2016-I General Partner Ltd. | Canada                   | Canadian Dollars    | 95%               | 95%           |
| Solar Flow-Through 2016-I Management Ltd.      | Canada                   | Canadian Dollars    | 95%               | 95%           |
| Solar Flow-Through 2017-A General Partner Ltd. | Canada                   | Canadian Dollars    | 83.375%           | 83.375%       |
| Solar Flow-Through 2017-A Management Ltd.      | Canada                   | Canadian Dollars    | 83.375%           | 83.375%       |
| Solar Flow-Through 2017-I General Partner Ltd. | Canada                   | Canadian Dollars    | 83.375%           | 83.375%       |
| Solar Flow-Through 2017-I Management Ltd.      | Canada                   | Canadian Dollars    | 83.375%           | 83.375%       |
| Solar Flow-Through 2018-A General Partner Ltd. | Canada                   | Canadian Dollars    | 83.375%           | -             |
| Solar Flow-Through 2018-A Management Ltd.      | Canada                   | Canadian Dollars    | 83.375%           | -             |
| Solar Flow-Through 2018-I General Partner Ltd. | Canada                   | Canadian Dollars    | 95%               | -             |
| Solar Flow-Through 2018-I Management Ltd.      | Canada                   | Canadian Dollars    | 95%               | -             |

On March 13, 2018, Berkley acquired 833.75 common shares of Solar Flow-Through 2018-A General Partner Ltd. (“SFT2018A GP Ltd.”) representing a 83.375% interest as at March 31, 2018. As part of the acquisition, SFT2018A GP Ltd. became a direct subsidiary of Berkley and as such is consolidated from the date of acquisition.

On March 13, 2018, Berkley acquired 833.75 common shares of Solar Flow-Through 2018-A Management Ltd. (“SFT2018A Management”) representing a 83.375% interest as at March 31, 2018. As part of the acquisition, SFT2018A Management became a direct subsidiary of Berkley and as such is consolidated from the date of acquisition.

On March 13, 2018, Berkley acquired 950 common shares of Solar Flow-Through 2018-I General Partner Ltd. (“SFT2018I GP Ltd.”) representing a 95% interest as at March 31, 2018. As part of the acquisition, SFT2018I GP Ltd. became a direct subsidiary of Berkley and as such is consolidated from the date of acquisition.

On March 13, 2018, Berkley acquired 950 common shares of Solar Flow-Through 2018-I Management Ltd. (“SFT2018I Management”) representing a 95% interest as at March 31, 2018. As part of the acquisition, SFT2018I Management became a direct subsidiary of Berkley and as such is consolidated from the date of acquisition.

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**BERKLEY RENEWABLES INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the six months ended June 30, 2018 and 2017**

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

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. As at June 30, 2018, the Company has a net loss period of \$346,037 (2017 – \$305,281) and an accumulated deficit of \$18,644,771 (2017 - \$18,365,783). 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.

**2. Basis of Preparation**

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting ("IAS 34"). The condensed interim consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements and notes thereto for the fiscal year ended December 31, 2017 which have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB").

The policies applied in these condensed interim consolidated financial statements are consistent with the policies disclosed in Notes 2 and 3 of the financial statements for the year ended December 31, 2017 with the exception of the new standards, interpretations and amendments mandatorily effective for the first time from January 1, 2018.

The condensed interim consolidated financial statements were authorized for issuance on August 29, 2018 by the Directors of Berkley.

**3. Significant Accounting Estimates and Judgments**

The preparation of the Company's condensed interim consolidated financial statements in conformity with IFRS 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.

Areas requiring a significant degree of estimation and judgment relate to fair value measurements for financial instruments and share based payments, the recognition and valuation of provisions for restoration and environmental liabilities, the recoverability and measurement of deferred tax assets and liabilities, and ability to continue as a going concern. Actual results may differ from those estimates and judgments.

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 analysed 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. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables.



#### **4. Significant Accounting Pronouncements**

Standards issued but effective for annual periods beginning after January 1, 2017 are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company is currently assessing the impact of these standards.

