Free Energy International Inc.

Condensed Consolidated Interim Financial Statements

Three months ended November 30, 2014

(Unaudited- Prepared by Management)

Management's Responsibility

To the Shareholders of Free Energy International Inc.:

Management is responsible for the preparation and presentation of the accompanying condensed consolidated interim financial statements, including responsibility for significant accounting judgments and estimates in accordance with IFRS and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

The Company maintains an accounting system and related controls to provide management with reasonable assurance that transactions are executed and recorded in accordance with its authorization, that assets are properly safeguarded and accounted for, and that financial records are reliable for preparation of financial statements.

In discharging its responsibilities for the integrity and fairness of the 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 financial statements.

The Company's independent auditors, MNP LLP, have not audited or performed a review of these financial statements.

"Dean Bethune" (signed)	*"Scott Hamilton" (signed)*
Dean Bethune	Scott Hamilton
President	Chief Financial Officer
January 29, 2015	January 29, 2015

Free Energy International Inc.

Condensed Interim Financial Statements
(Unaudited- Prepared by Management)

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Condensed Consolidated Interim Statements of Financial Position
(Unaudited- Prepared by Management)

As at		November 30, 2014		August 31, 2014
Assets				
Current				
Cash	**$**	405,347	**$**	157,644
GSH/HST receivable		2,671		1,299
Prepaid expenses		47,330		-
	$	455,348	$	158,943
Liabilities				
Current				
Accounts payable and accrued liabilities (Note 3)	**$**	511,288	**$**	544,052
Notes payable (note 4)		185,090		185,090
		696,378		729,142
Shareholder's Equity (Deficiency)				
Share capital (note 5)		4,210,867		3,714,117
Share subscription received in advance		-		160,000
Other equity reserve		878,752		878,752
Deficit		(5,330,649)		(5,323,068)
		(241,030)		(570,199)
	$	455,348	**$**	158,943

Nature and continuance of operations (note 1)
Subsequent events (note 8)

Approved on behalf of the Directors:

/s/ "Dean Bethune"
Mr. Dean Bethune — Director

/s/ "Scott Hamilton"
Mr. Scott Hamilton — Director

The accompanying notes are integral part of these interim financial statements.

Free Energy International Inc.

Condensed Consolidated Interim Statements of Comprehensive Loss
(Unaudited- Prepared by Management)

	Three months ended November 30, 2014	Three months ended November 30, 2013
Revenue	$ -	$ -
Gross profit	-	-
Expenses		
General and Administrative	7,581	25,156
Interest	-	5,626
Net and comprehensive loss	(7,581)	(30,781)
Basic and diluted loss per share	$ (0.00)	$ (0.02)
Weighted average number of shares outstanding	20,166,250	1,637,816

The accompanying notes are an integral part of these condensed financial statements

Free Energy International Inc.

Condensed Condolidated Interim Financial Statements
(Unaudited- Prepared by Management)

Interim Statement of Changes in Equity
For the three months ended November 30, 2014

	Number of Shares	Share Capital	Other Equity Reserved	Equity component of convertible notes	Subscription received in advance	D
Balance August 31, 2014	16,429,986	$ 3,714,117	$ 878,752	$ -	$ 160,000	$ (5
Private Placement, October 27, 2014	10,000,000	496,750			(160,000)	
Comprehensive income (loss)	-	-	-	-	-	
Balance, November 30, 2014	26,429,986	$ 4,210,867	$ 878,752	$ -	$ -	$ (5

The accompanying notes are integral part of these condensed interim financial statements

Free Energy International Inc.

Condensed Condolidated Interim Financial Statements
(Unaudited- Prepared by Management)

Interim Statement of Changes in Equity
For the three months ended November 30, 2013

	Number of Shares		Share Capital		Other Equity Reserved		Equity component of convertible notes		Subscription received in advance		
Balance August 31, 2013	1,637,816	$	2,190,552	$	753.941	$	90,083	$	-	$	(5
Comprehensive loss	-		-		-				-		
Balance, November 30, 2013	1,637,816	$	2,190,552	$	753,941	$	90,083	$	-	$	(5

Note to the Condensed Consolidated Interim Financial Statements
(Unaudited - Prepared by Management)
For the Period Ended November 30, 2014

