# Condensed Interim Consolidated Financial Statements

March 31, 2014

3MV ENERGY

# Consolidated Statements of Financial Position

As at:

| Canadian Dollars *Unaudited* | Notes | March 31, 2014 $ | December 31, 2013 $ |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | | **91,079** | 80,381 |
| Accounts receivable | | **243,875** | 175,718 |
| Prepaid expenses and deposits | | **121,867** | 87,813 |
| | | **456,821** | 343,912 |
| **Non-current assets** | | | |
| Property and equipment | 4 | **16,952,811** | 16,900,395 |
| Exploration and evaluation assets | 5 | **2,728,630** | 2,696,671 |
| | | **19,681,441** | 19,597,066 |
| **Total Assets** | | **20,138,262** | 19,940,978 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Accounts payable and accruals | | **3,808,694** | 4,020,459 |
| Operating loans | 6 | **621,914** | 500,000 |
| | | **4,430,608** | 4,520,459 |
| **Non-current liabilities** | | | |
| Long term liability | | **-** | 220,175 |
| Convertible debenture | 7 | **2,907,095** | 2,886,079 |
| Related party loan | 13 | **384,082** | - |
| Decommissioning liabilities | | **2,061,586** | 1,949,608 |
| | | **5,352,763** | 5,055,862 |
| **SHAREHOLDERS' EQUITY** | | | |
| Share capital | 8 | **28,916,413** | 28,916,413 |
| Equity component of convertible debenture | 7 | **109,069** | 109,069 |
| Contributed surplus | | **2,166,845** | 2,096,651 |
| Warrants | 8 | **532,846** | 532,846 |
| Deficit | | **(21,370,282)** | (21,290,322) |
| | | **10,354,891** | 10,364,657 |
| **Total Liabilities and Shareholders' Equity** | | **20,138,262** | 19,940,978 |
| Going Concern | 2 | | |

*The accompanying notes are an integral part of these condensed interim consolidated financial statements.*

## Consolidated Statements of Comprehensive Loss

| Canadian dollars<br>*Unaudited* | Notes | Three months ended March 31<br>2014<br>$ | Three months ended March 31<br>2013<br>$ |
|---|---|---|---|
| Oil and natural gas revenues | | **589,112** | 535,555 |
| Royalties | | **35,139** | 52,752 |
| **Total revenue, net of royalties** | | **553,973** | 482,803 |
| Production and operating | | **325,893** | 300,572 |
| General and administrative | | **136,593** | 330,475 |
| Share based compensation | 9 | **26,888** | 680,460 |
| Depletion and depreciation | 4 | **236,684** | 277,461 |
| Extinguishment of debt | 10 | **(235,000)** | - |
| | | **491,058** | 1,588,968 |
| **Income (Loss) from operations** | | **62,915** | (1,106,165) |
| Finance costs | | **(142,875)** | (102,552) |
| **Loss before income tax** | | **(79,960)** | (1,208,688) |
| Income tax (expense) recovery-deferred | | **-** | 28,959 |
| **Total comprehensive loss** | | **(79,960)** | (1,179,728) |
| **Loss per share** | | | |
| Basic and diluted | 11 | **(0.00)** | (0.02) |

*The accompanying notes are an integral part of these condensed interim consolidated financial statements.*

