UPDATED OFFERING MEMORANDUM

KONTROL ENERGY CORP.

PRIVATE PLACEMENT OF UNITS, EACH UNIT CONSISTING OF AN 8% UNSECURED DEBENTURE AND 100 COMMON SHARES

OCTOBER 4, 2016

(UPDATING THE OFFERING MEMORANDUM DATED AUGUST 23, 2016)

UPDATED OFFERING MEMORANDUM

(updating the Offering Memorandum dated August 23, 2016)

Capitalized terms not otherwise defined herein shall have the meaning set forth in the Glossary.

Date:	OCTOBER 4, 2016
The Issuer:	Kontrol Energy Corp. ("**Kontrol**" or the "**Corporation**")
Head Office Address:	Kontrol Energy Corp. 5045 Orbitor Dr. Building 9, Suite 401 Mississauga, ON L4W 4Y5
Phone:	(905) 766-0400; or 1-844-566-8123
Email:	admin@kontrolenergy.com
Web Address:	www.kontrolenergy.com
Currently listed or quoted:	**Yes. The Common Shares of the Corporation are listed on the Canadian Securities Exchange. The Debentures of the Corporation do not trade on any exchange or market.**
Reporting Issuer:	**Yes. In the Provinces of Alberta, British Columbia and Ontario.**
SEDAR filer:	**Yes.**

The Offering - Summary

This summary is qualified by the more detailed information appearing elsewhere in this Offering Memorandum. Purchasers should read the entire Offering Memorandum for full details about the Offering.

Securities Offered	Units, each unit consisting of a $1,000 Debenture and 100 common shares (each, a "**Unit**" and collectively the "**Units**"). See Item 5.1 - "*Terms of Securities*" and Item 1 - "*Use of Available Funds*".
Price per Security:	$1,000.00 per Unit.
Minimum/Maximum Offering:	A Minimum Offering of 200 Units for aggregate proceeds of $200,000 and a Maximum Offering of 5,000 Units for aggregate proceeds of $5,000,000. **Funds available under the Offering may not be sufficient to accomplish the proposed objectives.**
Minimum Subscription Per Investor/Increments	Subscribers must subscribe for not less than $5,000 (5 Units) and may subscribe only in increments of $1,000 (1 Unit) thereafter.
Payment Terms	Certified cheque, bank draft, wire transfer or other form of guaranteed funds acceptable to the Corporation, payable to the Corporation, with delivery of a fully executed and completed Subscription Agreement. See Item 5.2 - "*Subscription Procedures*".

Proposed Closing Date(s)	Assuming the Minimum Offering is achieved, the Initial Closing is expected to occur during the month of September, 2016, but may occur at such other earlier or later date as determined by the Corporation in its sole discretion. If the Initial Closing does not occur on or before **October 31, 2016** all subscription funds will be returned to the Subscribers without setoff, interest or deductions. There may be subsequent closings after the Initial Closing as subscription funds are raised in the Offering. In the event of multiple closings, the Debentures partially comprising the Units may be in one or more series, but each series will rank *pari passu* with debentures of other series sold pursuant to this Offering.
Selling Jurisdiction	The Units may be offered in all jurisdictions of Canada, excluding Quebec.
Subscription Type	Registered and non-registered accepted.
Income Tax Consequences:	There are important tax consequences to these securities. See Item 6 - "*Canadian Federal Income Tax Considerations and Registered Plan Eligibility*".
Selling Agent:	Kontrol may retain one or more registered securities dealers to effect sales of the Units or to find purchasers of the Units. The Corporation may pay a selling commission or finder's fee to such securities dealers or finders not exceeding 9% of the Gross Proceeds from the sale of the Units attributable to such dealers or finders. See Item 7 - "*Compensation Paid to Sellers and Finders*".
Resale Restrictions:	The Debentures and Common Shares comprising the Units are subject to restrictions on resale. You will be restricted from selling your securities for 4 months and a day. There is no market for the Debentures and none is expected to develop and, therefore, it may be difficult or impossible for you to sell the Debentures. See Item 10 - "*Resale Restrictions*".
Purchaser's Rights:	You have two (2) Business Days to cancel your agreement to purchase the securities. If there is a misrepresentation in this Offering Memorandum, you have the right to sue either for damages or to cancel the agreement. See Item 11 - "*Purchaser's Rights*".
Prospectus Exemptions	The Units are offered for sale pursuant to exemptions from prospectus requirement contained in NI 45-106.
No Review by Securities Regulatory Authority	**No securities regulatory authority has assessed the merits of these securities or reviewed this Offering Memorandum. Any representation to the contrary is an offence. This is a risky investment. See Item 8 - "*Risk Factors*".**
Principal Business	Kontrol is in the principal business of acquiring and/or investing in established cash flowing Operating Businesses in the energy efficiency sector which includes the sub-sectors of energy conservation, energy storage and renewable energy power generation. See Item 2.2 - "*Our Business – Kontrol Target Acquisitions*".

Use of Available Funds	Kontrol intends to use the net proceeds of the Offering to acquire or invest in Operating Businesses. See Item 1 - "*Use of Available Funds*" and Item 2 - "*Business of Kontrol*".
Term of Debentures	The Debentures partially comprising the Units shall have a term of 3 years from their date of issue.
Repayment	On the the Maturity Date, Kontrol will repay the indebtedness represented by the Debentures by paying an amount equal to the aggregate principal amount of the outstanding Debentures which have matured together with accrued and unpaid interest thereon.
Registered Plan Eligibility	In the opinion of Dale & Lessman LLP, special tax counsel to the Corporation, provided the Common Shares are listed on a designated stock exchange as defined in the Tax Act (which currently includes the CSE) on the date of closing of the Offering, the Debentures and the Common Shares will, on such date, be qualified investments under the Tax Act for trusts governed by registered retirement savings plans ("**RRSPs**"), registered retirement income funds ("**RRIFs**"), tax-free savings accounts ("**TFSAs**"), registered education savings plans, registered disability savings plans and deferred profit sharing plans (other than, in the case of the Debentures, a deferred profit sharing plan to which the Corporation, or an employer that does not deal at arm's length with the Corporation, has made a contribution). Notwithstanding that the Debentures and the Common Shares may be qualified investments for a trust governed by a RRSP, RRIF or TFSA, the annuitant of a RRSP or RRIF or the holder of a TFSA, as the case may be, will be subject to a penalty tax if such Debentures or Common Shares, as the case may be, are a "prohibited investment" for the RRSP, RRIF, or TFSA. Debentures or Common Shares will generally not be a "prohibited investment" if the annuitant of a RRSP or RRIF or the holder of a TFSA, as the case may be, deals at arm's length with the Corporation for purposes of the Tax Act and does not have a "significant interest" (within the meaning of the Tax Act) in the Corporation. Holders who intend to hold Debentures or Common Shares in a RRSP, RRIF, or TFSA should consult their own tax advisors with respect to whether such securities may be a prohibited investment.

Risk Factors	An investment in the Securities is subject to a number of risks that should be considered by a prospective Subscriber. These risks include risks relating to: the leveraged capital structure of Operating Businesses; the availability of acquisition and/or investment opportunities; the ability of the directors and officers to identify, negotiate, perform the required due diligence and close successful acquisitions and investments; timing of acquisition and/or investment opportunities; inability to obtain applicable regulatory clearances or approvals; new government regulations impacting the energy efficiency sector; and general economic conditions; the Offering being a blind pool offering with no certainty as to if or when the Corporation might enter into any agreements to invest in or acquire Operating Businesses; the success of Kontrol's strategy; generation of sufficient cash flows and profits to pay interest payments; the Securities generating a positive return in the short or the long term; the pricing of the Securities; the absence of a market for the Debentures; the highly speculative nature of an investment in the Securities and the potential loss of a Subscriber's entire investment; the Debentures being unsecured and the subordination of the payment of the principal of, and interest on, the Debentures to prior payment of all Senior Indebtedness; the absence of insurance against loss for the Securities; dilution from issuance of additional debt and equity; the ability of Kontrol to repay all or a portion of the amount owing under the Debentures at maturity; the occurrence of Adverse Events which may affect the return to Securityholders; legal liability of Kontrol resulting from this Offering Memorandum; tax consequences and risks; Kontrol's limited history of sales or profits; lack of assurance Kontrol will achieve its operating objectives; loss of key personnel; lack of assurance as to the amount of interest paid to Securityholders; proceeds of the Offering may be required to fund interest payments; Incorrect valuation of Operating Businesses; potential failure to raise the Maximum Offering; legal, tax and regulatory changes; insufficiency of funds available to Kontrol; no assurance that capital will be available or, if available, at prices or on terms acceptable to Kontrol; Kontrol may find itself uninsured and/or underinsured in the event of a substantial loss; undiscovered liabilities and contingencies in Operating Businesses; lack of economic sector diversification in Kontrol's acquisitions and/or investments; Kontrol and its subsidiaries may initiate or become subject to litigation; growth-related risks including capacity constraints and pressure on Kontrol's internal systems and controls; currency exchange risk; interest rate fluctuation risk in connection with third-party financing; and directors or officers conflict of interest. See Item 8 - "*Risk Factors*".
Management	Decisions regarding the management of Kontrol will be made by the management of Kontrol and the board of directors. Kontrol's success will be largely dependent upon the performance of the management of Kontrol and management of its Operating Businesses.
Selling Jurisdictions and Residency Requirements	The Units may be offered in all jurisdictions of Canada except Quebec.
Subscription Procedure	A Subscription Agreement must be delivered with (i) a certified cheque, bank draft, or other form of guaranteed funds acceptable by the Corporation, payable to the Corporation, for the full Subscription Price; (ii) signed copies of the Subscription Agreement including all applicable Exhibits and such other documents as specified in the Subscription Agreement. See Item 5.2 – "Securities Offered – Subscription Procedure".

Commissions	The Corporation will retain one or more non-exclusive registered securities dealers to effect sales of the Units. The Corporation will pay a selling commission to such securities dealers provided that the quantum thereof shall not exceed 9% of the Gross Proceeds from the sale of the Units realized at the time of Closing in respect of such sale. No Units will be issued as compensation to any securities dealer.
Closings	The Initial Closing is expected to occur during the month of September, 2016, but may occur at such other earlier or later date, as determined by the Corporation. Additional Closings will occur from time to time at the discretion of the Corporation. If the Initial Closing does not occur on or before **October 31, 2016**, all subscription funds will be returned to the Subscribers without setoff, interest or deductions. In the event of multiple closings, the Debentures partially comprising the Units may be in one or more series, but each series will rank *pari passu* with debentures of other series sold pursuant to this Offering.
Subscribers' Rights	Each Subscriber has certain statutory or contractual rights of rescission, withdrawal and damages. See Item 11 - "*Purchaser's Rights*".
Resale Restrictions	The Units will be separated upon issuance into Debentures and Common Shares (the **"Securities"**). The Securities will be subject to a four month and one-day hold period from their date of issue. The Securities may not be transferred without compliance with applicable securities laws. Securityholders may not be able to transfer the Securities. See "Resale Restrictions". Subscribers are advised to consult with their own legal counsel or advisors to determine the resale restrictions that may be applicable to them.
Exchange Listings	The Units and the Debentures partially comprising the Units are not listed on any stock exchange or market. The Common Shares of the Corporation are listed on the CSE and trade under the symbol "**KNR**".
Canadian Dollars	In this Offering Memorandum (including attachments and exhibits), references to "$" or "CAD" are to Canadian dollars, unless stated otherwise.

NOTE REGARDING FORWARD LOOKING STATEMENTS

Certain statements in this Offering Memorandum may constitute ‘forward-looking’ information within the meaning of applicable securities laws. Forward-looking information involves known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements, to be materially different from any future results, performance, achievements expressed or implied by such forward-looking information. Forward-looking information is identified by the use of terms and phrases such as “anticipate”, “believe”, “could”, “estimate”, “expect”, “intend”, “may”, “plan”, “predict”, “project”, “will”, “would”, and similar terms and phrases, including references to assumptions. Such information includes, but is not limited to, statements with respect to strategies, expectations, planned operations, projections or other characterizations of future events or circumstances, and the Corporation’s objectives, goals, strategies, beliefs, intentions, plans, estimates, projections and outlook. Forward-looking information in this Offering Memorandum includes, but is not limited to, statements with respect to: the use of proceeds of the Offering, potential acquisitions, the business to be conducted by Kontrol, long term and short term objectives, the timing and payment of interest payments, long-term debt, Kontrol’s investment objectives and strategy, treatment under governmental regulatory regimes and tax laws, the retention of securities dealers and the anticipated date of the Initial Closing.

Forward-looking information in this Offering Memorandum is based on certain key expectations and assumptions, including, without limitation: the use of proceeds of the Offering, the retention of securities dealers in connection with the Offering, the business to be conducted by Kontrol, the general stability of the economic and political environment in which Kontrol operates, Kontrol’s investment objectives and investment strategies, Kontrol’s receipt of the necessary government and regulatory approvals in a timely manner, treatment under governmental regulatory regimes and tax laws and the ability of Kontrol to obtain qualified staff, equipment and services in a timely and cost efficient manner, and currency, exchange and interest rates. Although forward-looking information contained in this Offering Memorandum is based upon what Kontrol believes to be reasonable assumptions, Kontrol cannot assure Subscribers that actual results will be consistent with such information. Undue reliance should not be placed on the forward-looking information since no assurance can be given that it will prove to be correct.

Forward-looking information reflects current expectations of management regarding future events and operating performance as of the date of this Offering Memorandum. Such information involves significant risks and uncertainties. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking information, including, without limitation: Kontrol may not find suitable Operating Businesses to acquire or invest in, inaccurate valuation of investments, securities regulatory risk, legal liability, tax matters, operational dependence, lack of operating history, conflicts of interest, changes in Applicable Law, government policy that adversely affects the energy efficiency sector, financing risks, indemnification obligations, leverage and the ability to recover loans, availability of suitable opportunities and competition for investments, investment timing, potential undisclosed liabilities associated with acquisitions, operating hazards, litigation, foreign currency exchange rate risk, management of growth, general economic conditions and interest rate fluctuations.

Readers are cautioned that the foregoing list is not exhaustive. For additional information with respect to risks and uncertainties, readers should carefully review and consider the risk factors described under Item 8 - “*Risk Factors*” and elsewhere in this Offering Memorandum.

The forward-looking information contained herein is expressly qualified in its entirety by this cautionary note. Forward-looking information reflects current beliefs and is based on information currently available to the Corporation. The forward-looking information is made as of the date of this Offering Memorandum and the Corporation assumes no obligation to publicly update or revise such forward-looking information to reflect new information, except as may be required by Applicable Law.

Marketing Materials

Any "OM marketing materials" (as such term is defined in NI 45-106) related to the Offering and delivered or made reasonably available to a prospective purchaser before the termination of such Offering will be, and will be deemed to be, incorporated by reference into this Offering Memorandum, provided that any OM marketing materials to be incorporated by reference into this Offering Memorandum are not part of the Offering Memorandum to the extent that the contents of such OM marketing materials have been modified or superseded by a statement contained in an amended or amended and restated Offering Memorandum or OM marketing materials subsequently delivered or made reasonably available to a prospective purchaser prior to the execution of the Subscription Agreement by the purchaser.

Market and Industry Data

This Offering Memorandum contains statistical data, market research and industry forecasts that were obtained from government or industry publications and reports or based on estimates derived from such publications and reports. Government and industry publications and reports generally indicate that they have obtained their information from sources believed to be reliable, but do not guarantee the accuracy and completeness of their information. While the Corporation believes this data to be reliable, market and industry data is subject to variations and cannot be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any statistical survey. The Corporation has not independently verified any of the data from independent third party sources referred to in this Offering Memorandum or ascertained the underlying assumptions relied upon by such sources.