- (i) IFRS 9 “Financial Instruments”: addresses requirements for the classification and measurement of financial instruments, impairment methodology and hedge accounting. The IASB set a mandatory effective date for annual periods beginning on or after January 1, 2018. The Company has evaluated the impact of adopting IFRS 9 on the financial statements and will adopt the new standard using the modified retrospective method effective January 1, 2018. The new standard will result in a change of accounting policy for impairment of trade and other receivables using an expected credit loss model as compared to incurred loss model required by IAS 39. The Company will apply the simplified approach to providing for expected credit losses prescribed by IFRS 9, which requires the use of the lifetime expected loss provision for all trade receivables. In estimating the lifetime expected loss provision, the Company considered historical industry default rates as well as credit ratings of major customers. The effect of this change in accounting policy will not have a material impact on the Company’s financial statements.
- (ii) IFRS 15, “Revenue from Contracts with Customers”: replaces the existing revenue recognition guidance with a new framework to determine the timing and measurement of revenue, providing users of the financial statements more information and relevant disclosures. IFRS 15 is effective for annual periods beginning on or after January 1, 2018 and the Company will adopt the new standard using the modified retrospective method. The Company has evaluated the impact of adopting IFRS 15 on the financial statements and determined it will not have a material impact. The Company will be required to provide enhanced disclosures relating to the disaggregation of revenues from contracts with customers, the Company’s performance obligations and any significant judgements.
- (iii) IFRS 16, “Leases” was issued and IAS 17 “Leases” was amended. IFRS 16 specifies how to recognize, measure, present and disclose leases effective for annual period beginning on or after January 1, 2019. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. Lessor accounting however remains largely unchanged from IAS 17 and the distinction between operating and finance leases is retained. IAS 17, as revised, now prescribes the accounting policies and disclosures applicable to leases, both for lessees and lessors. The Company does not anticipate the adoption of this standard to have a material impact on the consolidated financial statements.

#### **5. Investment in RepliCel Life Sciences**

##### ***Fair value through profit or loss***

On October 28, 2016, the Company purchased 38,467 units in RepliCel for cash consideration of \$20,000. Each unit is comprised of one share and one option to purchase a common share purchase warrant which entitles the Company to acquire one share of RepliCel at an exercise price of \$0.85 per share until the expiry date of October 28, 2018.

On December 28, 2016 the Company purchased 153,846 units in RepliCel for cash consideration of \$80,000. Each unit is comprised of one share and one option to purchase a common share purchase warrant which entitles the Company to acquire one share of RepliCel at an exercise price of \$1.10 per share until the expiry date of December 28, 2018.

The Company recognized an unrealized loss on investment in RepliCel for the six months ended June 30, 2018 of \$7,706.

**BERKLEY RENEWABLES INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the six months ended June 30, 2018 and 2017

**6. Other Property and Equipment**

|   | Computer<br>equipment | Furniture,<br>fixtures and<br>equipment | Leasehold<br>improvements | Total         |
|---|-----------------------|---|---------------------------|---------------|
| <b>Cost</b>   |                       |   |                           |               |
| <b>Balance at December 31, 2016<br/>and 2017, and June 30, 2018</b> | \$ 36,724             | \$ 9,199                                | \$ 4,078                  | \$ 50,001     |
| <b>Depreciation</b>   |                       |   |                           |               |
| Balance, December 31, 2016  | \$ 35,427             | 8,622                                   | 4,078                     | 48,234        |
| Depreciation  | 365                   | 88                                      | -                         | 453           |
| Balance, December 31, 2017  | \$ 35,792             | 8,817                                   | 4,078                     | 48,687        |
| Depreciation  | 146                   | 38                                      | -                         | 184           |
| <b>Balance at June 30, 2018</b>                                     | <b>\$ 35,938</b>      | <b>8,855</b>                            | <b>4,078</b>              | <b>48,871</b> |
| <b>Net book value</b>   |                       |   |                           |               |
| At December 31, 2016  |                       |   | \$                        | 1,767         |
| At December 31, 2017  |                       |   | \$                        | 1,314         |
| <b>At June 30, 2018</b>   |                       |   | <b>\$</b>                 | <b>1,206</b>  |

**7. 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 interests:

|                               | June 30,<br>2018  | Dec. 31,<br>2017  |
|-------------------------------|-------------------|-------------------|
| Balance, beginning of year    | \$ 119,129        | \$ 123,890        |
| Accretion                     | (536)             | 1,209             |
| Change in estimates           | (2,331)           | (5,970)           |
| <b>Balance, end of period</b> | <b>\$ 116,262</b> | <b>\$ 119,129</b> |

Berkley estimates the total undiscounted amount of cash flows required to settle its decommissioning liability is approximately \$116,262 (2017 - \$123,890) which will be incurred between 2019 and 2029. An inflation factor of 2.06% (2017 - 1.5%) has been applied to the estimated asset retirement cost. Risk-free discount rates of 1.88% - 2.50% (2017 - 0.52% - 2.31%) were used to calculate the present value of the decommissioning liability.