Statements of Cash Flows

		Three months ended November 30, 2014		Three months ended November 30, 2013
Operating activities				
Net loss for the period	$	(7,581)	$	(30,781)
Changes in non-cash operating working capital items:				
GST/HST receivable		(1,372)		(5,817)
Prepaid expenses		(47,330)		(8,235)
Accounts payable and accrued liabilities		(32,764)		32,148
		(89,047)		(12,685)
Financing activities				
Subscription received in advance		(160,000)		-
Private placement, net of issue costs		496,750		-
Notes issued		-		10,000
		336,750		10,000
Inflow (outflow) of Cash		247,703		(2,685)
Cash at beginning of period		157,644		3,606
Cash at end of period	$	405,347	$	921
Additional Cash Flow Information				
Interest received	$	-	$	-
Interest paid	$	-		-
Income taxes paid	$	-		-
Cash is composed of:				
Cash on deposit	$	155,374		921
Guaranteed Investment Certificate		250,000		**-**
	$	**405,385**		**921**

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

1. Nature and Continuance of Operations

The Company is in the business of product development using the advanced technology of Thermal Super Conductors. The Company was incorporated in Vancouver, British Columbia on February 11, 2005. The primary office is Suite 306 1088 Quebec Street, Vancouver, British Columbia.

The interim financial statements have been prepared on the basis that the Company is a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The Company's ability to continue as a going concern is dependent upon achieving profitable operations and upon obtaining additional financing. The outcome of these matters cannot be predicted at this time. As at November 30, 2014, the Company had not achieved profitable operations and has a cumulative deficit of $5,330,649 (August 31, 2014 - $5,323,068) and working capital deficiency of $241,030 (August 31, 2014 – ($570,199). This raises significant doubt about the Company's ability to continue as a going concern. These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business.

2. Significant Accounting Policies

Statement of compliance
The interim financial statements, including comparative figures, have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial* Reporting and using International Financial Reporting Standards ("IFRS"). Accounting policies and methods of their application followed in the preparation of these interim financial statements are consistent with those used in the consolidated financial statements for the year ended August 31, 2014, except for the adoption of new standards and interpretations effective January 1, 2014 as disclosed below.

The following new accounting standards that have been adopted had no material impact on the interim financial statements.

- IAS 36 – Impairment of Assets
- IAS 39 – Financial Instruments: Recognition and Measurement
- IAS 32 – Financial Instruments: Presentation

Recent Accounting Pronouncements
The IASB has issued the following applicable standards, which have not yet been adopted by the Company. The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its financial statements or whether to early adopt any of the new requirements.

The following is a description of the new standards:

- IFRS 9 – Financial Instruments: Classification and Measurement, effective January 1, 2015
- IAS 19 – Employee Benefits

These standards and interpretations have not been adopted and are yet to be assessed by the Company.

3. Accounts Payable and Accrued Liabilities

	November 30, 2014	August 31, 2014
Trade accounts payable	$ 126,691	$ 163,443
Due to directors	94,097	90,109
Salary and bonus payable to former directors	290,500	290,500
	$ 511,288	**$ 544,052**

4. Notes and Loan Payable

Notes payable are non-interest bearing, unsecured and are due on demand

	November 30, 2014	August 31, 2014
Payable to director and former director	$ 43,000	$ 43,000
Payable to companies controlled by a director and former director	142,090	142,090
	$ 185,090	**$ 185,090**

5. Share Capital

Authorized – Unlimited number of common shares without par value

a) Issued

On December 9, 2013, the Company received approval from the TSX Venture Exchange to issue 14,792,170 common shares to settle outstanding debt of $1,479,217. Included in the Debt Settlement was the settlement of convertible notes of $1,032,000, a note payable of $225,000 and accrued interest and accounts payable of $222,217. An additional $89,513 of interest and payables to former directors was forgiven in connection with this Debt Settlement. The amount was recorded as a contribution to capital. Share issuance costs of $45,735 were recorded in equity pursuant to this transaction.