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APPENDIX E - Kontrol Technologies Inc. audited financial statements for the year ended December 31, 2015

APPENDIX F - Proforma consolidated financial statements as of December 31, 2015

GLOSSARY OF TERMS

In this Offering Memorandum, unless the context otherwise requires, the following words and terms shall have the indicated meanings and grammatical variations of such words and terms shall have corresponding meanings:

"Acquisition"	has the meaning set forth in Item 2.3 - "*Development of the Business* ";
"Adverse Event"	has the meaning set forth in Item 8 - "*Risk Factors – Securities Regulatory Risk*";
"Agency Agreement"	has the meaning set forth in Item 2.7 - "*Material Agreements – Selling Agent Agreement*";
"Allowable Capital Loss"	has the meaning set forth in Item 6 - "*Canadian Federal Income Tax Considerations and Registered Plan Eligibility – Capital Gains and Capital Losses*";
"Applicable Law"	means all applicable provisions of law, domestic or foreign, including, without limitation, securities law;
"Assignment Agreement"	has the meaning set forth in Item 2.7 - "*Material Agreements – Assignment and Assumption Agreement*";
"Business Day"	means a day which is not a Saturday, Sunday or a statutory holiday in the City of Toronto, in the Province of Ontario;
"BCBCA"	means the *British Columbia Business Corporations Act*, SBC 2002, c 57;
"Closing"	means any day or days upon which Units are issued to Subscribers pursuant to this Offering;
"Closing Date"	means any date on which a Closing occurs;
"Common Shares"	means the common shares of Kontrol;
"CRA"	means the Canada Revenue Agency;
"CSE"	means the Canadian Securities Exchange;
"Debentures"	means the 8% unsecured debentures offered pursuant to this Offering;
"Debenture Certificate"	means a certificate in the form approved by the Board of Directors of the Corporation evidencing one or more Debentures, issued and certified in accordance with the Debenture Indenture and registered in the name of a Subscriber representing the Debentures held by the Subscriber;
"Debenture Indenture"	has the meaning set forth in Item 5.1 - "*Terms of Securities – Terms of Debentures – Debentures*";
"Discount"	has the meaning set forth in Item 6 - "*Canadian Federal Income Tax Considerations and Registered Plan Eligibility – Allocation of Purchase Price*";

“EBITA”	Has the meaning set forth in Item 2.2 – “*Business of Kontrol – Our Business*”;
“Event of Default”	has the meaning set forth in Item 5.1 - “*Terms of Securities – Terms of Debentures – Events of Default*”;
“Ghana Solar Project”	means the Ashanti Solar PV Energy Project in the Ashanti region of Ghana. See Item 2.2 - “*Our Business – The Ghana Solar Project*”;
“GHG”	means greenhouse gas;
“Gross Proceeds”	means for any period, the aggregate subscription amounts raised under this Offering, without deduction;
“Holder”	has the meaning set forth in Item 6 - “*Canadian Federal Income Tax Considerations and Registered Plan Eligibility*”;
“Indenture”	has the meaning set forth in Item 5.1 - “*Terms of Securities – Terms of Debentures - Debentures*”;
“Initial Closing Date” or **“Initial Closing”**	means the initial Closing Date of the Offering;
“Interest Payment Date”	has the meaning set forth in Item 5.1 - “*Terms of Securities – Terms of Debentures – General*”;
“Kontrol”	means Kontrol Energy Corp.;
“LDC”	Local Distribution Company has the meaning as set forth in Item 2.2 - “*Our Business – Net Metering of Solar Energy*”;
“Maturity Date”	means October 31, 2019;
“Maximum Offering”	means 5,000 Units representing $5,000,000 in subscription proceeds;
“Minimum Offering”	means 200 Units representing $200,000 in subscription proceeds;
“misrepresentation”	has the meaning set forth in Item 11 - “*Purchaser’s Rights*”;
“Net Proceeds”	means, at any time, the Gross Proceeds of the Offering less any selling commissions and fees and the expenses of the Offering, all as more particularly described in the table under Item 1.1 – “*Available Funds*”;
“NI 45-106”	means National Instrument 45-106 *Prospectus Exemptions;*
“Non-Resident Holder”	has the meaning set forth in Item 6 - “*Canadian Federal Income Tax Considerations and Registered Plan Eligibility – Holders Not Resident in Canada*”;
“Nuvo”	means Nuvo Energy Grid Inc.;
“Offering”	means the offering of a minimum of 1,000 Units and a maximum of 5,000 Units for aggregate proceeds of up to $5,000,000;

“Offering Memorandum”	means this updated offering memorandum dated October 4, 2016, updating the offering memorandum dated August 23, 2016, including any amendments hereto;
“Operating Businesses”	means the businesses based in North America that Kontrol owns, may acquire or may invest in. See Item 2.2 - “*Our Business*”;
“Paris Agreement”	has the meaning set forth in Item 2.2 - “*Our Business – Regulatory Trends and Industry Condition – Energy Efficiency part of the Climate Change Solution*”;
“person”	means any individual, company, corporation, limited partnership, general partnership, firm, joint venture, syndicate, trust, joint stock company, limited liability corporation, association, bank, pension fund, business trust or other organization, whether or not a legal entity, and any government agency or political subdivision thereof or any other form of entity or organization;
“Principal Holder”	has the meaning set forth in Item 3.1 - “*Compensation and Securities Held*”;
“Proposed Amendments”	has the meaning set forth in Item 6 - “Canadian Federal Income Tax Considerations and Registered Plan Eligibility”;
“Registered Plans”	mean a trust governed by a RRSP, RESP, RRIF, DPSP or a TFSA, all as defined in the Tax Act, and **“Registered Plan”** means any one of them;
“Registered Plan Administrator”	has the meaning set forth in Item 5.2 - “*Subscription Procedure*”;
“Resident Holder”	has the meaning set forth in Item 6 - “*Canadian Federal Income Tax Considerations and Registered Plan Eligibility – Holders Resident in Canada”*;
“RRIF”	means Registered Retirement Income Fund, as defined under the Tax Act;
“RRSP”	means Registered Retirement Savings Plan, as defined under the Tax Act;
“Securities”	means the Units, and the Debentures and the Common Shares comprising the Units;
“Securityholder”	means a holder of any of the Securities;
“securities law”	means securities legislation, including the *Securities Act* (Ontario), and the rules and regulations promulgated thereunder, as may be amended from time to time, and similar legislation across all jurisdictions, and all applicable securities policies;
“Senior Indebtedness”	means the principal, premium (if any), interest (if any) and other amounts in respect of all indebtedness, including any indebtedness to trade creditors, liabilities and obligations of Kontrol (whether outstanding as at the date of the Indenture or thereafter incurred), other than indebtedness evidenced by the Debentures, all other existing and future debentures or other instruments of Kontrol which, by the terms of the instrument creating or evidencing the indebtedness, is not expressed to be *pari passu* with, or subordinate in right of payment to the Debentures;

"Subscribers"	mean those persons subscribing for Units pursuant to this Offering;
"Subscription Agreement"	means the subscription agreement (and its exhibits and appendices) between the Corporation and each Subscriber governing the subscription for Units pursuant to this Offering Memorandum;
"Subscription Price"	$1,000 per Unit;
"Tax Act"	means the *Income Tax Act* (Canada) and the regulations thereunder, as amended from time to time;
"Taxable Capital Gain"	has the meaning set forth in Item 6 - "*Canadian Federal Income Tax Considerations and Registered Plan Eligibility – Capital Gains and Losses*";
"TFSA"	means Tax-Free Savings Account as defined under the Tax Act;
"Transfer Agent"	registrar and transfer agent for the Common Shares, Valiant Trust Company;
"Turn-Key Energy Retrofit Business"	has the meaning set forth in Item 2.3 - "*Business of Kontrol – Our Business-Turn-Key Energy Retrofit Business*";
"UNFCCC"	has the meaning set forth in Item 2.3 - "*Development of Business – Regulatory Trends and Industry Condition – Energy Efficiency part of the Climate Change Solution*";
"Unit"	means a unit comprised of one Debenture bearing a principal amount of at least $1,000 and 100 Common Shares;

In this Offering Memorandum (including attachments and exhibits), references to "$" or "CAD" are to Canadian dollars, unless stated otherwise.

ITEM 1 - USE OF AVAILABLE FUNDS

1.1 AVAILABLE FUNDS

The following tables set out the funds available to the Corporation upon the completion of the Offering and the principal uses of the Net Proceeds of the Offering and current resources, if any:

	Funds Available to the Corporation	Assuming Minimum Offering	Assuming Maximum Offering
A	Amount to be raised pursuant to the Offering	$200,000	$5,000,000
B	Selling commissions and fees(1)	$18,000	$450,000
C	Estimated offering costs (e.g., legal, accounting, indenture trustee, stock exchange)(2)	$50,000	$100,000
D	Available funds: D = A – (B+C)	$132,000	$4,450,000
E	Additional sources of funding required	NA	NA
F	Working capital deficiency	$0	$0
G	Total: G=(D+E) – F(3)	$132,000	$4,450,000

Notes:

(1) Kontrol may engage one or more securities dealers to assist with the sale of Units. The Corporation anticipates paying to such securities dealers a commission or finder's fee not exceeding 9% of Gross Proceeds.. If the Maximum Offering is reached, a maximum of $450,000 has been allocated to commissions. If the Minimum Offering is reached, the Corporation anticipates paying a commission fee a maximum of $18,000. See Item 7 - "*Compensation paid to Sellers and Finders*".

(2) The estimated Offering costs including legal, consulting, accounting, indenture trustee and stock exchange fees associated with the Offering are estimated to be approximately $50,000 in the case of both the Minimum Offering and $100,000 in the case of the Maximum Offering.

(3) The Net Proceeds available to Kontrol for acquisition and/or investment after payment of the selling commissions, and Offering costs by Kontrol, will be $132,000 assuming the Minimum Offering and $4,450,000 assuming the Maximum Offering.

1.2 USE OF AVAILABLE FUNDS

Kontrol intends to use the Net Proceeds raised from the Offering to complete its Business Objectives as follows:

Description of intended use of available funds listed in order of priority	Assuming Minimum Offering[(1)]	Assuming Maximum Offering[(1)]
Funds to be used to acquire additional Operating Businesses[(1)]	$127,000	$4,200,000
Administrative and Legal	$5,000	$150,000
General Operating	$nil	$100,000
Total	$132,000	$4,450,000

Notes:

(1) If only the Minimum Offering is reached, Kontrol's intention is to continue to acquire Operating Business through funds raised from a combination of future equity issuances, cash flows, and or other debt or equity financing.

1.3 REALLOCATION

We intend to spend the available funds as stated. We will reallocate funds only for sound business reasons.

ITEM 2 - BUSINESS OF KONTROL

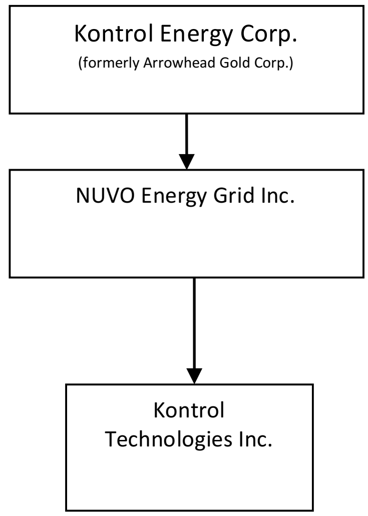
2.1 STRUCTURE

Kontrol is a corporation incorporated on November 16, 2006 pursuant to the BCBCA under the name Kakanda Resources Ltd. The Corporation changed its name to Otish Energy Inc. on March 28, 2008; to Arrowhead Gold Corp. on August 4, 2011; and to Kontrol Energy Corp. on July 7, 2016.

Kontrol is a reporting issuer in the provinces of British Columbia, Alberta and Ontario. Kontrol's securities are listed and posted for trading on the Canadian Securities Exchange ("**CSE**") under the symbol "KNR".

Kontrol has two subsidiary companies – Nuvo Energy Grid Inc. ("**Nuvo**"), which is wholly owned by the Issuer, and Kontrol Technologies Inc. which is wholly owned by Nuvo.

The structure of Kontrol is as follows:



2.2 OUR BUSINESS

Kontrol is in the business of acquiring and/or investing in established cash flowing Operating Businesses in the energy efficiency sector which includes the sub-sectors of energy conservation, energy storage and renewable energy power generation, based in North America, which meet Kontrol's acquisition criteria (see *Kontrol Target Acquisitions*).

Kontrol will be targeting acquisitions of Operating Businesses in the energy efficiency sector that meet the following general criteria:

(a) a history of profitable operations;

(b) based in North America;

(c) forward earnings Before Interest, Taxes, Depreciation and Amortization (**"EBITDA"**) of between $100,000 and $3,000,000;

(d) based on current market conditions, purchase price multiples of 3.5 to 4.0 times forward EBITDA;

(e) strong continuing management team; and

(f) opportunity for Kontrol to acquire more than 50% of the equity of each business.

Where Kontrol determines that an acquisition opportunity is accretive or synergistic, but does not meet the above criteria, it may nevertheless choose to proceed with the acquisition.

Currently, the Corporation has interests in three active businesses carried on or owned by its wholly-owned subsidiaries. These include: a minority position in the Ghana Solar Project; the Turn-Key Energy Retrofit Business carried on by Kontrol Technologies Inc.; and the Net Metering of Solar Energy Business carried on by Nuvo.

Ashanti Solar PV Project

Kontrol, through Nuvo, is a minority owner of a solar energy project in the Ashanti region of Ghana. The Ashanti Solar PV project is a solar energy project in Ghana developed by EnergyOne Ghana (a non-related solar developer) and is in the final stages of receiving a long term Power Purchase Agreement for the sale of electricity for 20 years from the Government of Ghana. It is anticipated that construction of the Ashanti Solar PV project will commence in the fourth quarter of 2016.

Turn-Key Energy Retrofit Business

Kontrol, through its subsidiary, Kontrol Technologies Inc., provides turn-key energy retrofit services for existing commercial and multi-residential buildings, focusing on energy efficiency, conservation and sustainability (the "**Turn-Key Energy Retrofit Business**"). These services include LED lighting retrofits, parking garage lighting, heat and fan solutions, rooftop and parking solar (photovoltaic) solutions, boiler energy saving controls and tenant education programs which encourage tenants to become active participants in conservation and sustainability. Kontrol Technologies' objective is to deliver meaningful energy savings to its diverse client base.

Kontrol Technologies was founded by Mr. Kristian Lavereau. Mr. Lavereau has been active in the energy retrofit industry since 2005 and has been directly involved in more than 200 successful energy retrofit projects.

The Marketplace

In Canada, there are approximately 700,000 multi-residential apartment units. Furthermore, there are approximately 300,000 additional government-owned or managed apartment suites across Canada. Based on an average energy efficiency retrofit of $3,000 to $3,500 per unit during the next five years, including lighting, heating, air-conditioning and other efficiency upgrades, the overall market potential for the energy efficiency retrofit business is estimated to be in the range of $3 billion to $3.5 billion. This does not include the commercial and non-residential market opportunity. Kontrol seeks to gain a 2% share of the potential revenue from this market over the next five years.

Customers

Kontrol's current customers include some of Canada's largest REITs and property management firms, such as Greenwin Inc., Skyline, Minto, DMS, 20VIC and CapREIT.