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**BERKLEY RENEWABLES INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the six months ended June 30, 2018 and 2017**

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**8. Notes Payable**

During 2017, the Company increased their note payable with a third party by an additional \$15,687 to \$86,512. The note payable is non-interest bearing, does not have fixed repayment terms, and is due on demand. There were no changes to this amount as at June 30, 2018.

**9. Share Capital**

a) Authorized

Unlimited Class A common shares, without par value.

b) Issued

|   | <b>Number of shares</b> | <b>Amount</b>       |
|---|-------------------------|---------------------|
| <b>Balance at December 31, 2017 and June 30, 2018</b> | <b>10,411,451</b>       | <b>\$15,364,367</b> |

**10. Earnings (Loss) Per Share**

Basic earnings (loss) per share amounts are calculated by dividing the net income (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 did not have any dilutive instruments as at December 31, 2017 or June 30, 2018.

The Company has calculated earnings (loss) per share as follows:

|   | June 30,<br>2018 | Dec. 31,<br>2017 |
|---|------------------|------------------|
| Net (loss) income attributable to shareholders of the Company | \$ (278,988)     | \$ (630,506)     |
| Weighted average shares outstanding                           | 10,411,451       | 10,411,451       |
| Basic and diluted (loss) earnings per common share            | \$ (0.03)        | \$ (0.06)        |

**BERKLEY RENEWABLES INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the six months ended June 30, 2018 and 2017**

**11. Non-Controlling Interest**

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

|   | June 30,<br>2018    | Dec. 31,<br>2017    |
|---|---------------------|---------------------|
| Blue Star Global Inc. (formerly American Uranium Corporation) | \$ 13,900           | \$ 13,925           |
| Solar Flow-Through 2012-I General Partner Ltd.                | (9,122)             | (8,927)             |
| Solar Flow-Through 2012-I Management Ltd.                     | (15,135)            | (17,547)            |
| Solar Flow-Through 2013-I General Partner Ltd.                | (2,272)             | (2,153)             |
| Solar Flow-Through 2013-I Management Ltd.                     | (6,126)             | (6,082)             |
| Solar Flow-Through 2014-I General Partner Ltd.                | (21,035)            | (20,936)            |
| Solar Flow-Through 2014-I Management Ltd.                     | (3,177)             | (9,173)             |
| Solar Flow-Through 2015-I General Partner Ltd.                | (2,071)             | (1,904)             |
| Solar Flow-Through 2015-I Management Ltd.                     | (7,276)             | (16,131)            |
| Solar Flow-Through 2016-I General Partner Ltd.                | (1,805)             | (1,621)             |
| Solar Flow-Through 2016-I Management Ltd.                     | (40,702)            | (43,475)            |
| Solar Flow-Through 2017-I General Partner Ltd.                | (731)               | (276)               |
| Solar Flow-Through 2017-I Management Ltd.                     | (9,568)             | (957)               |
| Solar Flow-Through 2017-A General Partner Ltd.                | (455)               | (249)               |
| Solar Flow-Through 2017-A Management Ltd.                     | (115,375)           | (30,689)            |
|   | <b>\$ (220,950)</b> | <b>\$ (146,195)</b> |

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

|   | June 30,<br>2018   | Dec. 31,<br>2017    |
|---|--------------------|---------------------|
| Blue Star Global Inc. (formerly American Uranium Corporation) | \$ (25)            | \$ (18,196)         |
| Solar Flow-Through 2012-I General Partner Ltd.                | (194)              | (245)               |
| Solar Flow-Through 2012-I Management Ltd.                     | 2,412              | 3,094               |
| Solar Flow-Through 2013-I General Partner Ltd.                | (119)              | (289)               |
| Solar Flow-Through 2013-I Management Ltd.                     | (44)               | (33,670)            |
| Solar Flow-Through 2014-I General Partner Ltd.                | (99)               | (319)               |
| Solar Flow-Through 2014-I Management Ltd.                     | 5,996              | (26,053)            |
| Solar Flow-Through 2015-I General Partner Ltd.                | (167)              | (207)               |
| Solar Flow-Through 2015-I Management Ltd.                     | 8,855              | (30,056)            |
| Solar Flow-Through 2016-I General Partner Ltd.                | (184)              | (228)               |
| Solar Flow-Through 2016-I Management Ltd.                     | 2,773              | (74,582)            |
| Solar Flow-Through 2017-A General Partner Ltd.                | (455)              | (276)               |
| Solar Flow-Through 2017-I General Partner Ltd.                | (8,611)            | (957)               |
| Solar Flow-Through 2017-A Management Ltd.                     | (207)              | (249)               |
| Solar Flow-Through 2017-I Management Ltd.                     | (84,686)           | (30,689)            |
|   | <b>\$ (74,755)</b> | <b>\$ (212,922)</b> |