On October 27, 2014 the Company issued 10,000,000 common shares at $0.05 per share for gross proceeds of $500,000.

b) Stock options

On June 23, 2014, shareholders voted to adopt a new stock option plan which supersedes any prior stock option plans. Under the new plan, up to 10% of the issued and outstanding common shares may be allotted and reserved for issuance. The terms of the option, including the vesting terms and the option price are fixed by the directors at the time of grant subject to the price not being less than the market price of the Company's stock on the date of grant and a maximum term of 10 years. The following table summarizes activity under the Company's stock option plan as of November 30, 2014:

5. Share capital (continued)

	Number of options	Weighted average exercise price
Balance and exercisable – August 31, 2013	131,250	$2.48
Issued	1,100,000	$0.05
Expired	(75,000)	(1.68)
Balance outstanding – August 31, 2014 and November 30, 2014	1,156,250	$0.135
Exercisable – August 31, 2014 and November 30, 2014	711,806	$0.05

At November 30, 2014, the Company had share purchase options outstanding and exercisable enabling holders to acquire common shares as follows:

Number of shares	Exercise Price	Expiry Date
31,250	$2.40	July 20, 2015
25,000	$1.04	December 22, 2015
1,100,000	$0.05	June 22, 2019
131,250		

6. Related Party Transactions

These transactions were in the normal course of operations and were valued in these financial statements at the exchange amount, which is the amount of consideration established and agreed to by the related parties:

a) No bonuses were declared, paid or payable, to directors during the period (2014 Year - $Nil). At November 30, 2014, $290,500 (August 31, 2014 - $290,500) was owing to directors and former directors in respect of bonus expensed. The Company entered into an agreement on September 3, 2013 with the former directors whereby they agreed to forgive amounts owing to them on closing of the acquisition of Darelle Media Inc. (see Note 7).
b) During the period, the Company incurred and recorded $3,750 (2014 Year - $45,500) to consulting fees pursuant to a contract with a company owned by a director. At November 30, 2014, $94,046 (August 31, 2014 – $90,109 was owing to this company for consulting fees rendered.
c) At November 30, 2014, there was $5,040 (August 31, 2014 - $5,040) owing to a company owned by a director.
d) At November 30, 2014 there were notes payable to directors, former directors and companies controlled by directors and former directors of $185,090 (2014 - $185,090)(note 4).

Key Management Personnel	November 30, 2014	August 31, 2014
Consulting fees	$ 3,750	$ 45,500
	$ 3,750	**$ 45,500**

7. Acquisition Pending

On August 6, 2013 the Company announced it had signed a letter of intent to acquire all of the outstanding common shares (the “Transaction”) of Darelle Media Inc. (“Darelle”). On October 1, 2014 the Company revised the terms of the proposed Transaction and entered into a revised agreement (“Revised Agreement”) with Darelle. Under the terms of the Revised Agreement, Darelle shareholders will receive a total of 14,500,000 common shares of the Company in exchange for 10,340,001 common shares of Darelle. The Company has agreed to assume outstanding debt of $167,631 (“Darelle Debt”) owed to creditors of Darelle (“Darelle Creditors”) in conjunction with the Transaction. The Company announced it will complete a share for debt settlement in conjunction with the transaction (“Debt Settlement”) in which the Company will issue 10,651,801 common shares in settlement of outstanding debt of $532,590 at a deemed price of $0.05 per common share. The Company will enter into debt settlement agreements with Darelle Creditors to settle the Darelle Debt in conjunction with the Debt Settlement. In addition, the Company agrees to reimburse Darelle for expenditures incurred prior to completion of the Transaction, up to a threshold of $25,000 (“Expenditure”). The Expenditure reimbursement will be considered a non-refundable deposit in the event the Company does not proceed with the Transaction. Darelle also agreed to pay the Company a withdrawal fee of $50,000 in the event both parties meet the conditions of the proposed Transaction and Darelle elects not to proceed.

8. Subsequent Events

On December 11, 2014 the Company submitted its application to the Exchange to settle outstanding indebtedness of the Company with the issuance of common shares. Under the terms of the proposed share-for-debt settlement the Company will issue 10,590,000 common shares to extinguish $529,500 in debt at a deemed price of $0.05 per common share (“Debt Settlement”). Included in the proposed Debt Settlement is the settlement of $165,625 in debt owing to creditors of Darelle with the issuance of 3,312,500 common shares of the company at a deemed price of $0.05 per common share.

On January 20, 2015 the Company received conditional approval from the Exchange to complete the acquisition of Darelle and to complete the Debt Settlement (collectively, the “Transaction”). Final Exchange approval of the Transaction is subject to a number of conditions including the completion and filing of a Sponsor Report and subject to approval of at least 50.1% of the outstanding shares of the Company.