Business Vision

Kontrol's vision is to achieve high growth by implementing the most advanced energy retrofit solutions in the market, providing its clients with tangible savings and unparalleled service.

Regions of Operation

Kontrol currently markets its services and solutions primarily in Ontario but has recently undertaken projects in Alberta at the request of a national client. Nuvo anticipates further expansion into the western provinces in the second half of 2016.

Competitive Advantage

Kontrol's competitive advantage is its turn-key approach to deploying proven energy efficiency technology, experienced installation teams and on-going service and support for tenant engagement. Its business philosophy is to run a low overhead operation to be competitive in the market place.

The Energy Efficiency Sector

The business sector that Kontrol operates in is broadly defined as the energy efficiency sector, including businesses delivering products and services focused on reducing the reliance on fossil fuels, reducing carbon dioxide emissions and adding renewable energy power and storage to the electricity grid.

From the 14 IEA report, “[e]nergy efficiency is the invisible powerhouse to improve our energy security, lower energy bills and move us closer to reaching our climate goals.”

The Energy Efficiency Market Report 15 ("**EEMR 15**") estimates that “*avoided consumption from energy efficiency delivers sizeable financial returns; the avoided expenditure in IEA countries resulting from energy efficiency investments over the last 25 years can be valued at USD 5.7 trillion to energy consumers, more than the GDP in 14 of Japan or Germany. In 2014 alone, these avoided energy expenditures totaled over USD 550 billion*.”

The EEMR 2015 further stated: “*The ongoing, steady improvement in energy efficiency over the past four decades has been one of the most pronounced and significant changes to the global energy system, yet its impacts go largely unnoticed. Per capita energy consumption in IEA countries [which include Canada] has dropped to levels not seen since the 1980s yet income per capita is at its highest level and access to energy services is continually expanding. This is why energy efficiency is so important. It is improving prosperity with a domestic, clean “source” of energy.*

Energy efficiency investments across the IEA since 1990 avoided USD 5.7 trillion of energy expenditure. But the benefits of improving energy efficiency extend well beyond financial savings, relating also to improved energy security, higher productivity for businesses and reduced greenhouse gas emissions. Approximately 40% of the emissions reductions required by 2050 to limit global temperature increase to less than 2 degrees centigrade would potentially come from energy efficiency.

In an era that is becoming increasingly framed by the rise of fast-developing countries such as the People’s Republic of China and India, their efforts on energy efficiency will have a significant impact on the evolution of the global energy landscape. It is in these countries where energy efficiency markets may have the most promise and greatest importance. With significant unmet energy demand in the developing world, energy efficiency markets offer the opportunity to fundamentally alter the trajectory of energy consumption growth. Many developing countries as well as industrialized economies are looking to energy efficiency to reap the multiple benefits that efficiency can provide, including improved air quality, better access to and improved reliability of their electricity systems, and overall greater prosperity for their citizens.”

Energy Efficiency Part of the Climate Change Solution

The Paris Agreement is an agreement within the framework of the United Nations Framework Convention on Climate Change (UNFCCC) governing carbon dioxide reduction measures from 2020. The agreement was negotiated during the 21st Conference of the Parties of the UNFCCC in Paris and adopted by consensus on 12 December 2015. The aim of the convention is described as “enhancing the implementation” of the UNFCCC through:

(a) Holding the increase in the global average temperature to well below 2 °C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5 °C above pre-industrial levels, recognizing that this would significantly reduce the risks and impacts of climate change;

(b) Increasing the ability to adapt to the adverse impacts of climate change and foster climate resilience and low greenhouse gas emissions development, in a manner that does not threaten food production; and

(c) Making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development.

Countries aim to reach “global peaking of greenhouse gas emissions as soon as possible”. The contribution that each individual country should make in order to achieve the worldwide goal are determined by all countries individually and called “nationally determined contributions”. The Paris Agreement requires them to be “ambitious” and set “with the view to achieving the purpose of this Agreement”. The contributions should be reported every five years and are to be registered by the UNFCCC Secretariat. Each further ambition should be more ambitious than the previous one. Countries can cooperate and pool their nationally determined contributions. The Intended Nationally Determined Contributions pledged during the 2015 Climate Change Conference serve, unless provided otherwise, as the initial nationally determined contribution.

United Nations Environment Programme Buildings Day

On December 9, 2015, the first ever United Nations Environment Programme Buildings Day was held at COP 21 Paris Climate Change summit. This included over 100 banks, managing a total of $4 trillion in assets, calling for a doubling of energy efficiency by 2030; a global private-public alliance in the buildings sector that will use the 2 ºC climate target as an operating principle; and commitments by 150 companies to reduce energy use in their facilities by 50%.

The discussions of the day yielded a number of new commitments and actions, including:

- *The United Nations Environment Programme Financing Initiative*, together with the European Bank of Reconstruction and Development, mobilized over 100 banks and other investors, which collectively manage close to $4 trillion, to endorse the G20 Energy Efficiency Investor Statement. This mobilization aims to further embed energy efficiency in those institutions’ operations and investment processes.

- *The Global Alliance for Buildings and Construction*, a new private-public partnership of organizations, companies, governments and financiers, is committing to assist countries and their building sectors with the implementation of projects and programs that prevent a global temperature increase of more than 2 ºC.

- *The Global Green Bank Network* was announced at an event hosted in Paris by the OECD and Bloomberg Philanthropies.

- *The World Green Building Council* announced that the green building councils of Canada, Australia and South Africa have begun work on zero-energy building certifications. There have been talks of further efforts to form a global approach to certifying bodies guiding and recognizing zero-energy buildings.

- *The World Business Council for Sustainable Development* announced the release of its Low Carbon Technology Partnerships initiative on Energy Efficiency in Buildings Action Plan. The plan commits WBCSD companies to reduce projected energy use by 50% in buildings by 2030 through actions on energy efficiency.

- *The Global Environment Facility* (GEF) will fund the formation of the Climate Aggregation Platform in 2016, focused on standards in developing economies, leveraging over $100 million in co-financing from different partners, including from the Inter-American Development Bank.

- The GEF, in partnership with World Resources Institute and UNEP, announced the expansion of the Building Efficiency Accelerator and a commitment of new funding to catalyze energy-efficient buildings in the cities of developing countries. The new efforts engage 50 cities on issues of policy implementation, building codes, project development and tracking and monitoring of building efficiency.

Source: GTM Research

Carbon Policy in Canada

Following the Paris Agreement the Canadian government is reviewing various cap and trade and carbon tax policies to meet carbon reduction commitments. As energy is a provincial matter a number of provinces are setting policy in advance of a Canadian federal policy on the matter.

British Columbia

From www.fin.gov.bc.ca/tbs/tp/climate/carbontax

B.C. continues to be a leader in climate action by having a carbon tax. The revenue-neutral carbon tax was implemented on July 1, 2008, and the final scheduled increase took effect on July 1, 2012.

The initial tax rate was relatively low and has increased gradually to allow families and businesses time to reduce their emissions. The tax is also intentionally broadly based and paid by all those who consume fossil fuels in the province.

The tax puts a price on carbon to

(i) encourage individuals, businesses, industry and others to use less fossil fuel and reduce their greenhouse gas emissions;

(ii) send a consistent price signal;

(iii) ensure those who produce emissions pay for them; and

(iv) make clean energy alternatives more attractive.

The carbon tax is revenue neutral, meaning every dollar generated by the tax is returned to British Columbians through reductions in other taxes.

The Minister of Finance is required by law to annually prepare a three-year plan for recycling carbon tax revenues through tax reductions. This plan is presented to the Legislative Assembly at the same time as the provincial Budget. The Revenue Neutral Carbon Tax Plan and Report presented in the Province's 2014 budget shows the tax reductions that return carbon tax revenues to individuals and businesses. Based on the revised forecast of revenue and tax reduction estimates, revenue neutrality was met for 2013/14.

After a review last year, B.C. confirmed it will keep its revenue-neutral carbon tax, the current carbon tax rates and tax base will be maintained, and revenues will continue to be returned through tax reductions.

The review covered all aspects of the carbon tax, including revenue neutrality, and considered the impact on the competitiveness of B.C. businesses such as those in the agriculture sector, and in particular, B.C.'s food producers.

The carbon tax applies to the purchase or use of fuels within the province. The amount of GHGs emitted when a unit of fuel is burned depends fundamentally on the chemical make-up of the fuel, particularly on the amount of carbon in the fuel. That fact allows for a relatively simple administrative process for applying the carbon tax.

Administratively, the carbon tax is applied and collected in essentially the same way that motor fuel taxes are currently applied and collected, except natural gas which is collected at the retail level. This minimizes the cost of administration to government and the compliance cost to those collecting the tax on government's behalf.

The tax rates on July 1, 2012 are based on $30 per tonne of CO_2 equivalent emissions, increasing by $5 per tonne from $25 per tonne imposed since July 2011.

Since different fuels generate different amounts of GHG when burned, $30 per tonne of CO_2 equivalent must be translated into tax rates for each specific type of fuel. For example, effective July 1, 2012 the rate for gasoline will be 6.67 cents per litre. The tax rate for diesel will be slightly higher at 7.67 cents per litre due to the higher carbon content of the fuel, while the tax on propane will be lower on a per litre basis.

According to the IPCC 4th Assessment - Synthesis Report, “an effective carbon-price signal could realize significant mitigation potential in all sectors.” A preliminary estimate by an independent consulting company (MK Jaccard and Associates) suggests that in absence of all other GHG reduction strategies, the carbon tax alone could cause a reduction in B.C.’s emissions in 2020 by up to three million tonnes of CO_2 equivalent annually. This is roughly the equivalent to the greenhouse gas emissions created by 787,000 cars per year.

Quebec Cap and Trade

Quebec implemented its cap and trade system in 2013 for companies that emit 25,000 tonnes of carbon dioxide equivalent or more annually and fossil fuel distributors. It set a minimum auction price of $10.75 for the first year, which increases five per cent plus inflation each year until 2020. It linked up its carbon market with California's in November 2014. The Government estimates the cap and trade system will raise $2.8 billion by 2020, which will go into Quebec's Green Fund to finance projects outlined in its Climate Change Action Plan.

Quebec is one of the few provinces to have reduced its emissions from 1990 levels, largely because 97% of the electricity it generates comes from renewable sources. While hydro power is its biggest strength, it has also invested heavily in wind power and aims to generate about 10% of its power through wind by this year.

Ontario Cap and Trade 2016

From *www.Ontario.ca/climatechange*

The Ontario Feed in Tariff Program (FIT Program) which provided 20 year incentives to renewable energy producers will be phased out in 2016 with the version 5 of the FIT Program.

Following the FIT Program, Ontario plans to introduce a cap and trade program which will focus on facilities that emit more than 25,000 tonnes of carbon dioxide equivalent. Pricing has yet to be determined for carbon but it is anticipated that Ontario will follow a system similar to Quebec.

Ontario closed its last coal-fired generating plant in 2014, completing its phase-out of coal, which was providing 25% of the province's energy as recently as 12 years ago.

Manitoba

Manitoba signed a Memorandum of Understanding to join Quebec and Ontario in the implementation of a cap and trade initiative which will be linked with the California cap and trade program.

Alberta

(From *www.alberta.ca/climatechange*)

Alberta is set to introduce a more aggressive carbon tax starting in 2017 and a cap on emissions from the oil sands. Alberta’s plan features a phase-out of coal-fired power in the next 15 years, a 10-year goal to nearly halve methane emissions, as well as incentives for renewable energy.

The new carbon tax is expected to raise $3-billion annually by 2018, but the government will not be cutting any provincial taxes. Some of the new revenue will be spent on technology to fight climate change and the NDP has committed to helping the lower-earning 60% of households cope with some of the increased transportation and heating costs through an “adjustment fund.”

New measures include:

- A 100-megatonne cap on carbon emissions from the oil sands, Canada's fastest-growing source of emissions, once new rules are adopted. It currently emits 70 megatonnes annually.

- An economy-wide tax of $20 per tonne on CO_2 emissions starting in 2017, rising to $30 in 2018. Equal to seven cents per litre of gasoline, the average household will see heating and transportation costs increase by $470 annually by 2018.

- Incentives to have nearly one-third of power generated from renewables such as wind and solar by 2030.

Benefits to the Energy Efficiency Industry

From the newclimateeoncomyreport.com

The energy efficiency industry will benefit directly from the Paris Agreement. Greater energy efficiency can benefit countries at all stages of development, but particularly fast-growing economies trying to achieve universal energy access with limited resources. In developed countries, while 2010 energy use was around 20% higher than in 1974, it would have almost doubled without the savings made by energy efficiency investments. By offering cost-effective opportunities to avoid new energy supply, energy efficiency is increasingly recognised as the "first fuel".

Globally, enhanced energy efficiency investments could boost cumulative economic output by US$18 trillion to 2035, increasing growth by 0.25–1.1% per year. Cooperation to raise energy efficiency standards for appliances, lighting, vehicles, buildings and industrial equipment can unlock energy and cost savings, expand global markets, reduce non-tariff barriers to trade, and reduce air pollution and GHG emissions.

Maximising output per unit of energy increases GDP and can provide other macroeconomic benefits, including job growth, a better trade balance, lower energy prices and greater security of supply. The uptake of economically viable energy efficiency investments would boost cumulative economic output to 2035 by US$18 trillion. This has been assessed in macroeconomic models to increase growth by 0.25–1.1% per year, with associated increase in employment. Energy efficiency increases output because it frees up resources for other, more productive investments. Energy efficiency measures are typically more labour-intensive than equivalent investment in fossil fuel supply, and create up to three times the number of jobs per million dollars of investment.

A more energy-efficient economy is also less susceptible to price and supply shocks, and can help drive down energy prices. Energy markets have changed markedly in the last 25 years, becoming globalised and highly volatile, with large, frequent and unpredictable price fluctuations. While the large fall in oil prices in early 2015 offered welcome relief to consumers, medium-to long-term price uncertainties remain, and price volatility can have negative economic impacts. A more energy-efficient economy can help lower and stabilise prices. Energy efficiency also reduces energy supply investment needs. Meeting projected energy demand growth on the supply side alone would require spending US$45 trillion by 2030 in new infrastructure. Yet energy efficiency can greatly narrow the gap between supply and demand.

Net Metering of Solar Energy

In addition to acquiring Operating Businesses in the energy efficiency sector Kontrol has created a solar energy Net Metering solution for the Canadian marketplace which does not require any form of Government subsidy. Kontrol intends that its Net Metering solution will be available via its subsidiary, Nuvo, in Ontario, Alberta and Saskatchewan where established Net Metering laws already exist. Net Metering is an energy service for consumers whereby electric energy generated by that consumer from a solar energy installation may be used to offset electric energy provided by the electric utility to the same consumer during the applicable billing period.

Under Kontrol's Net Metering solution a consumer of electricity will purchase a solar energy installation from Nuvo and will use that installation to generate electricity which will offset against their overall electricity bill. Nuvo will supply the installation under commercial terms with each client.

Unlike a Feed-in Tariff program, no government subsidy is required and there is direct relationship between Kontrol, via Nuvo, and the consumer of electricity. The local wire service provider, also called the local distribution company ("LDC"), looks after connecting Net Metered solar installation into the electricity grid after the installation is built.

Ontario allows net metering for up to 500 kilowatts, however credits can only be carried for 12 consecutive months. Should a consumer establish a credit where they generate more than they consume for 8 months and use up the credits in the 10th month, then the 12-month period begins again from the date that the next credit is shown on an invoice. Any unused credits remaining at the end of 12 consecutive months of a consumer being in a credit situation are cleared at the end of that billing.