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**12. Related Party Transactions**

Balances and transactions between Berkley and its subsidiaries have been eliminated on consolidation. Details of transactions with parties related by virtue of common management are disclosed below.

|   | June 30,<br>2018   | Dec. 31,<br>2017   |
|---|--------------------|--------------------|
| <b>Due to related parties:</b>                  |                    |                    |
| Directors, management and other                 | (108,104)          | (104,604)          |
| Solar High Yield Projects #1 Ltd.               | (1,584,757)        | (1,544,753)        |
| Solar Flow-Through 2013-I Limited Partnership   | (84,029)           | (84,029)           |
| Solar Flow-Through Project #1 (2013) Ltd.       | (86,901)           | (86,901)           |
| Solar Flow-Through 2014-I Limited Partnership   | (575,111)          | (575,111)          |
| Solar Flow-Through (2014) Ltd.                  | (250,459)          | (250,459)          |
| Solar Flow-Through 2015-I Limited Partnership   | (560,072)          | (560,072)          |
| Solar Flow-Through (2015) Ltd.                  | (295,740)          | (295,840)          |
| Solar Flow-Through 2016-I Limited Partnership   | (1,318,572)        | (1,318,572)        |
| Solar Flow-Through (2016) Ltd.                  | (51,820)           | (510,473)          |
| Solar Flow-Through 2017-I Limited Partnership   | (390,485)          | -                  |
| Solar Flow-Through 2017-I Ltd.                  | (400,000)          | -                  |
|   | <b>(5,706,050)</b> | <b>(5,330,814)</b> |
| <b>Due from related parties:</b>                |                    |                    |
| Solar Flow-Through 2012-I Limited Partnership   | 776,058            | 647,498            |
| Solar High Yield Projects #1 (2012) Ltd.        | 412,400            | 522,124            |
| Solar Flow-Through 2013-I Limited Partnership   | 882,991            | 856,091            |
| Solar Flow-Through Project #1 (2013) Ltd.       | 4,884              | 2,169              |
| Solar Flow-Through 2014-I Limited Partnership   | 1,081,418          | 953,065            |
| Solar Flow-Through (2014) Ltd.                  | 61,686             | 25,686             |
| Solar Flow-Through 2015-I Limited Partnership   | 466,184            | 261,489            |
| Solar Flow-Through 2016-I Limited Partnership   | 2,346,628          | 2,260,770          |
| Solar Flow-Through (2016) Ltd.                  | 15,347             | 1,347              |
| Solar Flow-Through (2017-I) Ltd.                | 1,188              | 1,188              |
| Solar Flow-Through (2017-I) Limited Partnership | 205,871            | 59,160             |
| Solar Flow-Through (2017-A) Limited Partnership | 182,234            | 157,679            |
| Solar Flow-Through (2017-A) Ltd.                | 300                | -                  |
|   | <b>6,437,189</b>   | <b>5,748,266</b>   |

- a) Due to related parties consists of \$108,104 (2017 - \$104,604) due to directors and management of Berkley for director fees, consulting fees and expenses.