# Consolidated Statements of Changes in Shareholders' Equity

| Canadian dollars<br>Unaudited | Note | Number of shares outstanding<br># | Share capital<br>$ | Warrants<br>$ | Equity component of convertible debenture<br>$ | Contributed Surplus<br>$ | Deficit<br>$ | Total Shareholders' equity<br>$ |
|---|---|---|---|---|---|---|---|---|
| **As at December 31, 2012** | | **45,439,169** | **27,540,619** | **475,094** | **36,108** | **1,111,087** | **(19,650,966)** | **9,511,942** |
| Shares issued for debt outstanding | 8 | 5,195,317 | 1,242,320 | 51,953 | - | - | - | 1,294,273 |
| Non-brokered private placements | 8 | 203,000 | 42,294 | 2,000 | - | - | - | 44,294 |
| Equity component of convertible debenture issued February 21, 2013 | | - | - | - | 72,961 | - | - | 72,961 |
| Share based payment | 9 | - | - | - | - | 680,460 | - | 680,460 |
| Total comprehensive loss for the period | | - | - | - | - | - | (1,179,728) | (1,179,726) |
| **As at March 31, 2013** | | **50,837,486** | **28,825,233** | **529,047** | **109,069** | **1,791,547** | **(20,830,694)** | **10,424,202** |
| | | | | | | | | |
| **As at December 31, 2013** | | **51,217,402** | **28,916,413** | **532,846** | **109,069** | **2,096,651** | **(21,290,322)** | **10,364,657** |
| Share based payment | 9 | - | - | - | - | 26,888 | - | 26,888 |
| Share contribution | 13 | - | - | - | - | 43,306 | - | 43,306 |
| Total comprehensive loss for the period | | - | - | - | - | - | (79,960) | (79,960) |
| **As at March 31, 2014** | | **51,217,402** | **28,916,413** | **532,846** | **109,069** | **2,166,845** | **(21,370,282)** | **10,354,891** |

*The accompanying notes are an integral part of these condensed interim consolidated financial statements.*

## Consolidated Statements of Cash Flows

| Canadian dollars<br>Unaudited | Note | Three months ended<br>March 31, 2014<br>$ | March 31, 2013<br>$ |
|---|---|---|---|
| **Cash provided by (used for) the following activities** | | | |
| **Operating activities** | | | |
| Loss for the period | | **(79,960)** | (1,179,728) |
| Add (deduct): | | | |
| Depletion and depreciation | 4 | **236,684** | 277,461 |
| Accretion of decommissioning liabilities | | **14,878** | 10,158 |
| Accretion of convertible debenture | 7 | **21,016** | 10,922 |
| Accretion of related party loan | 13 | **759** | - |
| Share-based payments | 9 | **26,888** | 680,460 |
| Extinguishment of debt | 10 | **(235,000)** | - |
| Deferred tax expense | | **-** | (28,959) |
| Change in non-cash working capital | 12 | **(122,791)** | 241,422 |
| **Cash from operating activities** | | **(137,526)** | 11,736 |
| **Investing activities** | | | |
| Purchase of property and equipment | 4 | **(192,000)** | (650,616) |
| Purchase of exploration and evaluation | 5 | **(31,959)** | (2,053,686) |
| Change in non-cash working capital | 12 | **(176,360)** | (421) |
| **Cash used in investing activities** | | **(400,319)** | (2,704,723) |
| **Financing activities** | | | |
| Proceeds from operating loans | 6 | **121,914** | - |
| Proceeds from issuance of convertible debenture, net of issue costs | 7 | **-** | 1,981,392 |
| Issuance of common shares | 8 | **-** | 44,294 |
| Proceeds from related party loan | 13 | **426,629** | - |
| **Cash from financing activities** | | **548,543** | 2,025,686 |
| Increase (decrease) in cash and cash equivalents | | **10,698** | (667,301) |
| Cash and cash equivalents, beginning of period | | **80,381** | 781,877 |
| **Cash and cash equivalents, end of period** | | **91,079** | 114,576 |

*The accompanying notes are an integral part of these condensed interim consolidated financial statements.*

# Notes to the Condensed Interim Consolidated Financial Statements

*(unaudited)*

For the three month periods ended March 31, 2014 and March 31, 2013

## 1. Reporting entity

3MV Energy Corp. ("3MV Energy" or the "Corporation") was formed through a series of transactions. On January 29, 2012 3MV Energy Inc. and Noravena Capital Corporation, a capital pool Corporation, completed an amalgamation agreement forming 3MV Energy Corp. The consolidated financial statements are in the name of 3MV Energy Corp. (formerly Noravena), and are a continuation of the consolidated financial statements of 3MV Energy Inc.

3MV Energy is a crude oil and natural gas exploration and production Corporation based in Calgary, Alberta, Canada. The Corporation's operations are focused in Western Canada, primarily in southwest Saskatchewan. The Corporation is listed on the TSX-V under the symbol "TMV".

The address of its registered office is suite 1150, 444 5th Avenue S.W., Calgary, Alberta.