In Alberta solar energy can be installed under the Government of Alberta's Micro-Generation program. Established in January 2009, this regulation put forth a set of rules that allows Albertans to generate their own environmentally friendly electricity (solar panels, small-scale hydro, wind, biomass, micro-cogeneration, geothermal, and fuel cells). Micro-generators receive credit for any power they send into the electricity grid.

The customer's LDC must manage the administration and billing of the excess energy sent into the grid. This saves the micro-generator customer direct and indirect administration costs. Credit is received for electricity supplied to the grid, which allows customers to obtain value for every kilowatt-hour (kWh) they generate and don't use.

In all cases the micro-generator must prove that greenhouse gas (GHG) emissions from the system are 418 kilograms per megawatt hour (kg/MWh) or less of electricity and/or useful heat generated. This ensures that all micro-generators will have lower GHGs than a typical combined cycle natural gas power plant.

In Saskatchewan solar energy installations of up to 100 kilowatts can be built under a net meter program. Electricity sent to the grid is banked and applied to a consumer's current month's electricity consumption. Any excess electricity is carried over to the following month and applied against that month's consumption. A credit appears on the monthly bill showing the net amount of electricity that has been banked. Excess power should be used within the year; if not, at the end of 12 months on the net metering anniversary date, any credits for excess electricity sent to the grid will reset to zero. The Small Power Producers Program in Saskatchewan accommodates individual customers who wish to generate up to 100 kilowatts (kW) of electricity for the purpose of offsetting power that would otherwise be purchased from SaskPower or for selling all of the power generated to SaskPower.

With rising electricity costs, Net Metering is becoming more of an attractive option for electricity consumers. The more the price of electricity rises, the greater is the benefit of owning a Net Metering system. As the price of electricity rises an electricity consumer with a Net Metering solar installation can be hedged against rising prices. With Net Metering, a consumer has the added convenience of also being connected to the electricity grid for any excess energy requirements.

2.3 DEVELOPMENT OF BUSINESS

Over the Corporation's three most recently completed fiscal years, it was engaged in the business of mineral exploration and development.

On March 12, 2015, the Corporation announced its intention to acquire all of the outstanding common shares of Bio Therapeutic Molecules Inc., a private Ontario company involved in identifying and developing plant-derived therapeutics in the natural health and pharmaceutical industry for the treatment of chronic ailments and unmet medical needs. The parties announced on October 13, 2015 that they had mutually agreed not to proceed with the proposed transaction.

On October 16, 2015, the Corporation announced it had signed a letter of intent with Nuvo in which the Corporation would acquire all of the outstanding securities of Nuvo in an all-share transaction to be completed by way of a share exchange agreement (the "**Acquisition**"). On March 29, 2016, the Corporation entered into a formal share exchange agreement with Nuvo and its shareholders pursuant to which the Corporation agreed to acquire all of the issued and outstanding shares of Nuvo from its shareholders.

On July 8, 2016, the Acquisition was completed, at which time (i) the outstanding common shares of the Corporation were consolidated and the Corporation changed its name to "Kontrol Energy Corp."; (ii) the Corporation acquired all of the outstanding shares of Nuvo in exchange for 13,250,000 post-consolidated shares of the Corporation; and (iii) Zachery Dingsdale and Derrick Strickland resigned as directors, Steve Smith resigned as CEO, and each of Paul Ghezzi, Claudio Del Vasto and Andrew Bowerbank were appointed as directors; with Paul Ghezzi being appointed as CEO, Claudio Del Vasto as CFO, and Kristian Lavereau as COO. On August 9, 2016 the Corporation's Common Shares were listed on the CSE under the trading symbol "KNR".

Since closing of the Acquisition, the Corporation terminated or wrote-off all of its mineral property interests, and no longer carries on any business in the mineral exploration industry.

The transaction resulted in a reverse take-over of Kontrol (in accordance with accounting practices and CSE policies) which received both shareholders' and regulatory approval.

Financial statements of Nuvo for the period from its incorporation on August 28, 2015 to December 31, 2015 are attached as Appendix D hereto.

Pro-forma financial statements of Kontrol and Nuvo, as of December 31, 2015 are attached as Appendix E hereto.

Kontrol is proceeding with this Offering to raise funds to invest in and/or acquire additional Operating Businesses based in North America.

2.4 LONG TERM OBJECTIVES

Kontrol's long term objective is to be a leader in the mid-cap energy efficiency sector through investment in, acquisition of, and consolidation of Operating Businesses. In order to achieve its objective, Kontrol must successfully raise capital. The following are the significant events that must occur in order for Kontrol to meet its long term objective:

	Significant Event	Time Period(1)	Cost
1.	Raise capital for investments and/or acquisitions	4-6 Months	$600,000(2)
2.	Invest in and/or acquire Operating Businesses based in North America	3-4 years	$4,400,000
3.	Obtaining final Power Purchase Agreement and construction approvals for the Ashanti Solar PV Energy Project.	3 months	$0

Note:

(1) All time periods are estimates and are subject to market conditions, approvals and other risks. See page 2 - "Note Regarding Forward-Looking Statements" and Item 8 - "*Risk Factors*".

(2) Amount will be reduced in the event the Maximum Offering is not completely subscribed for. If only the Minimum Offering is reached, Kontrol's intention is to continue to acquire Operating Business through funds raised from a combination of future equity issuances, cash flows, and or other debt or equity financing.

2.5 SHORT TERM OBJECTIVES AND HOW WE INTEND TO ACHIEVE THEM

The principal short-term objective of Kontrol over the next twelve (12) months is to complete the Offering and use the Net Proceeds to acquire Operating Businesses.

The following table discloses how Kontrol intends to meet its objective over the next twelve (12) months:

What We Must Do and How We Will Do It	Target Completion Date	Cost To Complete[(1)]
Engage one or more securities dealers to raise up to a minimum of $200,000 and a maximum of $5,000,000 and following Closing of the Offering	December 31, 2016	$600,000

Note:

(1) Amount will be reduced in the event the Maximum Offering is not completely subscribed for. If only the Minimum Offering is reached, Kontrol's intention is to continue to acquire Operating Business through funds raised from a combination of future equity issuances, cash flows, and or other debt or equity financing. See Item 1.2 - "*Use of Available Funds*".

2.6 INSUFFICIENT FUNDS

The proceeds of the Offering may not be sufficient to accomplish all of Kontrol's proposed objectives and there is no assurance that alternative financing will be available. See Item 8 - – "*Risk Factors – Financing Risks*".

2.7 MATERIAL AGREEMENTS

The following is a description of each material agreement with respect to the entities in the structure (See Item 2.1 - "*Structure*") and a summary of those material agreements. The summary does not purport to be complete and is subject to the full text of the applicable agreement:

(a) Assignment and Assumption Agreement

On October 5, 2015, Nuvo entered into an Assignment and Assumption Agreement (the "**Assignment Agreement**") with Ghezzi Consulting Inc., whereby Ghezzi Consulting Inc. assigned its obligations and its 4% interest in the Ghana Solar Project under a consulting agreement with EnergyOne (GH) Ltd. to Nuvo. It is anticipated that construction of the Ashanti Solar PV project will commence in the fourth quarter of 2016. The Corporation is not required to contribute any further funds for the project.

(b) Share Exchange Agreement between the Corporation and Shareholders of Nuvo

On March 29, 2015 the Corporation entered into a share exchange agreement with the shareholders of Nuvo providing for the Corporation's acquisition of all of the issued and outstanding shares of Nuvo from its shareholders in an all-share transaction. Closing of the Acquisition was subject to a number of conditions precedent, including:

- All required regulatory approvals, including the CSE;

- Nuvo closing its acquisition of Kontrol Technologies Inc.;
- The Corporation meeting all minimum listing requirements of the CSE;
- Satisfactory completion of a mutual due diligence investigation;
- The resignation of Zachery Dingsdale and Derrick Strickland, current directors and officers of the Corporation, and the appointment of three new officers and directors of the Corporation including Messrs. Paul Ghezzi, Claudio Del Vasto and Andrew Bowerbank;
- Consolidation of the Corporation's issued and outstanding Common Shares on the basis of one post-consolidated Common Share for every six pre-consolidated Common Shares held; and
- Change of the Corporation's name from "Arrowhead Gold Corp." to "Kontrol Energy Corp."

The Acquisition closed effective July 8, 2016.

(c) Share Exchange Agreement between Nuvo and Kontrol Technologies Inc.

On June 4, 2016, Nuvo entered into a share exchange agreement with Kontrol Technologies Inc. whereby Nuvo acquired all of the issued and outstanding shares of Kontrol Technologies Inc. from the shareholders thereof in exchange for common shares of Nuvo and a commitment to issue up to an additional 600,000 shares and up to $300,000 in cash payments upon certain performance milestones being achieved (the "**Performance Consideration**"). The closing of the acquisition of Kontrol Technologies was a condition precedent to the Acquisition of Nuvo by the Corporation, and in connection therewith the Corporation assumed the obligation to pay the Performance Consideration. As a consequence:

- the President of Kontrol Technologies Inc., Mr. Kristian Lavereau, became the COO of the Corporation;
- the former shareholders of Kontrol Technologies Inc. acquired 1,000,000 Corporation Common Shares;
- the former shareholders of Kontrol Technologies Inc. are entitled to receive the Performance Consideration consisting of an additional 600,000 Corporation Common Shares and up to $300,000 in cash payments upon the achievement of the following performance milestones within the 12 months following closing of Nuvo's purchase of Kontrol Technologies Inc.:
    - On the Corporation achieving $150,000 in aggregate revenue: 200,000 Corporation Common Shares and $100,000;
    - On the Corporation achieving $500,000 in aggregate revenue:an additional 200,000 Corporation Common Shares (on a post-consolidation basis) and $100,000;
    - On the Corporation achieving $11 Million in aggregate revenue: an additional 200,000 Corporation Common Shares (on a post-consolidation basis) and $100,000.

(d) Escrow Agreement

On July 12, 2016 the Corporation, the Transfer Agent and certain insiders of the Corporation entered into an escrow agreement pertaining to 13,250,000 Common Shares issued in connection with the Corporation's acquisition of Nuvo. 10% (1,325,000 Common Shares) were released upon closing of the Acquisition, and the balance (11,925,000 Shares) will be released as to 15% (1,987,500 Common Shares) every six months thereafter over 36 months. The following persons hold Common Shares in escrow:

Shareholder	Number of Securities	Percentage[1]
Paul Ghezzi	5,750,000	34.35%
The Ghezzi Family Trust	5,750,000	34.35%
Ed Blasiak	750,000	4.48%
Kristian Lavereau[2]	500,000	2.99%
Patrizia Lavereau[2]	500,000	2.99%
Total	**13,250,000**	**79.15%**

(1) Based on there being 16,740,082 Shares outstanding upon closing of the Acquisition.

(2) Former shareholder of Kontrol Technologies.

(e) Debenture Indenture

The Debentures will be issued under a trust indenture to be entered into between the Corporation and Computershare Trust Company of Canada. For information concerning the terms of the Debentures see "*Item 5.1 - Terms of Debenture*".

(f) Agency Agreement

The Corporation may enter into an agreement or agreements (each such agreement, an "**Agency Agreement**") with one or more securities dealers that will be engaged to raise capital. In consideration of each securities dealer's services to be rendered in connection with the Offering, the Corporation may pay to each securities dealer in the aggregate, a cash fee in an amount not exceeding 9% of the aggregate Gross Proceeds of the sale of Units attributable to such securities dealer. The Agency Agreements may provide that such securities dealers shall be entitled in connection with the Offering and sale of the Units to pay referral fees or to retain as sub-agents other registered securities or investment dealers.

ITEM 3 - DIRECTORS, MANAGEMENT, PROMOTERS AND PRINCIPAL HOLDERS

3.1 COMPENSATION AND SECURITIES HELD

The following table sets out information about each director, officer and promoter of Kontrol and each person who, directly or indirectly, beneficially owns or controls 10% or more of any class of voting securities of the Corporation (a "**Principal Holder**"). If a Principal Holder is not an individual, then the following table includes the name of any persons that, directly or indirectly, beneficially owns or controls more than 50% of the voting rights of such Principal Holder.

Name and municipality of principal residence	Positions held (e.g., director, officer, promoter and/or principal holder) and the date of obtaining that position	Compensation paid by the Corporation or a related party in the most recently completed financial year and the compensation anticipated to be paid in the current financial year	Number, type and percentage of common shares of the Corporation held after completion of min. offering	Number, type and percentage of common shares of the Corporation held after completion of max. offering
Paul Ghezzi King City, Ontario	Director and Chief Executive Officer since July 8, 2016	$135,000 anticipated in 2016	11,514,500 Common Shares/ 62.78%(1)	11,514,500 Common Shares/ 61.12%
Kristian Lavereau Woodbridge, Ontario	Director and Chief Operating Officer since July 8, 2016	$135,000 anticipated in 2016	500,000/2.72%	500,000/2.65%
Claudio Del Vasto Vaughan, Ontario	Director and Chief Financial Officer since July 8, 2016	$135,000 anticipated in 2016	229,160/1.25%	229,160/1.21%
Andrew Bowerbank Richmond Hill, Ontario	Director since July 8, 2016	$16,000 anticipated in 2016	nil	nil
Steve Smith Richmond, British Columbia	Director since January 15, 2007	$16,000 anticipated in 2016	792,316/4.32%	792,316/4.20%

Note:

(1) Paul Ghezzi holds 49.94% of these Common Shares of Kontrol through the Ghezzi Family Trust, of which he is a trustee and beneficiary.

3.2 MANAGEMENT EXPERIENCE

Set forth below is a description of the principal occupation and business experience of the directors and officers of the Corporation.

Name	Principal Occupation and Related Experience
Paul Ghezzi, CPA, CA Director, Chief Executive Officer	Mr. Ghezzi's principal occupation is to serve as the Chief Executive Officer and a Director of the Corporation. He has been a leader in the renewable energy sector since 2008. He created Canada's first Solar Energy Income Fund by securitizing cash flows from long term Power Purchase Agreements. Mr. Ghezzi has more than 20 years of corporate finance and M&A experience with a special focus on renewable energy development, renewable energy financing, solar project financing and distributed generation. He has global experience in power generation projects under Feed in Tariff programs and Power Purchase Agreement programs for both commercial and utility-scale projects. Mr. Ghezzi has developed more than 100 Megawatts of renewable energy projects globally. Mr. Ghezzi has been a Chartered Accountant (CPA) in good standing since 1993.
Kristian Lavereau Chief Operating Officer	Mr. Lavereau's principal occupation is to serve as Chief Operating Officer of the Corporation. Mr. Lavereau is the former President of 2320842 Ontario Inc., carrying on business as Kontrol Technologies, a position in which he served from 2005 to 2015. He has more than 25 years of experience in the IT solutions (analytics and mobile computing), energy optimization and efficiency (intelligent control systems, solar PV, lighting). Mr. Lavereau has built solutions for such clients such as Greenwin, Minto, Oxford and the Toronto Catholic School Board. He has extensive experience with disruptive technology in the energy efficiency industry, especially where tenants and stakeholders are engaged in the process. Mr. Lavereau's manages the day to day operations of the Corporation, oversees the operating subsidiaries and manages institutional client portfolios.