**12. Related Party Transactions (continued)**

- b) During the six months ended June 30, 2018, Solar Flow-Through 2012-I Management Ltd. earned \$48,950 (2017 - \$41,672) of consulting revenues from Solar Flow-Through 2012-I Limited Partnership in accordance with the management agreement dated August 17, 2012 based on:
- i. 1/12 of 1.5% of the gross proceeds from cumulative units issued to date for the investment and development of solar photovoltaic power generation projects, and
  - ii. 1/12 of 1.5% of Solar Flow-Through 2012-I Limited Partnership's share of debt raised in connection with financing the development of solar photovoltaic power generation projects, adjusted for equity ownership and economic interest by way of funding and royalty agreements.
- c) During the six months ended June 30, 2018, Solar Flow-Through 2014-I Management Ltd. earned \$120,794 (2017 - \$71,794) of consulting revenues from Solar Flow-Through 2014-I Limited Partnership in accordance with the management agreement dated October 29, 2014 based on:
- i. 1/4 of 1.5% of the gross proceeds less 7.5% of the gross proceeds from cumulative units issued to date for the investment and development of solar photovoltaic power generation projects, and
  - ii. 1/4 of 1.5% of Solar Flow-Through 2014-I Limited Partnership's share of debt raised in connection with financing the development of solar photovoltaic power generation projects, adjusted for equity ownership and economic interest by way of funding and royalty agreements.
- d) During the six months ended June 30, 2018, Solar Flow-Through 2015-I Management Ltd. earned \$197,948 (2017 - \$73,911) of consulting revenues from Solar Flow-Through 2015-I Limited Partnership in accordance with the management agreement dated February 27, 2015 based on:
- i. 1/4 of 1.0% of the gross proceeds less 7.5% of the gross proceeds from cumulative units issued to date for the investment and development of solar photovoltaic power generation projects, and
  - ii. 1/4 of 1.0% of Solar Flow-Through 2015-I Limited Partnership's share of debt raised in connection with financing the development of solar photovoltaic power generation projects, adjusted for equity ownership and economic interest by way of funding and royalty agreements.
- e) During the six months ended June 30, 2018, Solar Flow-Through 2016-I Management Ltd. earned \$66,436 (2017 - \$57,318) of consulting revenues from Solar Flow-Through 2016-I Limited Partnership in accordance with the management agreement dated May 26, 2016 based on:
- i. 1/4 of 1.0% of the gross proceeds less 7.5% of the gross proceeds from cumulative units issued to date for the investment and development of solar photovoltaic power generation projects, commencing on September 30, 2016, and
  - ii. 1/4 of 1.0% of Solar Flow-Through 2016-I Limited Partnership's share of debt raised in connection with financing the development of solar photovoltaic power generation projects, adjusted for equity ownership and economic interest by way of funding and royalty agreements, and
  - iii. the amount by which 7.5% of the gross proceeds from cumulative units issued for the investment and development of solar photovoltaic power generation projects exceeds the eligible expenses incurred as at December 31, 2016.

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**12. Related Party Transactions** *(continued)*

- f) During the six months ended June 30, 2018, Solar Flow-Through 2017-A Management Ltd. earned \$10,080 (2017 - \$nil) of consulting revenues from Solar Flow-Through 2017-I Limited Partnership in accordance with the management agreement dated February 27, 2017 based on:
- i. 1/4 of 1.0% of the gross proceeds less 7.5% of the gross proceeds from cumulative units issued to date for the investment and development of solar photovoltaic power generation projects, commencing on September 30, 2017, and
  - ii. 1/4 of 1.0% of Solar Flow-Through 2017-A Limited Partnership's share of debt raised in connection with financing the development of solar photovoltaic power generation projects, adjusted for equity ownership and economic interest by way of funding and royalty agreements, and
  - iii. the amount by which 7.5% of the gross proceeds from cumulative units issued for the investment and development of solar photovoltaic power generation projects exceeds the eligible expenses incurred as at December 31, 2017.
- g) During the six months ended June 30, 2018, Solar Flow-Through 2017-I Management Ltd. earned \$45,164 (2017 - \$nil) of consulting revenues from Solar Flow-Through 2017-I Limited Partnership in accordance with the management agreement dated February 27, 2017 based on:
- i. 1/4 of 0.9% of the gross proceeds less 7.5% of the gross proceeds from cumulative units issued to date for the investment and development of solar photovoltaic power generation projects, commencing on September 30, 2017, and
  - ii. 1/4 of 0.9% of Solar Flow-Through 2017-I Limited Partnership's share of debt raised in connection with financing the development of solar photovoltaic power generation projects, adjusted for equity ownership and economic interest by way of funding and royalty agreements, and
  - iii. the amount by which 7.5% of the gross proceeds from cumulative units issued for the investment and development of solar photovoltaic power generation projects exceeds the eligible expenses incurred as at December 31, 2017.
- h) 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 \$19,922 (2017 - \$18,210) were charged to the Company by Oniva during the period.

Related party transactions were in the normal course of operations and have been initially measured at fair value, are non-interest bearing and are due on demand. At June 30, 2018, \$8,941 (2017 - \$24,200) was included in accounts payable and accrued liabilities for related party transactions noted above.