## 2. Basis of preparation

### Statement of compliance

These condensed interim consolidated financial statements for the three months ended March 31, 2014 are unaudited and have been prepared in accordance with International Accounting Standard ("IAS") 34 – "Interim Financial Reporting" and do not include all of the information required for full annual financial statements.
The condensed interim consolidated financial statements should be read in conjunction with the Corporation's annual audited financial statements for the year ended December 31, 2013.

The condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors on May 26, 2014.

### Going concern

For the three months ended March 31, 2014, the Corporation reported a net loss of $80 thousand and had a working capital deficiency of $4.0 million at March 31, 2014. In addition, the Corporation was in violation of specific loan covenants as at March 31, 2014. The Corporation continues its efforts to raise equity and diminish accounts payable through operational cash flow. These conditions create a material uncertainty that may cast significant doubt about the Corporation's ability to continue as a going concern. Additional equity, debt arrangements and/or operating developments are needed to meet the Corporation's business objectives. There are no guarantees that such additional capital funding will be available when needed. The Corporation may be required to sell certain assets in order to meet its working capital and capital budget requirements.

## 3. Summary of significant accounting policies and disclosures (continued)

The ability of the Corporation to continue as a going concern and to realize the carrying value of its assets and discharge its liabilities when due is dependent on the successful completion of the actions taken or planned, some of which are described above, which management believes will mitigate the adverse conditions and events which raise doubt about the validity of the going concern assumption used in preparing these financial statements. There is no certainty that these and other strategies will be sufficient to permit the Corporation to continue as a going concern.

The financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for these financial statements, then adjustments would be necessary to the carrying values of assets and liabilities.

### Accounting policies and disclosures

In preparing these condensed interim consolidated financial statements, the accounting policies, methods of computation and significant judgments made by management in applying the Corporation's accounting policies and key sources of estimation uncertainty were the same as those that applied to the audited consolidated financial statements as at and for the periods ended December 31, 2013 except as disclosed below.

On January 1, 2014, the Corporation adopted new standards with respect to Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32 Financial Instruments: Presentation ("IAS 32") and IFRIC 21 Levies ("IFRIC 21"). The amendments to IAS 32 clarify the requirements for offsetting financial instruments such as the amounts receivable and payable related to the Corporation's commodity contracts. The amendments clarify when an entity has a legally enforceable right to offset and certain other requirements that are necessary to present a net financial asset or liability. IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation also clarifies that no liability should be recognized before the specified minimum threshold to trigger that levy is reached. The adoption of these standards had no impact on the amounts recorded in the consolidated financial statements as at January 1, 2014 or on the comparative periods.

### Future accounting pronouncements

The IASB has issued IFRS 9 Financial Instruments, which is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. IFRS 9 is the first step to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. The Corporation has not yet assessed the impact of the standard.

## Notes to the Condensed Interim Consolidated Financial Statements

*(unaudited)*

For the three month periods ended March 31, 2014 and March 31, 2013

# 4. Property and Equipment

| | Petroleum and natural gas assets $ | Corporate assets $ | Total $ |
|---|---|---|---|
| **Cost:** | | | |
| Balance at December 31, 2012 | 33,523,899 | 247,622 | 33,771,521 |
| Additions | 578,858 | - | 578,858 |
| Dispositions | - | (36,178) | (36,178) |
| Change in decommissioning provisions | (85,025) | - | (85,025) |
| Balance at December 31, 2013 | 34,017,732 | 211,444 | 34,229,176 |
| Additions | 192,000 | - | 192,000 |
| Change in decommissioning provisions | 97,100 | - | 97,100 |
| **Balance at March 31, 2014** | 34,306,832 | 211,444 | 34,518,276 |
| | | | |
| **Accumulated depletion and depreciation and impairment loss:** | | | |
| Balance at December 31, 2012 | (16,926,025) | (88,844) | (17,014,869) |
| Depletion and depreciation for period | (1,195,386) | (51,233) | (1,246,619) |
| Dispositions | - | 14,230 | 14,230 |
| Impairment of PPE (note 10) | (2,092,740) | - | (2,092,740) |
| Reversal of impairment of PPE (note 10) | 3,011,217 | - | 3,011,217 |
| Balance at December 31, 2013 | (17,202,934) | (125,847) | (17,328,781) |
| Depletion and depreciation for period | (216,512) | (20,172) | (236,684) |
| **Balance at March 31, 2014** | (17,419,446) | (146,019) | (17,565,465) |
| | | | |
| **Net book value:** | | | |
| December 31, 2012 | 16,597,874 | 158,778 | 16,756,652 |
| December 31, 2013 | 16,814,798 | 85,597 | 16,900,395 |
| **March 31, 2014** | **16,887,386** | **65,425** | **16,952,811** |