Name	Principal Occupation and Related Experience
Claudio Del Vasto, CPA, CA Director, Chief Financial Officer	Mr. Del Vasto is a senior finance executive with an extensive background in Corporate Finance, Strategy and Business Development. He served in various Corporate Finance roles at Bombardier Inc. from 1994 to 2014, and most recently, as the Chief Financial Officer of Nuvo from November 1, 2015 to the present. During his career in structured finance at Bombardier, Mr. Del Vasto provided customers around the globe with innovative financial solutions and arranged multibillion dollar complex deal closings that involved equity, debt and capital markets funding. Prior to his career in industry, he was a public accountant managing accounting, tax and assurance services. Mr. Del Vasto leads all of Kontrol's financial management, reporting, treasury and financing functions. He also provides expertise in acquisitions and is involved in the analysis and evaluation of all corporate investments.
Andrew Bowerbank Director	Mr. Bowerbank's principal occupation is to serve as Director of Sustainable Building Services at EllisDon Corporation. Mr. Bowerbank is the former Executive Director/CEO of the World Green Building Council (2007-10) representing over 60 member nations. During his tenure with the World Green Building Council, he acted as the member representative at the United Nations Environmental Programme. In addition to his current work as Director, Sustainable Building Services at EllisDon, Mr. Bowerbank is a Council member at the Federation of Canadian Municipalities in Ottawa, a Board member at CDML, and a member of the BRE Global Standing Panel of Experts (UK).
Steve Smith Director	Mr. Smith's principal occupation is to serve as President of Tangent Management Corp. He has served as a director of Taku Gold Corp. since 2005. He has over 23 years of experience in corporate management, corporate finance, public relations and administration. Mr. Smith is the former President and CEO of the Corporation, a position in which he served from 2007 to July 2016. Since March 2001, Mr. Smith has also served as a Partner of Tangent Management Corp, a consulting firm assisting public and private companies with corporate operations, capital development, corporate communications and regulatory compliance activities.

3.3 PENALTIES, SANCTIONS AND BANKRUPTCY

There are no penalties or sanctions that have been in effect during the last ten (10) years or any cease trade order that has been in effect for a period of more than 30 consecutive days during the past 10 years against any director, officer or control person of the Corporation or against a company or issuer of which any of the foregoing was an director, executive officer or control person. No declaration of bankruptcy, voluntary assignment in bankruptcy, proposal under any bankruptcy or insolvency legislation, proceedings, arrangement or compromise with creditors or appointment of a receiver, receiver manager or trustee to hold assets, has been in effect during the last ten (10) years with regard to those individuals or any companies of which any of those individuals was a director, executive officer or control person at that time.

3.4 LOANS

Paul Ghezzi loaned $14,284 to Nuvo prior to its being acquired by the Corporation. As at March 30, 2016, the full amount loaned remained outstanding. The amounts payable are unsecured, non-interest bearing and are due on demand.

ITEM 4 - CAPITAL STRUCTURE

4.1 CAPITAL STRUCTURE OF KONTROL

Description of Security	Number Authorized to be Issued	Price per Security	Number of Securities outstanding as at the date of this Offering Memorandum	Number of Securities outstanding after Minimum Offering	Number of Securities outstanding after Maximum Offering
Common shares	Unlimited	N/A	18,340,082	18,360,082	18,840,082
Options to acquire common shares	N/A	N/A	Nil	Nil	Nil
Warrants to acquire common shares	N/A	$1.20(1) $0.30(2)	211,333 800,000	211,333 800,000	211,333 800,000

Notes:

(1) Exercisable at $1.20 per Share until December 3, 2016.

(2) Exercisable at $0.30 per Share until September 6, 2017, subject to accelerated expiry should the common shares trade on the CSE at $0.50 or higher for ten (10) consecutive trading days.

4.2 LONG TERM DEBT

As of the date hereof, neither the Corporation nor its subsidiaries have any long term debt. However, pursuant to the Offering, the Corporation may incur up to $5,000,000 in long term debt.

Description of Long Term Debt	Interest Rate	Repayment Terms	Amount Outstanding as at July 26, 2016	Amount Outstanding after giving effect to the Minimum Offering	Amount Outstanding after giving effect to the Maximum Offering
Unsecured Debentures	8%	Due October 31, 2019	$0	$200,000	$5,000,000

Loans from Shareholder	3%	On demand. Not repayable prior to January 1, 2018	$75,000	N/A	N/A

4.3 PRIOR SALES

During the 12 months prior to the date of this Offering Memorandum, the following securities of Kontrol were issued:

Date of Issuance	Number and type of security issued	Deemed Value	Purpose
July 8, 2016	13,250,000 Shares	$0.04	Acquisition of Nuvo
September 6, 2016	1,600,000 Units of one Share and one-half Share purchase warrant	$0.20	Working capital

ITEM 5 - SECURITIES OFFERED

5.1 TERMS OF SECURITIES

The Units will separate upon issuance into the underlying Securities, being for each Unit a $1,000 principal amount Debenture and 100 Common Shares.

Terms of Debentures

General

THE FOLLOWING DESCRIPTION OF DEBENTURES IS QUALIFIED IN ITS ENTIRETY BY THE DETAILED PROVISIONS OF THE DEBENTURE INDENTURE WHICH IS AVAILABLE TO SUBSCRIBERS UPON REQUEST. THE INDENTURE WILL BE AVAILABLE FOR INSPECTION AT THE OFFICES OF THE DEBENTURE TRUSTEE AND WILL BE FILED ON SEDAR.

Debentures

The Debentures will be issued under a trust indenture (the "**Indenture**") to be entered into between Kontrol and Computershare Trust Company of Canada (the "**Debenture Trustee**"). The maximum aggregate principal amount of the Debentures is $5,000,000. The Corporation may, however, from time to time, without the consent of the holders of the outstanding debentures of the Corporation, issue debentures in addition to the Debentures offered hereby.

The Debentures will be dated as at the Closing Date and will be issuable only in denominations of $1,000 and integral multiples thereof. The Debentures will mature on the Maturity Date. No fractional Debentures will be issued.

The Debentures shall bear interest from their date of issue at the rate of 8% per annum calculated quarterly on the basis of a 365 day year or 366 day year, as applicable and payable in equal instalments quarterly in arrears on March 31, June 30, September 30 and December 31(each, an "**Interest Payment Date**") in each year, with interest payable after as well as before maturity and after as well as before default, with interest on amounts after maturity or in default at the same rate. Notwithstanding the foregoing, the first such payment will fall due on December 31, 2016 and will represent interest payable from and including the date of issue of the applicable Debenture up to, but excluding, December 31, 2016, and the last such payment will fall due on the Maturity Date and will represent interest payable from and including September 30, 2019, to but excluding, the Maturity Date. Any payment required to be made on any day that is not a business day (as defined in the Indenture) will be made on the next succeeding business day. The record dates for the payment of interest on the Debentures will be the fifth business day prior to the applicable Interest Payment Date.

The principal amount of the Debentures will be payable to holders of Debentures in lawful money of Canada as further described under *"Purchase"* and *"Payment upon Maturity"*. The interest on the Debentures will be payable to the holders of Debentures in lawful money of Canada.

The Debentures will be direct obligations of Kontrol and will not be secured by any mortgage, pledge, hypothec or other charge and will be subordinated to other liabilities of Kontrol as described under *"Subordination"*. The Indenture will not restrict Kontrol from incurring additional indebtedness for borrowed money or from mortgaging, pledging or charging its properties to secure any indebtedness.

Purchase

Provided that Kontrol is not in default under the Indenture and subject to regulatory requirements, Kontrol will have the right to purchase Debentures in the market, by tender or by private contract.

Payment upon Maturity

On the Maturity Date, Kontrol will repay the indebtedness represented by the Debentures by paying such amount directly to the holders thereof or by by paying to the Debenture Trustee in lawful money of Canada an amount equal to the aggregate principal amount of the outstanding Debentures which have matured together with accrued and unpaid interest thereon. Any accrued and unpaid interest thereon will be paid in cash.

Cancellation

All Debentures purchased will be cancelled and may not be reissued or resold.

Subordination

The payment of the principal of, and interest on, the Debentures will be subordinated in right of payment, as set forth in the Indenture, to the prior payment in full of all Senior Indebtedness. Subject to statutory or preferred exceptions or as may be specified by the terms of any particular securities, each Debenture issued under the Indenture will rank *pari passu* with each other Debenture except for sinking provisions (if any) applicable to different series of debentures.

The Indenture will provide that in the event of any insolvency or bankruptcy proceedings, or any receivership, liquidation, reorganization or other similar proceedings relative to Kontrol, or to its property or assets, or in the event of any proceedings for voluntary liquidation, dissolution or other winding-up of Kontrol, whether or not involving insolvency or bankruptcy, or any marshalling of the assets and liabilities of Kontrol, then those holders of Senior Indebtedness will receive payment in full before the holders of Debentures will be entitled to receive any payment or distribution of any kind or character, whether in cash, property or securities, which may be payable or deliverable in any such event in respect of any of the Debentures or any unpaid interest accrued thereon. The Indenture will also provide that Kontrol will not make any payment, and the holders of the Debentures will not be entitled to demand, institute proceedings for the collection of, or receive any payment or benefit (including without any limitation by set-off, combination of accounts or realization of security or otherwise in any manner whatsoever) on account of indebtedness represented by the Debentures (a) in a manner inconsistent with the terms (as they exist on the date of issue) of the Debentures, (b) at any time when a default, an Event of Default or an acceleration has occurred under any credit facility of Kontrol, as amended, restated or replaced from time to time, or (c) at any time when a default with respect to any Senior Indebtedness permitting the holders thereof to accelerate the maturity thereof has occurred under the Senior Indebtedness and is continuing and the notice of the Event of Default has been given by or on behalf of the holders of Senior Indebtedness to Kontrol, unless the Senior Indebtedness has been repaid in full.

The Debentures will also be effectively subordinate to claims of creditors of Kontrol's subsidiaries except to the extent Kontrol is a creditor of such subsidiaries ranking at least *pari passu* with such other creditors. Specifically, the Debentures will be subordinated and postponed in right of payment to the prior payment in full of all indebtedness under any credit facility of Kontrol or a subsidiary of Kontrol.

Events of Default

The Indenture will provide that an event of default ("**Event of Default**") in respect of the Debentures will occur if any one or more of the following described events has occurred and is continuing with respect to the Debentures: (a) failure for 15 days to pay interest on the Debentures when due, (b) failure to pay principal or premium, if any, on the Debentures when due whether at maturity, by declaration or otherwise, (c) default in the observance or performance of any covenant or condition of the Indenture by the Corporation, and the failure to cure (or obtain waiver) such default for a period of 60 days after notice of same, (d) if a decree or order of a court having jurisdiction is entered adjudging Kontrol a bankrupt or insolvent under the *Bankruptcy and Insolvency Act* (Canada) or any other bankruptcy, insolvency or analogous laws, or issuing sequestration or process of execution against, or against any substantial part of, the property of Kontrol, or appointing a receiver of, or of any substantial part of, the property of Kontrol or ordering the winding-up or liquidation of its affairs, and any such decree or order continues unstayed and in effect for a period of 60 days, (e) if Kontrol institutes proceedings to be adjudicated bankrupt or insolvent, or consents to the institution of bankruptcy or insolvency proceedings against it under the *Bankruptcy and Insolvency Act* (Canada) or any other bankruptcy, insolvency or analogous laws, or consents to the filing of any such petition or to the appointment of a receiver of, or of any substantial part of, the property of Kontrol or makes a general assignment for the benefit of its creditors, or admits in writing its inability to pay its debts generally as they become due, (f) if a resolution is passed for the winding-up or liquidation of Kontrol, except in the course of carrying out or pursuant to a transaction in respect of which certain conditions are duly observed and performed. If an Event of Default has occurred and is continuing, the Debenture Trustee may, in its discretion, and will, upon request of holders of not less than 25% in principal amount of the Debentures issued under the Indenture, declare the principal of and interest on all outstanding Debentures issued under the Indenture to be immediately due and payable. In certain cases, the holders of a majority of the principal amount of the Debentures issued under the Indenture then outstanding may, on behalf of the holders of all the Debentures issued under the Indenture, waive any Event of Default and/or cancel any such declaration upon such terms as such holders prescribe.

Modification

The rights of the holders of the Debentures as well as any other series of Debentures that may be issued under the Indenture may be modified in accordance with the terms of the Indenture. For that purpose, among others, the Indenture will contain certain provisions which will make binding on all holders of Debentures resolutions passed at meetings of the holders of Debentures by votes cast thereat by holders of not less than 66⅔% of the principal amount of the Debentures present at the meeting or represented by proxy, or rendered by instruments in writing signed by the holders of not less than 66⅔% of the principal amount of the Debentures. In certain cases, the modification will, instead or in addition, require assent by the holders of the required percentage of Debentures of each particularly affected series.

Governing Law

Each of the Indenture and the Debentures will be governed by, and construed in accordance with, the Laws of the Province of Ontario and the federal Laws of Canada applicable therein applicable to contracts executed and to be performed entirely in such Province.

Terms of Common Shares

General

The Corporation is authorized to issue an unlimited number of Common Shares without par value. As of October 4, 2016, 18,340,082 Common Shares were issued and outstanding.

Each holder of a Common Share is entitled to: (i) one vote at all meetings of shareholders; (ii) a pro rata share of any dividends or other distributions declared payable by the board of directors; and (iii) a pro rata share of any distribution of the Corporation's assets on any winding up or dissolution of the Corporation. There are no pre-emptive rights; conversion or exchange rights; redemption, retraction, purchase for cancellation or surrender provisions; sinking or purchase fund provisions; provisions permitting or restricting the issuance of additional securities; or any other material restrictions provisions requiring a security holder to contribute additional capital, which are applicable to the Corporation's Common Shares.

5.2 SUBSCRIPTION PROCEDURE

A Subscriber may subscribe for Units by delivering the following to:

Kontrol Energy Corp. c/o Paul Ghezzi
5045 Orbitor Dr.
Building 9, Suite 401
Mississauga, ON
L4W 4Y5.

Subject to the exercise of discretion by the Corporation, the minimum individual subscription is $5,000 representing 5 Units.

If the Subscriber purchases the Units through Cash:

(a) A completed Subscription Agreement in the form provided by the Corporation including all Exhibits applicable to the prospectus exemption that is being relied upon; and

(b) A certified cheque, bank draft wire transfer or direct deposit payable to "Kontrol Energy Corp." for the aggregate Subscription Price, or payment in such other manner and/or form as may be accepted by the Corporation in its sole discretion.

If the Subscriber purchases the Units through a Registered Plan:

(a) A completed Subscription Agreement in the form provided by the Corporation including all Exhibits applicable to the prospectus exemption that is being relied upon; and

(b) Affirmation that the funds representing the Subscription Price are held in such Registered Plan's account.

Subscribers should note that the securities dealers and/or the administrator of their Registered Plan (the "**Registered Plan Administrator**") may require additional documents and forms to be completed. Subscribers should also note that the Registered Plan Administrator may charge additional fees to administer their Registered Plan and these fees are not associated with the Corporation.

All subscription funds will be advanced to the Corporation from each Subscriber's Registered Plan account in exchange for certificate(s) representing the Securities. The Registered Plan Administrator may require that it hold the original Securities certificates in trust for as long as the Registered Plan Administrator retains the Registered Plan of the Subscriber.

The Subscriber's subscription funds will be held and not released until midnight on the second Business Day after the day on which the Subscriber has executed the Subscription Agreement and delivered the subscription funds, after which time such funds shall be held in trust until Closing. The subscription funds may be deposited in a segregated account pending Closing after such funds have been held for two Business Days. This does not constitute an acceptance of the Subscriber's subscription. See Item 11 - "*Purchaser's Rights*".