**Compensation of Key Management Personnel**

The remuneration of directors and other members of key management personnel during the six months ended June 30, 2018 and 2017 consisted of salaries and bonuses, which are included in management fees and consulting fees:

|              | June 30,<br>2018<br>\$ | June 30,<br>2017<br>\$ |
|--------------|------------------------|------------------------|
| Compensation | 229,500                | 292,500                |

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**13. Supplemental Cash Flow Information**

|  | Three months ended |               | Six months ended |               |
|--|--------------------|---------------|------------------|---------------|
|  | June 30, 2018      | June 30, 2017 | June 30, 2018    | June 30, 2017 |
|  | \$                 | \$            | \$               | \$            |
| Change in non-cash working capital items:    |                    |               |                  |               |
| Prepaid expenses                             | (9,750)            | (35,698)      | (9,750)          | (13,197)      |
| Accounts payable and accrued liabilities     | 350,080            | (358,662)     | 185,815          | (217,462)     |
| Net change in non-cash working capital items | 340,330            | (394,360)     | 176,065          | (230,659)     |

**14. Financial Instruments and Financial Risk Management**

***Fair Values***

The Company's financial instruments include cash and cash equivalents, due from related parties, investment classified as fair value through profit or loss, accounts payable and accrued liabilities, due to related parties, and notes payable.

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 calculated using a Black-Scholes option-pricing model. Inputs to the model include 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 investment classified as fair value through profit or loss are recorded based on Level 1 of the fair value hierarchy. The shares held in RepliCel are recorded based on Level 1 of the fair value hierarchy. The warrant component of the units held in RepliCel are recorded based on Level 2 of the fair value hierarchy using the Black Scholes valuation technique.

The carrying value of due from related parties, accounts payable and accrued liabilities, notes payable 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 of Directors has implemented and monitors compliance with the risk management policies as set out herein:



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

**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 due from related parties represents the maximum credit exposure. All of the Company's trade and other receivables are with related parties. As at June 30, 2018, the maximum credit exposure is the carrying amount of the cash and cash equivalents of \$81,073 (2017 - \$86,161) that is deposited in chartered banks. Management has assessed the risk of loss to be minimal.

The Company did not provide for any doubtful accounts. The Company would only choose to write-off a receivable balance after all reasonable avenues of collection had been exhausted.

**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, due to related parties and notes payable, which have expected maturities of less than one year.

**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 ("USD") for which the related expenses and accounts payable balances are subject to exchange rate fluctuations. As at June 30, 2018 and 2017, the following items are denominated in USD:

|  | <b>2018</b>   | <b>2017</b>  |
|--|---------------|--------------|
|  | <b>CAD\$</b>  | <b>CAD\$</b> |
| Accounts payable and accrued liabilities | <b>23,293</b> | -            |

The Company's foreign exchange sensitivity is in relation to movements of the USD against the Canadian dollar. Based on USD balances as at June 30, 2018 and 2017, a 5% increase/decrease of the USD against the Canadian dollar would not result in a material increase/decrease in profit or loss.

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

**Market risk**

(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 profit or loss.

**15. Capital Management**

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. In the management of capital, the Company considers items included in shareholders' equity and long term debt. The Company will balance its overall capital structure through new share issuances or by undertaking other activities as deemed appropriate in the specific circumstances. At June 30, 2018, the Company was not subjected to any externally imposed capital requirements.

**16. General and Administrative Expenses**

|  | 3 mos. ended<br>June 30, 2018<br>\$ | 3 mos. ended<br>June 30, 2017<br>\$ | 6 mos. ended<br>June 30, 2018<br>\$ | 6 mos. ended<br>June 30, 2017<br>\$ |
|--|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| Management fees                              | 109,500                             | 180,000                             | 229,500                             | 292,500                             |
| Professional fees                            | 42,646                              | 1,443                               | 42,646                              | 55,650                              |
| Consulting fees                              | 200,530                             | 84,012                              | 424,767                             | 128,322                             |
| Administrative, office services and premises | 48,728                              | 21,926                              | 116,101                             | 53,302                              |
| Depreciation                                 | 89                                  | 117                                 | 184                                 | 244                                 |
| Shareholder information                      | 3,829                               | 8,000                               | 5,329                               | 13,500                              |
| Filing and transfer agent fees               | 5,903                               | 2,196                               | 14,015                              | 5,350                               |
|  | <b>411,215</b>                      | <b>297,694</b>                      | <b>832,542</b>                      | <b>548,868</b>                      |