Future development costs on proved plus probable reserves totaling approximately $24,188,000 (December 31, 2013 - $24,380,000) are included in the depletion calculation.

## 5. Exploration and evaluation ("E&E") assets

| | $ |
|---|---|
| Balance at December 31, 2012 | 870,394 |
| Additions | 2,055,928 |
| Land expiries and write-offs | (229,651) |
| Balance at December 31, 2013 | 2,696,671 |
| Additions | 31,959 |
| **Balance at March 31, 2014** | **2,728,630** |

E&E assets consist of the Corporation's capitalized seismic and land acquisition costs which are pending the determination of commercial viability. The Corporation assesses the recoverability of these assets both before and at the time of transfer to property and equipment within the Corporation's CGUs.

## 6. Operating loans

| | March 31, 2014<br>$ | December 31, 2013<br>$ |
|---|---|---|
| Credit facility | 621,914 | 500,000 |

On December 21, 2012, the Corporation entered into a loan facility whereby it borrowed $500 thousand at an annual interest rate of 16% for a term of 1 year expiring on December 21, 2013. On January 7, 2014 the loan was extended to July 30, 2014 at an amount of $621,914. In exchange for providing the Facility, the Corporation shall provide security in favor of the Lender over all the real property of the Corporation. The Corporation is subject to a Debt to EBITDA ratio covenant (not to exceed 3.5:1). For the 3 month period ending March 31, 2014 the Corporation's Debt to EBITDA ratio was 12.0:1 which is in violation of the allowable amount. The Corporation is also subject to an asset coverage ratio (total present value of assets to be a minimum of 1.65 times total debt). As at March 31, 2014 the Corporation's asset coverage ratio was 0.66:1; which is in violation of the allowable amount. Finally, the Corporation is subject to an interest coverage ratio (minimum EBITDA of 2.5 times Interest payable). For the 3 months ended March 31, 2014 the Corporation's interest coverage ratio was 0.64:1; which is in violation of the covenant. Subsequent to the end of the period, the Corporation notified the lender of the covenant violations. A waiver has not been received; however the lender informed the Corporation it did not intend to issue a notice of default as a result of the breaches.

# Notes to the Condensed Interim Consolidated Financial Statements

*(unaudited)*

For the three month periods ended March 31, 2014 and March 31, 2013

## 7. Convertible debentures

On February 21, 2013 the Corporation issued a $2,000,000 non-brokered private placement financing of convertible debentures to a director and major shareholder of the Corporation. The convertible loan offering consists of a convertible secured, interest-bearing debenture loan of $2,000,000. The term of the debenture is two years and incurs annual interest of 12%, payable monthly, with the Corporation having the privilege to re-pay all or any part of the principal amount without penalty upon giving thirty days' notice of repayment. The loan is convertible at any time until maturity into common shares of the Corporation at a conversion price of $0.27 per share.

The convertible debentures were determined to be compound instruments. As the debentures are convertible into common shares of the Corporation, the liability and equity components are presented separately. The initial carrying amount of the financial liability is determined by discounting the stream of future payments of interest and principal. The convertible debentures are not subject to any financial covenants.

Using the residual method, the carrying amount of the conversion feature is the difference between the principal amount and the carrying value of the financial liability. The debentures, net of the equity component and issue costs are accreted using the effective interest rate method over the two year term of debentures, such that the carrying amount of the financial liability will equal the $2 million principal balance at maturity respectively.

| | Proceeds<br>$ | Debt Component<br>$ | Equity Component<br>$ |
|---|---|---|---|
| Balance at December 31, 2012 | 984,592 | 938,805 | 36,108 |
| Issue of convertible debenture | 2,000,000 | 1,900,148 | 99,852 |
| Issue costs | (18,608) | (17,679) | (929) |
| Deferred tax | - | - | (25,962) |
| Accretion | - | 64,805 | - |
| Balance at December 31, 2013 | 2,965,984 | 2,886,079 | 109,069 |
| Accretion | - | 21,016 | - |
| Balance at March 31, 2014 | 2,965,984 | 2,907,095 | 109,069 |

## 8. Share capital

### (a) Authorized

#### Common shares

Class A, unlimited, voting, no par value, subject to priority rights of any other class of shares.