By executing a Subscription Agreement for Units, each Subscriber will make the representation that the Subscriber meets the conditions of the applicable prospectus exemption in purchasing Units pursuant to this

Offering and is thus entitled under such prospectus exemption to purchase such securities without the benefit of a prospectus qualified under applicable securities laws.

The Corporation reserves the right to accept or reject subscriptions in whole or in part at its discretion and to close on subscriptions at any time without notice. Any subscription funds received for subscriptions that are not accepted will be returned promptly, without interest, to the Subscriber.

At or following a Closing of the Offering, the Corporation will deliver to each Subscriber a copy of the certificate representing the Securities or confirmation the Subscriber and Securities are registered in the direct registration system. Alternatively, where the Subscriber has subscribed through a Registered Plan, the Corporation will deliver to the Registered Plan Administrator original certificates representing the Securities.

Closing is subject to the Corporation's achieving the Minimum Offering on or before October 31, 2016. If the Initial Closing does not occur on or before October 31, 2016, all subscription funds will be returned to the Subscriber without set-off, interest or deductions.

You should carefully review the terms of the Subscription Agreement for more detailed information concerning the rights and obligations of the Subscriber and the Corporation. Execution and delivery of the Subscription Agreement will bind the Subscriber to the terms thereof, whether executed by the Subscriber or by an agent on the Subscriber's behalf. Prospective Subscribers should consult with their professional advisors. See Item 8 - "*Risk Factors*".

ITEM 6 - CANADIAN FEDERAL INCOME TAX CONSIDERATIONS AND REGISTERED PLAN ELIGIBILITY

In the opinion of Dale & Lessman LLP, special tax counsel to the Corporation, the following summary, as of the date hereof, fairly describes the principal Canadian federal income tax considerations pursuant to the Tax Act generally applicable to a holder of Debentures and Common Shares who acquires and holds as beneficial owner Debentures and Common Shares pursuant to this Offering and who, for purposes of the Tax Act and at all relevant times, (i) holds the Debentures and Common Shares as capital property, and (ii) deals at arm's length and is not affiliated with the Corporation or the Exempt Market Dealer(s) (a "**Holder**"). Generally, the Debentures and the Common Shares will be considered to be capital property to a Holder provided that the Holder does not hold the Debentures and the Common Shares in the course of carrying on a business of buying and selling securities and has not acquired them in one or more transactions considered to be an adventure in the nature of trade.

This summary is not applicable to a Holder: (i) that is a "financial institution" (as defined in the Tax Act for purposes of the "mark-to-market rules"); (ii) that is a "specified financial institution" (as defined in the Tax Act); (iii) an interest which is a "tax shelter investment" (as defined in the Tax Act); (iv) who makes or has made a functional currency reporting election pursuant to section 261 of the Tax Act; (v) who has entered into or will enter into a "derivative forward agreement" (as defined in the Tax Act) with respect to the Debentures or Common Shares; (vi) that is a corporation resident in Canada and is, or becomes as part of a series of transactions that includes the acquisition of the Debentures and/or the Common Shares controlled by a non-resident corporation for the purposes of the "foreign affiliate dumping rules" contained in section 212.3 of the Tax Act; or (vii) who receives dividends on the Common Shares as part of a "dividend rental arranbgement" (as defined in the Tax Act). Any such Holder should consult its own tax advisor with respect to an investment in the Debentures and Common Shares.

This summary is based on the facts set out in this Offering Memorandum, the current provisions of the Tax Act and counsel's understanding of the published administrative policies and assessing practices of the CRA publicly available prior to the date hereof. This summary takes into account all specific proposals to amend the Tax Act that have been publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "**Proposed Amendments**"). This summary assumes that all such Proposed Amendments will be enacted in the form proposed, however, no assurance can be given that the Proposed Amendments will be enacted in the form proposed, or at all. This summary does not take into account any other changes in the law, whether by legislative, governmental or judicial action, nor does it take into account provincial, territorial or foreign tax considerations, which may differ significantly from those discussed herein.

This summary is of a general nature only and is not exhaustive of all Canadian federal income tax considerations. This summary is not intended to be, and should not be construed to be, legal or tax advice to any Holder. Holders should consult their own tax advisors to determine the tax consequences to them of acquiring Debentures and Common Shares pursuant to the Offering, having regard to their particular circumstances, including the application and effect of the income and other tax laws of any country, province, or other jurisdiction that may be applicable to them.

Allocation of Purchase Price

Holders will be required to allocate the cost of a Unit between the Debentures and the 100 Common Shares comprising the Unit on a reasonable basis to determine their respective costs for purposes of the Tax Act. Counsel has been advised that, for its purposes, the Corporation intends to allocate $42 of the cost of a Unit to the 100 Common Shares included in the Unit and $958 of such cost of a Unit to the Debentures included in the Unit (such that the Debentures would be considered to have been effectively issued at a discount, herein the "**Discount**"). The Corporation believes that this allocation is reasonable, but this allocation is not binding on either Holders or on the CRA. See Item 8 - "*Risk Factors – Investment Risks – Tax Matters*".

Holders Resident in Canada

The following discussion applies to a Holder of Debentures who, at all relevant times, for purposes of the Tax Act and any applicable income tax treaty or convention, is or is deemed to be resident in Canada (a "**Resident Holder**"). Certain Resident Holders who might not otherwise be considered to hold their Debentures or Common Shares as capital property may, in certain circumstances, be entitled to have the Debentures and Common Shares and every other "Canadian security" (as defined in the Tax Act), owned by such Resident Holders, treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. Any Resident Holder considering making such election should first consult its own tax advisor.

Interest on Debentures

A Resident Holder of Debentures that is a corporation, partnership, unit trust or any trust of which a corporation or a partnership is a beneficiary will be required to include in computing its income for a taxation year any interest on the Debentures that accrues or that is deemed to accrue to it to the end of the taxation year or that has become receivable or is received by it before the end of that taxation year, except to the extent that such interest was included in computing the Resident Holder's income for a preceding taxation year.

Any other Resident Holder, including an individual (other than a trust described in the preceding paragraph), will be required to include in computing income for a taxation year all interest on the Debentures that is received or receivable by the Resident Holder in that taxation year (depending upon the method regularly followed by the Resident Holder in computing income), except to the extent that the interest was included in the Resident Holder's income for a preceding taxation year. In addition, if at any time a Debenture should become an "investment contract" (as defined in the Tax Act) in relation to a Resident Holder, such Resident Holder will be required to include in computing income for a taxation year any interest that accrues to the Resident Holder on the Debenture up to the end of any "anniversary day" (as defined in the Tax Act) in that year to the extent such interest was not otherwise included in computing the Resident Holder's income for the that year or a preceding taxation year.

To the extent that the principal amount of a Debenture exceeds the amount for which it is issued, the Discount may be required to be included in computing a Resident Holder's income (a) in each taxation year in which all or a portion of such amount is deemed to accrue as interest in accordance with the interest accrual rules contained in the Tax Act or (b) in the taxation year in which the Discount is received or receivable by the Resident Holder.

Resident Holders are urged to consult their own tax advisors as to the Canadian income tax treatment of the Discount.

Disposition of Debentures

On a disposition or deemed disposition of a Debenture (including on a repayment at maturity), a Resident Holder will generally be required to include in computing its income for the taxation year in which the disposition occurs the amount of interest (including any amount considered to accrue as interest) that has accrued on such Debenture to the date of disposition to the extent that such amount has not otherwise been included in computing the Resident Holder’s income for that taxation year in which the disposition occurred or a preceding taxation year.

A disposition or deemed disposition of a Debenture by a Resident Holder, including a payment on maturity or purchase for cancellation, will generally result in the Resident Holder realizing a capital gain (or capital loss) equal to the amount by which the proceeds of disposition, net of any amount otherwise required to be included in the Resident Holder’s income as interest, are greater (or less) than the aggregate of the Resident Holder's adjusted cost base of the Debenture and any reasonable costs of disposition. Such capital gain (or capital loss) will be subject to the tax treatment described below under “Capital Gains and Capital Losses”.

Dividends on Common Shares

Dividends received or deemed to be received on Common Shares by a Resident Holder who is an individual (including certain trusts) will be included in computing the individual’s income for tax purposes and will be subject to the gross-up and dividend tax credit rules normally applicable to dividends received from “taxable Canadian corporations”, as defined in the Tax Act. A dividend will be eligible for the enhanced gross-up and dividend tax credit for “eligible dividends”, as defined in the Tax Act, paid by taxable Canadian corporations, to the extent that such dividend is designated by the Corporation as an eligible dividend in accordance with the provisions of the Tax Act.

A Resident Holder that is a corporation will be required to include dividends received or deemed to be received on the Common Shares in computing the Resident Holder's income for tax purposes and generally will be entitled to deduct the amount of such dividends in computing taxable income. In certain circumstances subsection 55(2) of the Tax Act will treat a taxable dividend received by a Resident Holder that is a corporation as proceeds of disposition or a capital gain. Resident Holders that are corporations should consult their own tax advisors in this regard.

Certain corporations, including “private corporations” and “subject corporations”, as such terms are defined in the Tax Act, may be liable to pay a refundable tax under Part IV of the Tax Act at the rate of 33 ⅓% of the dividends received or deemed to be received on the Common Shares to the extent that such dividends are deductible in computing their taxable income. This refundable tax generally will be refunded to a corporate Resident Holder based on the amount of taxable dividends paid while it is a private or subject corporation. Under Tax Proposals released on December 7, 2015, the rate of refundable tax under Part IV of the Tax Act will be increased to 38 ⅓% for taxation years ending after 2015, subject to transitional rules applicable to taxation years commencing before 2016.

Disposition of the Common Shares

A disposition or deemed disposition of the Common Shares by a Resident Holder (other than certain dispositions to the Corporation) will generally result in a capital gain (or capital loss) equal to the amount by which the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base to the Resident Holder of the shares so disposed of determined immediately before the disposition. Such capital gain (or capital loss) will be subject to the tax treatment described below under “Capital Gains and Capital Losses”.

If a Resident Holder is a corporation, the amount of any capital loss realized upon the disposition of the Common Shares may be reduced by certain dividends received or deemed to have been received by the Resident Holder on such shares, to the extent and under the circumstances prescribed by the Tax Act. Similar rules may also apply in other circumstances, including where a corporation, trust or partnership is a member of a partnership or a beneficiary of a trust that owns such shares.

Capital Gains and Capital Losses

Generally, one-half of any capital gain (a "**Taxable Capital Gain**") realized by a Resident Holder in a taxation year must be included in the Resident Holder's income for the year. One-half of any capital loss (an "**Allowable Capital Loss**") realized by a Resident Holder in a taxation year must be deducted from Taxable Capital Gains realized by the Resident Holder in the year of disposition, in accordance with the detailed rules set out in the Tax Act. Allowable Capital Losses not deducted in the taxation year in which they are realized may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net Taxable Capital Gains realized in such years, to the extent and under the circumstances specified in the Tax Act.

Additional Refundable Tax

A Resident Holder that is a "Canadian-controlled private corporation" (as defined in the Tax Act) may be subject to a 6 ⅔% additional refundable tax on its investment income, including interest and Taxable Capital Gains. Under the Tax Proposals released December 7, 2015, the rate of such additional refundable tax will be increased to 10 ⅔% for taxation years ending after 2015, subject to transitional rules applicable to taxation years commencing before 2016.

Alternative Minimum Tax

Taxable dividends received, and capital gains realized by, a Resident Holder who is an individual (including certain trusts) may give rise to a liability for alternative minimum tax as calculated under the detailed rules set out in the Tax Act.

Holders Not Resident in Canada

The following discussion applies to a Holder of Debentures or Common Shares who, at all relevant times, for the purposes of the Tax Act and any applicable income tax treaty or convention: (i) is neither resident in Canada nor deemed to be resident in Canada, (ii) does not use or hold, is not deemed to use or hold and will not use or hold the Debentures or the Common Shares in the course of carrying on a business in Canada, (iii) is entitled to receive all payments (including interest and principal) in respect of the Holder's Debentures, (iv) deals at arm's length with any transferee that is resident in Canada and to whom the Holder disposes of Debentures; (v) is neither an insurer who carries on an insurance business in Canada and elsewhere or an authorized foreign bank (as defined in the Tax Act); and (vi) is not, and deals at arm's length with each person who is, a "specified shareholder" of the Corporation (as defined in subsection 18(5) of the Tax Act) (a "**Non-Resident Holder**").

Interest on Debentures

A Non-Resident Holder will generally not be subject to Canadian withholding tax in respect of amounts paid or credited or deemed to have been paid or credited by the Corporation as, on account or in lieu of, or in satisfaction of, interest or principal on the Debentures.

Dividends on Common Shares

Dividends paid or credited, or deemed to be paid or credited, on the Common Shares to a Non-Resident Holder will be subject to withholding tax under the Tax Act at a rate of 25% of the gross amount of the dividends unless this rate is reduced by an applicable income tax convention or treaty. For example, under the Canada-United States Tax Convention (1980), as amended, where dividends are paid to or derived by a Non-Resident Holder who is a U.S. resident for the purposes of, and who is entitled to the benefits in accordance with the provisions of, such convention, the applicable rate of Canadian withholding tax rate on dividends is reduced to 15% (or to 5% where the holder that is a company that holds at least 10% of the voting stock of Kontrol).

Disposition of Debentures and Common Shares

A Non-Resident Holder will not be subject to tax under the Tax Act in respect of any capital gain realized on a disposition or deemed disposition of a Debenture.

A Non-Resident Holder will not be subject to tax under the Tax Act in respect of any capital gain realized by such Non-Resident Holder on a disposition or deemed disposition of a Common Share (other than certain dispositions to the Corporation), unless the Common Share is, or is deemed to be, "taxable Canadian property" (as defined in the Tax Act) to the Non-Resident Holder at the time of disposition and the Non-Resident Holder is not entitled to relief under an applicable tax treaty between Canada and the country of residence of the Non-Resident Holder.

Provided the Common Shares are listed on a designated stock exchange (which currently includes the CSE) at the time of disposition, the Common Shares generally will not constitute taxable Canadian property of a Non-Resident Holder, unless, at any time during the 60-month period preceding the disposition: (a) the Non-Resident Holder; (b) persons not dealing at arm's length with such Non-Resident Holder; (c) partnerships in which the Non-Resident Holder or any person described in (b) holds an interest directly or indirectly through one or more partnerships; or (d) the Non-Resident Holder together with all such persons and partnerships, owned (i) 25% or more of the issued shares of any class or series of the capital stock of the Corporation; and (ii) more than 50% of the fair market value of the Common Shares was derived directly or indirectly from one or any combination of: (w) real or immovable property situated in Canada; (x) "Canadian resource properties"; (y) "timber resource properties"; and (z) options in respect of, or interests in or rights in property described in (w) to (y) (as such terms are defined in the Tax Act). A Non-Resident Holder owning Common Shares that may constitute taxable Canadian property should consult its tax advisors before a disposition thereof.

REGISTERED PLAN ELIGIBILITY

In the opinion of Dale & Lessman LLP, special tax counsel to the Corporation, provided the Common Shares are listed on a designated stock exchange as defined in the Tax Act (which currently includes the CSE) on the date of closing of the Offering, the Debentures and the Common Shares will on such date, be qualified investments under the Tax Act for trusts governed by registered retirement savings plans ("**RRSPs**"), registered retirement income funds ("**RRIFs**"), tax-free savings accounts ("**TFSAs**"), registered education savings plans, registered disability savings plans and deferred profit sharing plans (other than, in the case of the Debentures, a deferred profit sharing plan to which the Corporation, or an employer that does not deal at arm's length with the Corporation, has made a contribution).

Notwithstanding that the Debentures and the Common Shares may be qualified investments for a trust governed by a RRSP, RRIF or TFSA, the annuitant of a RRSP or RRIF or the holder of a TFSA, as the case may be, will be subject to a penalty tax if such Debentures or Common Shares, as the case may be, are a "prohibited investment" for the RRSP, RRIF, or TFSA. Debentures or Common Shares will generally not be a "prohibited investment" if the annuitant of a RRSP or RRIF or the holder of a TFSA, as the case may be, deals at arm's length with the Corporation for purposes of the Tax Act and does not have a "significant interest" (within the meaning of the Tax Act) in the Corporation. Holders who intend to hold Debentures or Common Shares in a RRSP, RRIF, or TFSA should consult their own tax advisors with respect to whether such securities may be a prohibited investment.

ITEM 7 - COMPENSATION PAID TO SELLERS AND FINDERS

Kontrol may retain one or more non-exclusive registered securities dealers to effect sales of, or act as finders of Subscribers in respect of, the Units. Kontrol may pay a selling commission or finder's fee to such securities dealer not exceeding 9% of the Gross Proceeds in respect of such sale.

Neither the Corporation nor any of its employees are registered dealers, salespersons or advisors under applicable securities laws. in any jurisdiction in Canada. Kontrol and its employees may sell the Units under this Offering in certain jurisdictions in Canada where it is not required to be registered under applicable securities laws or, if applicable, pursuant to exemptions from those registration requirements.

ITEM 8 - RISK FACTORS

The Offering should be considered highly speculative due to the nature and stage of development of Kontrol's business. The purchase of Units involves a number of significant risks which may adversely affect Kontrol's operations, results, prospects and financial condition, and which could cause the value of the Securities to decline and cause Securityholders to lose their entire investment. Potential Securityholders should carefully consider the factors below. The following is a summary only of the material risk factors involved in an investment in the Securities. Prospective Securityholders should review the risks with their legal and financial advisors.

INDUSTRY RISKS

Leverage and Ability to Recover Loans

Kontrol's acquisitions and investments will be running Operating Businesses whose capital structures will generally include bank debt, subordinated debt, preferred securities and/or other forms of debt and liability. The leveraged capital structure of such businesses will increase the Operating Businesses' exposure to adverse economic factors such as rising interest rates, downturns in the economy and deterioration in the conditions of such businesses or their industries. If an Operating Business is unable to generate sufficient cash flow to meet principal and interest payments on its debt, the value of the investments in such Operating Businesses could be significantly reduced or even eliminated. There may be circumstances where Kontrol may be required to make a further investment in Operating Businesses, on terms less favourable or with a higher degree of risk than its target investments, to preserve its initial investment position.

Availability of Suitable Opportunities and Competition for Investments

The success of Kontrol depends, in large part, on the availability of a sufficient number of acquisition and/or investment opportunities that fall within Kontrol's investment strategy and the ability of management to identify, negotiate, and close successful investments. The availability of attractive investment opportunities generally will also be subject to market conditions as well as, in some cases, the prevailing regulatory, economic or political climate.

The activity of identifying, negotiating and closing on any attractive investment opportunity is highly competitive and involves a high degree of uncertainty. Kontrol may compete for the right to make investments with an ever increasing number of other parties, including private investment funds, individuals, family offices, financial institutions, other institutions and strategic buyers, many of which may have greater resources, lower return expectations or greater risk tolerance than Kontrol. Competition for investment opportunities can have the effect of increasing the cost of making investments.

Investment Timing

Kontrol intends to conduct extensive due diligence with respect to its acquisitions and/or investments and, as a result, suitable investment opportunities may not be immediately available. Kontrol cannot predict how long it will take to deploy its capital in acquisitions and/or investments. Timing will depend on, among other things, the availability of suitable investment opportunities.

Failure to Obtain or Maintain Applicable Regulatory Clearances or Approvals

Kontrol's acquisitions and investments will be running Operating Businesses that may involve the development of new and innovative technologies. Consequently, the testing of the products may yield negative results, requiring reengineering of the products. If these businesses are unable to address the negative tests, they will be unable to obtain regulatory approval and generate sales. Furthermore, if these businesses are unable to obtain clearances or approvals needed to market existing or new products, or obtain such clearances or approvals in a timely fashion, their business would be significantly disrupted, and their sales and profitability could be materially and adversely affected, which could in turn affect Kontrol's profitability.

Government Policy

The energy efficiency sector and its key sub-sectors of energy conversation, energy storage and power generation are subject to ongoing changes in municipal, provincial and federal government policy across Canada. While Canada has made various carbon reduction commitments as part of the Paris Agreement, energy policy remains a Provincial matter. While Kontrol does not rely specifically on any government programs or government subsidies, it does operate in a general sector of the economy where government regulation and policy can change rapidly.

General Economic Conditions

General economic conditions may affect Kontrol's business operations, interest rates, availability of credit, currency exchange rates, levels of employment, general levels of economic activity, government policies, securities prices, developments in financial markets, valuations of public or private companies and a wide range of other economic factors may affect the value and number of investments made by Kontrol or considered as suitable prospective investments. The success of any Operating Business investment can also be expected to be sensitive to the performance of its industry, the local economies such company may operate in and the overall global economy. No assurances can be given as to the effect of any of these events, individually or in the aggregate, on Kontrol's ability to execute on its investment strategy and to achieve its investment objectives.

INVESTMENT RISKS

Blind Pool

This is a blind pool offering. As of the date hereof, the Corporation has not entered into any binding agreements to acquire or invest in Operating Businesses and there is no certainty as to if or when the Corporation might enter into any such agreements.

No Guarantee that Investment in Securities will be Successful

There can be no guarantee that Kontrol's strategy of acquiring or investing in various Operating Businesses, within the energy efficiency sector of the economy, will be successful or that the objective of earning a profit on the acquisition and operation of its Operating Business will be achieved. The success of Kontrol and its achieving its objectives will depend, to a certain extent, on the efforts and abilities of the management of Kontrol and on a number of other external factors such as, among other things, the general political and economic conditions that may prevail from time to time, which factors are out of the control of the management of Kontrol.

No Guaranteed Return

The recovery of your initial investment is at risk, and the anticipated return on your investment is based on many performance assumptions. There is no guarantee that an investment in Securities will earn any positive return in the short or long-term. While Kontrol intends to make interest payments to its Securityholders, no assurance can be given that such interest payments, if made, will continue or that they won't be reduced or eliminated. A return on, or of, investment in Securities is dependent upon the success of Kontrol in generating sufficient earnings on the assets of Kontrol in order to service its obligations to Securityholders. As a result, there is no assurance or guarantee that purchasers of Securities pursuant to the Offering will earn a return on, or of, their investment.

Price for the Securities Determined Arbitrarily

The management of Kontrol has arbitrarily determined the Subscription Price of the Securities pursuant to this Offering. The management of Kontrol make no representation to prospective Securityholders as to the market value of the Securities. All prospective Securityholders are urged to consider the purchase of the Securities on its merits as an investment and to consult professional advisors having relevant expertise.

No Market for the Securities

This Offering Memorandum constitutes a private offering of the Units by Kontrol only in those jurisdictions where, and to those persons to whom, they may be lawfully offered for sale under exemptions in applicable securities laws. This Offering Memorandum is not, and under no circumstances is to be construed as a prospectus, advertisement or public offering of these Units. Securityholders to this Offering Memorandum will not have the benefit of a review of the material by any regulator or regulatory authority.

As the Securities are being offered without the benefit of a prospectus, the Securities will be subject to a number of resale restrictions, including a restriction on trading. The Securities may not be resold or otherwise transferred until the trading restriction expires or unless the Securityholder complies with very limited exemptions from the prospectus requirements under applicable securities law. Therefore, there is significant risk that Securityholders may be unable to liquidate their investment in the Securities in a timely manner, if at all, withdraw their capital, or pledge their Securities as collateral, and Securityholders must be prepared to bear the economic risk of investment. An investment in Securities should only be considered by prospective Subscribers who do not require liquidity. See Item 10 - "*Resale Restrictions*".

In executing the Subscription Agreement, an investor agrees to comply with applicable securities law in connection with the purchase, holding and resale of any Securities purchased.

Highly Speculative

An investment in the Securities is highly speculative. Investors should buy them only if they are able to bear the risk of the entire loss of their investment and have no need for immediate liquidity in their investment. An investment in the Securities should not constitute a major portion of an investor's portfolio.

The Debentures are Unsecured and Subordinate

The Debentures are unsecured and the payment of the principal of, and interest on, the Debentures will be subordinated in right of payment to the prior payment in full of all Senior Indebtedness. See Item 5.1 - "*Terms of Securities – Terms of Debentures – Subordination*".

The Securities Are Not Insured

The Securities are not "deposits" within the meaning of the *Canada Deposit Insurance Corporations Act* (Canada). Kontrol is not a member institution of the Canada Deposit Insurance Trust and the Securities offered pursuant to this Offering Memorandum are not insured against loss through the Canada Deposit Insurance Trust. See Item 5.1 - "*Terms of Securities – Terms of Debentures*".

Additional Debt

Kontrol may issue additional debt or equity instruments in the future. Such additional financing may be issued without the approval of Securityholders, and may be issued in such number and for such price as is determined in the sole discretion of Kontrol. Securityholders have no pre-emptive rights in connection with such additional issuances. It is not possible to predict the effect, if any, that future issuances of Securities will have on the fair market value of the Securities. With any additional issuance of Securities, Securityholders may experience dilution.

Repayment of Securities is not Guaranteed

Kontrol intends to repay the principal portion of the Debenture sold under this Offering Memorandum at their maturity. There can be no assurances that Kontrol will have the funds in place at that time to repay all or a portion of the original investment.

Securities Regulatory Risk

In the event that Kontrol were to become subject to any cease trade order, penalty or sanction which limited or otherwise adversely affected its ability to issue securities and/or otherwise proceed with its business plans as described in this Offering Memorandum (collectively referred to as an "**Adverse Event**"), such Adverse Event could have a material adverse effect on the returns to Securityholders, including a partial or full loss of the investment by Securityholders.

Legal Liability

To the extent that Kontrol were to incur legal and/or other liabilities, howsoever arising, which resulted in financial losses to Kontrol, there is nothing that would preclude a claimant from pursuing reimbursement from and claiming against any or all of the assets of Kontrol. In other words, a claim in respect of the investment outlined in this Offering Memorandum could potentially have a material adverse effect on Kontrol as a whole and on the return on investment realized by Securityholders. Similarly, a claim in respect of an acquisition or investment by Kontrol, with funds raised from the issuance of Securities, could have a material adverse effect on Kontrol and, accordingly, on the interest and principal repayment to Debenture holders.

Tax Matters

The Corporation intends to allocate $42 of the cost of a Unit to the Common Shares comprising a Unit and $958 of the cost of a Unit to the Debentures comprising a Unit. The Corporation believes that this allocation is reasonable, but the Corporation's allocation is not binding on the CRA. If the CRA were to challenge such allocation, the quantum of the Discount could change, potentially giving rise to additional Canadian tax liabilities. Investors should consult with their own tax advisors in this regard.

Investment Eligibility

There can be no assurance that the Debentures and the Common Shares will continue to be "qualified investments" under the Tax Act for trusts governed by Registered Plans. The Tax Act imposes penalties where trusts governed by Registered Plans acquire or hold non-qualified investments. See Item 6 - "*Canadian Federal Income Tax Considerations and Registered Plan*".

Change in Tax Laws

The Offering Memorandum will not contain a requirement that the Corporation increase the amount of interest or other payments to holders of Debentures in the event that the Corporation is required to withhold amounts in respect of income or similar taxes on payment of interest or other amounts on the Debentures. At present, the Corporation will not withhold from such payments to holders of Debentures resident in Canada or in the United States who deal at arm's length with the Corporation, but no assurance can be given that applicable income tax laws or treaties will not be changed in a manner that may require the Corporation to withhold amounts in respect of tax payable on such amounts.

All Securityholders will be responsible for the preparation and filing of their own tax returns in respect of their investment in Securities. Prospective Subscribers are urged to consult their own tax advisors prior to investing in the Corporation with respect to the specific tax consequences to them from the acquisition of Securities.

ISSUER RISKS

Operating History

Kontrol has only recently commenced its current business and it has no history of sales or profits, nor does it have a record of performance to be relied upon. Kontrol's operations are subject to all the risks inherent in the establishment of a new business enterprise, including a lack of operating history. Kontrol cannot be certain that its acquisition and investment strategy will be successful. Future revenues and profits, if any, will depend upon various factors, including the success, if any, of its Operating Business, government regulations and enforcement and general economic conditions. The likelihood of success of Kontrol must be considered in light of the problems, expenses, difficulties, complications and delays frequently encountered in connection with the establishment of any business. If Kontrol fails to address any of these risks or difficulties adequately, its business will likely suffer.

There is no assurance that Kontrol can operate profitably or that Kontrol will successfully implement its plans.

Operational Dependence

The success of Kontrol is dependent upon management and management of its Operating Businesses and the ability of management to execute on its operating objectives. The interest payment to the Securityholders and the repayment of the original capital invested by Securityholders are dependent upon the ability of Kontrol to generate sufficient cash flow. There can be no assurances that Kontrol will achieve its operating objectives.

Although management believes that it will be able to replace key personnel within a reasonable time should the need arise, the loss of key personnel could have a material adverse effect on the business, financial condition, liquidity and results of operations of Kontrol. There is no key man insurance in place.

Interest Payments

The ability of Kontrol to pay interest payments to Securityholders depends on numerous factors including the decisions by management, operational success, adequate cash flow generation, long-term profitability and overall economic conditions. As a result, there can be no assurance as to the amount of interest payments to be paid to Securityholders.

Interest Payments May Consist of Proceeds of Offerings

Interest payments to Securityholders may consist, directly or indirectly, of the proceeds from the sale of securities by Kontrol and may also, in certain circumstances, exceed the cash flow of Kontrol for any particular period.

Valuation of Kontrol's Investments

Valuation of its Operating Businesses will involve uncertainties and judgmental determinations and, if such valuations should prove to be incorrect, the value of the Corporation and its various Securities could be adversely affected.

Less than Full Offering

If less than the Maximum Offering is raised pursuant to this Offering, Kontrol's business development plans and prospects could be adversely affected and Kontrol's ability to complete acquisitions and/or investments will be impacted.

Changes in Applicable Law

Legal, tax and regulatory changes in law may occur that can adversely affect Kontrol and Securityholders. There can be no assurance that income tax, securities and other laws will not be changed in a manner which adversely affects the interest by the Securityholders.

Financing Risks

In addition to the Net Proceeds of the Offering, Kontrol may require additional capital to implement and achieve its objectives. There can be no assurance that debt or equity financing will be available or sufficient to meet the requirements of Kontrol to implement its objectives or, if debt or equity financing is available, that it will be on terms acceptable to Kontrol. The inability of Kontrol or its acquisitions to access sufficient capital for its operations could have a material adverse effect on Kontrol's financial condition, results of operations or prospects which in turn would likely have a material adverse effect on Securityholders.