### (b) Issued

| | Number of Shares | $ |
|---|---|---|
| Balance at December 31, 2012 | 45,439,169 | 27,540,619 |
| Shares issued for debt outstanding (i) | 5,575,233 | 1,333,500 |
| Non-brokered private placements (ii) | 203,000 | 42,294 |
| **Balance at December 31, 2013 and March 31, 2014** | **51,217,402** | **28,916,413** |

(i) On October 18, 2012, the Corporation announced its intention to settle trade debt by issuing common shares and units of the Corporation at a conversion price of $0.25 per unit. Each unit was comprised of one common share and one common share purchase warrant. Each warrant entitled the holder to purchase one additional common share of the Corporation at an exercise price of $0.50 per common share for a period of 18 months following the date of issuance. During the year ended December 31, 2013, the Corporation converted $1,393,809 of accounts payable into 5,575,233 common shares and 5,575,233 warrants. The fair value of the warrants issued with the units was determined to be $55,752. Share issuance costs relating to the share for debt conversions totaled $4,557. The fair value of these warrants was estimated using a net asset value calculation of the Corporation as of the date of issuance. The Corporation's calculation yielded the warrants within the units issued to be $0.01

(ii) During the first quarter of 2013, the Corporation closed a non-brokered private placement of 200,000 units at a price of $0.25 per Unit for gross proceeds of $50,000. Each unit was comprised of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Corporation at an exercise price of $0.50 per common share for a period of 18 months following the date of issuance. The fair value of the warrants issued with the units was determined to be $2,000. Share issuance costs relating to the private placement totaled $5,706. The Corporation also issued 3,000 shares at a price of $0.25 as a finder's fee in relation to a private placement in 2012.

### (c) Warrants

| | # of Warrants | $ |
|---|---|---|
| Balance at December 31, 2012 | 30,885,426 | 475,094 |
| Warrants issued with non-brokered private placements (ii) | 200,000 | 2,000 |
| Warrants issued with shares for debt outstanding (i) | 5,575,233 | 55,752 |
| Balance at December 31, 2013 and March 31, 2014 | 36,660,659 | 532,846 |

The fair value of these warrants was estimated using a net asset value calculation of the Corporation as of December 31, 2012. The Corporation's calculation yielded the warrants within the units issued to be $0.01. There were no warrants converted during the period (nil -2013).

Notes to the Condensed Interim Consolidated Financial Statements
*(unaudited)*

For the three month periods ended March 31, 2014 and March 31, 2013

## 9. Share-based payments

The Corporation has an employee stock option plan under which employees and directors are eligible to purchase common shares of the Corporation. The Corporation accounts for its stock based compensation plan using the fair value method. Under this method compensation is expensed over the vesting period for the stock options, with a corresponding increase to contributed surplus.

The number of options outstanding as at March 31, 2014 totaled 6,170,262 (December 31, 2013 – 6,170,262). Share based compensation cost of $26,888 (March 31, 2013 – $680,460) was expensed during the year period ended March 31, 2014.

Options Outstanding:

| Stock Options | Weighted average exercise price $ | Stock Options |
|---|---|---|
| Balance December 31, 2012 | 1.87 | 557,902 |
| Granted | 0.22 | 6,250,000 |
| Forfeited | 1.05 | (637,640) |
| **Balance December 31, 2013 and March 31, 2014** | **0.28** | **6,170,262** |

The following summarizes information about stock options outstanding and exercisable as at March 31, 2014:

| Exercise Prices | Number outstanding at March 31, 2014 | Weighted average contractual life (years) | Weighted average exercise price/stock option $ | Number exercisable at March 31, 2014 | Weighted average exercise price/stock option $ |
|---|---|---|---|---|---|
| $1.85-$1.90 | 245,262 | 2.77 | 1.87 | 223,507 | 1.86 |
| $0.15-$0.25 | 5,925,000 | 4.08 | 0.22 | 5,565,411 | 0.22 |
| **Total** | **6,170,262** | **4.03** | **0.28** | **5,788,918** | **0.29** |

## 10. Extinguishment of Debt

During the period, the Corporation settled outstanding amounts owing to various counterparties whereby the counterparties agreed to accept an amount less than the original balance owing as consideration in full for all outstanding debts. The difference between the carrying amount of the liabilities and the consideration paid totaled $235,000 ($nil - 2013) and was recorded to the statement of comprehensive loss.

# Notes to the Condensed Interim Consolidated Financial Statements
*(unaudited)*

For the three month periods ended March 31, 2014 and March 31, 2013

## 11. Earnings per share

Basic and diluted income (loss) per share

| | Loss for the period $ | Weighted average number of shares | Per share amount $ |
|---|---|---|---|
| Three months ended March 31, 2014 | | | |
| Basic and diluted | (79,960) | 51,217,402 | (0.00) |
| Three months ended March 31, 2013 | | | |
| Basic and diluted | (1,179,728) | 48,405,626 | (0.02) |

The effect of warrants and stock options outstanding on loss per share for the period ended March 31, 2014 is anti-dilutive.

## 12. Supplemental cash flow information

Changes in non-cash working capital from operating activities is comprised of:

| Three months ended | March 31, 2014 $ | March 31, 2013 $ |
|---|---|---|
| Source (use) of cash: | | |
| Trade and other receivables | (68,157) | 144,180 |
| Prepaid expenses and deposits | (34,054) | 46,523 |
| Trade and other payables | 199,595 | 319,822 |
| Long term liability | (220,175) | (269,103) |
| Change in non-cash working capital | (122,791) | 241,422 |

Changes in non-cash working capital from investing activities is comprised of:

| Three months ended | March 31, 2013 $ | March 31, 2012 $ |
|---|---|---|
| Source (use) of cash: | | |
| Trade and other payables | (176,360) | (421) |
| Change in non-cash working capital | (176,360) | (421) |

# Notes to the Condensed Interim Consolidated Financial Statements
*(unaudited)*

For the three month periods ended March 31, 2014 and March 31, 2013

## 13. Related party transactions

The consolidated financial statements include the financial statements of 3MV Energy Corp. and its subsidiaries listed in the following table:

| Name | Country of incorporation | % ownership interest | |
|---|---|---|---|
| | | March 31, 2013 | December 31, 2012 |
| 3MV Energy Operations Inc. | Canada | 100% | 100% |
| 1696704 Alberta Ltd. | Canada | 100% | 100% |
| 3 Martini Ventures Inc. | Canada | 100% | 100% |
| Buckhorn Resource Ltd. | Canada | 100% | 100% |

Balances and transactions between 3MV Energy Corp. and its subsidiaries have been eliminated on consolidation and are not disclosed in this note.

During the period the Corporation obtained a loan in the amount of $426,629 from a director and major shareholder of the Corporation. The loan has an annual interest rate of 8%, and matures on June 1, 2016. Included in the loan is a provision whereby accrued interest will be settled quarterly through the issuance of common shares in the Corporation at the average market price of the last five trading days at time of disbursement. Interest in the amount of $2,353 has been accrued as at March 31, 2014.

The fair value of the loan has been determined to be an amount less the face value due at maturity as the loan's interest rate is less than that the Corporation would reasonably be able to obtain from an arm's length third party. The difference between the fair value and the face value of the loan is classified as a shareholder contribution. The loan, net of the share contribution amount is accreted using the effective interest rate method over the two year term, such that the carrying amount of the financial liability will equal the full amount loaned at maturity.

| | Proceeds $ | Debt Component $ | Share Contribution $ |
|---|---|---|---|
| Balance at December 31, 2013 | - | - | - |
| Loan | 426,629 | 383,323 | 43,306 |
| Accretion | - | 759 | - |
| Balance at March 31, 2014 | 426,629 | 384,082 | 43,306 |