Uninsured and Underinsured Losses and Insurance Costs

Kontrol and its Operating Businesses use their discretion in determining amounts, coverage and limits and deductibility provisions of insurance for their operations and assets, with a view to maintaining appropriate insurance coverage on their assets at a commercially reasonable cost and on suitable terms. This may result in insurance coverage that, in the event of a substantial loss, would not be sufficient to pay the full current market value or current replacement cost of their assets. A substantial loss without adequate insurance coverage could have a material adverse effect on the business, financial condition, liquidity and results of operation for the entity in question, whether it be Kontrol or its Operating Businesses which in turn would likely have a material adverse effect on Securityholders.

Potential Undisclosed Liabilities Associated with Acquisitions

There may be liabilities and contingencies that Kontrol does not discover in its due diligence prior to consummation of an acquisition for which Kontrol has to bear responsibility for and which could have a material adverse effect on the business, financial condition, liquidity and results of operation of Kontrol.

Potential Lack of Operating Business Diversification

Kontrol operates in the energy efficiency sector and is focused on acquiring and/or investing in Operating Businesses which also operate in the energy efficiency sector. Kontrol will not be providing economic sector diversification across its acquisitions and/or investments.

Operating Hazards

The operations to be conducted by Kontrol and its Operating Businesses will be subject to all of the operating risks normally attendant upon such businesses. The Operating Businesses will seek to acquire insurance when and as, and in such amounts as, management of such Operating Businesses best sees fit, but there is no assurance that such insurance will be available or adequate.

Litigation

In the ordinary course of its business, Kontrol and the subsidiaries or legal entities that Kontrol has acquired and/or invested in may initiate or be subject to litigation from time to time. The outcome of any such proceedings may adversely affect Kontrol to a material extent, and may continue without resolution for long periods of time. Any litigation may consume substantial amounts of management's time and attention, and that time and the devotion of resources to litigation may, at times, be disproportionate to the amounts at stake in the litigation.

Management of Growth

Kontrol may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of Kontrol to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of Kontrol to deal with this growth may have a material adverse effect on Kontrol's business, financial condition, results of operations and prospects.

Foreign Currency Exchange Rate Risk

The funds that will be raised under this Offering and the functional currency of Kontrol will be Canadian dollars. Kontrol may acquire and/or invest in Operating Businesses with US dollar exposure. Accordingly, Kontrol may have Canada/US foreign currency exchange rate risk which cannot be quantified at this time. Management of Kontrol will use prudent measures to manage such exchange rate risk but the success of any management efforts cannot be guaranteed.

Interest Rate Fluctuations

Kontrol and its Operating Businesses may be required to obtain third party financing in or to fund their business, which may include indebtedness that, if any, would likely be subject to interest rates based on variable lending rates that may fluctuate over time and which will cause fluctuations in Kontrol's and its Operating Businesses' cost of borrowing.

Conflicts of Interest

Certain of the directors and officers of Kontrol may be engaged in, and may continue to engage in, other business activities on their own behalf and on behalf of other companies and, as a result of these and other activities, such directors and officers of Kontrol may become subject to conflicts of interest. Canadian corporate law provides that in the event that a director has a material interest in a contract or proposed contract or agreement that is material to the Corporation, the director must disclose his interest in such contract or agreement and refrain from voting on any matter in respect of such contract or agreement, subject to and in accordance with the Applicable Law. To the extent that such conflicts arise, such conflicts will be resolved in accordance with the provisions of corporate law.

ITEM 9 - REPORTING OBLIGATIONS

Holders of Common Shares are entitled to receive an information circular and to be given notice of any meeting of shareholders. Provided holders of Common Shares are identified under National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer* as having chosen to receive all securityholder materials sent to beneficial owners of securities, as a holder of Common Shares, you will also be entitled to receive an annual request form permitting you to request any of the following: (i) a paper copy of the Kontrol's annual financial statements and MD&A for the annual financial statements; and (ii) a copy of Kontrol's interim financial reports and MD&A for the interim financial reports.

For Debenture holders, we are not required to send you any documentation on an annual or ongoing basis.

As a reporting issuer, Kontrol is required to comply with the provisions of National Instrument 51-102 *Continuous Disclosure Obligations*, which includes the periodic filing of its financial statements and reporting all material information.

Kontrol is obliged to file all of its continuous disclosure information on SEDAR which can be accessed at www.sedar.com.

ITEM 10 - RESALE RESTRICTIONS

The Debentures and Common Shares comprising the Units will be subject to a number of resale restrictions under securities legislation, including a restriction on trading. Until the restriction on trading expires, you will not be able to trade the Debentures or Common Shares except pursuant to an exemption from the prospectus requirements under securities legislation. For more information about these resale restrictions, you should consult a lawyer.

Unless permitted under securities legislation, you cannot trade the Securities before the date that is four (4) months and a day after the distribution date.

ITEM 11 - PURCHASER'S RIGHTS

If you purchase the Units you will have certain rights, some of which are described below. These rights may not be available to you if you purchase the Units pursuant to an exemption from prospectus requirements other than the offering memorandum exemption in Section 2.9 of NI 45-106. For complete information about your rights, you should consult a lawyer.

Two Day Cancellation Right for a Subscriber

You can cancel your agreement to purchase the Units. To do so, you must send a notice to us by midnight on the second (2nd) Business Day after you sign the agreement to buy the Units.

Rights of Action in the Event of a Misrepresentation

Applicable securities legislation in the provinces and territories of Canada provides purchasers with a statutory right of action for damages or rescission in cases where an offering memorandum or any amendment thereto contains an untrue statement of a material fact or omits to state a material fact that is required to be stated or is necessary to make any statement contained therein not misleading in light of the circumstances in which it was made (a "**misrepresentation**"). These rights, or notice with respect thereto, must be exercised or delivered, as the case may be, by purchasers within the time limits prescribed and are subject to the defenses and limitations contained under applicable securities legislation.

The following summaries are subject to the express provisions of the securities legislation applicable in each of the provinces and territories of Canada and the regulations, rules and policy statements thereunder. Purchasers should refer to the securities legislation applicable in their province along with the regulations, rules and policy statements thereunder for the complete text of these provisions or should consult with their legal advisor. The contractual and statutory rights of action described in this Offering Memorandum are in addition to and without derogation from any other right or remedy that purchasers may have at law.

Rights of Purchasers in Alberta

If you are a resident of Alberta, and if there is a misrepresentation in this Offering Memorandum, you have a statutory right to sue:

(a) the Corporation to cancel your agreement to buy these securities, or

(b) for damages against the Corporation, every person who was a director of the Corporation at the date of this Offering Memorandum and every person or company who signed this Offering Memorandum.

If you elect to exercise a right to cancel your agreement to buy these securities against the Corporation, you will have no right of action against the persons described in (b) above.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defences available to the persons or companies that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the securities. In an action for damages, the amount recoverable shall not exceed the price at which the securities were offered and the defendant will not be liable for all or any portion of such damages that the defendant proves does not represent the depreciation in value of the securities as a result of the misrepresentation.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after the date that you purchased the securities. You must commence your action for damages within the earlier of 180 days after you first had knowledge of the facts giving rise to the cause of action and three (3) years after the date you purchased the securities.

Rights of Purchasers in British Columbia

If you are a resident of British Columbia, and if there is a misrepresentation in this Offering Memorandum, you have a statutory right to sue:

(a) the Corporation to cancel your agreement to buy these securities, or

(b) for damages against the Corporation, every person who was a director of the Corporation at the date of this Offering Memorandum and every person who signed this Offering Memorandum.

If you elect to exercise a right to cancel your agreement to buy these securities against the Corporation, you will have no right of action against the Corporation.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defences available to the persons or companies that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the securities. In an action for damages, the amount recoverable shall not exceed the price at which the securities were offered and the defendant will not be liable for all or any portion of such damages that the defendant proves does not represent the depreciation in value of the securities as a result of the misrepresentation.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after the date that you purchased the securities. You must commence your action for damages within the earlier of 180 days after you first had knowledge of the facts giving rise to the cause of action and three (3) years after the date you purchased the securities.

Rights of Purchasers in Saskatchewan

If you are a resident of Saskatchewan and if there is a misrepresentation in this Offering Memorandum, you have a statutory right to sue:

(a) the Corporation to cancel your agreement to buy these securities, or

(b) for damages against the Corporation, every promoter of the Corporation and every person who was a director of the Corporation at the date of this Offering Memorandum, every person whose consent has been filed respecting the offering but only with respect to reports, opinions or statements that have been made by them, every person who or company that signed this Offering Memorandum and every person who or company that sells securities on behalf of the Corporation under this Offering Memorandum.

If you elect to exercise a right to cancel your agreement to buy these securities against the Corporation, you will have no right of action against the Corporation.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defences available to the persons or companies that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the securities. In an action for damages, the amount recoverable shall not exceed the price at which the securities were offered and the defendant will not be liable for all or any portion of such damages that the defendant proves does not represent the depreciation in value of the securities as a result of the misrepresentation.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after the date that you purchased the securities. You must commence your action for damages within the earlier of one (1) year after you first had knowledge of the facts giving rise to the cause of action and six (6) years after the date you purchased the securities.

Rights of Purchasers in Manitoba

If you are a resident of Manitoba, and if there is a misrepresentation in this Offering Memorandum, you have a statutory right to sue:

(a) the Corporation to cancel your agreement to buy these securities, or

(b) for damages against the Corporation, every person who was a director of the Corporation at the date of this Offering Memorandum and every person or company who signed this Offering Memorandum.

If you elect to exercise a right to cancel your agreement to buy these securities against the Corporation, you will have no right of action against the persons described in (b) above.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defences available to the persons or companies that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the securities. In an action for damages, the amount recoverable shall not exceed the price at which the securities were offered and the defendant will not be liable for all or any portion of such damages that the defendant proves does not represent the depreciation in value of the securities as a result of the misrepresentation.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after the date that you purchased the securities. You must commence your action for damages within the earlier of 180 days after you first had knowledge of the facts giving rise to the cause of action or two (2) years after the date you purchased the securities.

Rights of Purchasers in Ontario

If you are a resident of Ontario, and if there is a misrepresentation in this Offering Memorandum, you have a right to sue:

(a) the Corporation to cancel your agreement to buy these securities, or

(b) for damages against the Corporation.

If you elect to exercise a right to cancel your agreement to buy these securities against the Corporation, you will have no right of action against the Corporation.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defences available to the persons or companies that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the securities. In an action for damages, the amount recoverable shall not exceed the price at which the securities were offered and the defendant will not be liable for all or any portion of such damages that the defendant proves does not represent the depreciation in value of the securities as a result of the misrepresentation.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after the date that you purchased the securities. You must commence your action for damages within the earlier of 180 days after you first had knowledge of the facts giving rise to the cause of action and three (3) years after the date you purchased the securities.

Rights of Purchasers in Nova Scotia

If you are a resident of Nova Scotia and if there is a misrepresentation in this Offering Memorandum, you have a statutory right to sue:

(a) the Corporation to cancel your agreement to buy these securities, or

(b) for damages against the Corporation, every person who was a director of the Corporation at the date of this Offering Memorandum and every person who signed this Offering Memorandum.

If you elect to exercise a right to cancel your agreement to buy these securities against the Corporation, you will have no right of action against the persons described in (b) above.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defences available to the persons or companies that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the securities. In an action for damages, the amount recoverable shall not exceed the price at which the securities were offered and the defendant will not be liable for all or any portion of such damages that the defendant proves does not represent the depreciation in value of the securities as a result of the misrepresentation.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after the date that you purchased the securities. You must commence your action for damages within the earlier of 180 days after you first had knowledge of the facts giving rise to the cause of action and three (3) years after the date you purchased the securities. Furthermore, no action shall be commenced to enforce the right of action discussed above unless an action is commenced to enforce that right not later than 120 days after the date on which payment was made for the securities or after the date on which the initial payment for the securities was made where payments subsequent to the initial payment are made pursuant to a contractual commitment assumed prior to, or concurrently with, the initial payment.

Rights of Purchasers in New Brunswick

If you are a resident of New Brunswick and if there is a misrepresentation in this Offering Memorandum, you have a statutory right to sue:

(a) the Corporation to cancel your agreement to buy these securities, or

(b) for damages against the Corporation.

If you elect to exercise a right to cancel your agreement to buy these securities against the Corporation, you will have no right of action against the Corporation.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defences available to the persons or companies that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the securities. In an action for damages, the amount recoverable shall not exceed the price at which the securities were offered and the defendant will not be liable for all or any portion of such damages that the defendant proves does not represent the depreciation in value of the securities as a result of the misrepresentation.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after the date that you purchased the securities. You must commence your action for damages within the earlier of one (1) year after you first had knowledge of the facts giving rise to the cause of action and six (6) years after the date you purchased the securities.

Rights of Purchasers in Newfoundland and Labrador

If you are a resident of Newfoundland and Labrador and if there is a misrepresentation in this Offering Memorandum, you have a statutory right to sue:

(a) the Corporation to cancel your agreement to buy these securities, or

(b) for damages against the Corporation, every person who was a director of the Corporation at the date of this Offering Memorandum and every person or company who signed this Offering Memorandum.

If you elect to exercise a right to cancel your agreement to buy these securities against the Corporation, you will have no right of action against the persons described in (b) above.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defences available to the persons or companies that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the securities. In an action for damages, the amount recoverable shall not exceed the price at which the securities were offered and the defendant will not be liable for all or any portion of such damages that the defendant proves does not represent the depreciation in value of the securities as a result of the misrepresentation.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after the date that you purchased the securities. You must commence your action for damages within the earlier of 180 days after you first had knowledge of the facts giving rise to the cause of action and three (3) years after the date you purchased the securities.

Rights of Purchasers in Prince Edward Island, Northwest Territories, Yukon and Nunavut

If you are a resident of Prince Edward Island, Northwest Territories, Yukon or Nunavut and if there is a misrepresentation in this Offering Memorandum, you have a statutory right to sue:

(a) the Corporation to cancel your agreement to buy these securities, or

(b) for damages against the Corporation, every person who was a director of the Corporation at the date of this Offering Memorandum and every person who signed this Offering Memorandum.

If you elect to exercise a right to cancel your agreement to buy these securities against the Corporation, you will have no right of action against the persons described in (b) above.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defences available to the persons or companies that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the securities. In an action for damages, the amount recoverable shall not exceed the price at which the securities were offered and the defendant will not be liable for all or any portion of such damages that the defendant proves does not represent the depreciation in value of the securities as a result of the misrepresentation.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after the date that you purchased the securities. You must commence your action for damages within the earlier of 180 days after you first had knowledge of the facts giving rise to the cause of action and three (3) years after the date you purchased the securities.

ITEM 12 - FINANCIAL STATEMENTS

Attached to this Offering Memorandum as Appendices are:

(a) Kontrol's unaudited interim financial statements for the nine months ended May 31, 2016 (**Appendix A**);

(b) Kontrol's (formerly Arrowhead Gold Corp.) audited financial statements for the year ended August 31, 2015, 2014 and 2013 (**Appendix B**);

(c) Nuvo's unaudited financial statements for the three months ended March 31, 2016 (**Appendix C**);

(d) Nuvo's audited financial statements for the period from Nuvo's incorporation on August 28, 2015 to December 31, 2015 (**Appendix D**);

(e) Kontrol Technologies Inc. audited financial statements for the year ended December 31, 2015 (**Appendix E**); and

(f) Proforma consolidated financial statements as of December 31, 2015 (**Appendix F**).

ITEM 13 - DATE AND CERTIFICATE

Dated this 23rd day of August 2016.

This Offering Memorandum does not contain a misrepresentation.

Per: (signed) “Paul Ghezzi”
Chief Executive Officer and Promoter

Per: (signed) “Claudio Del Vasto”
Chief Financial Officer

Per: (signed) “Steve Smith”
Director

Per: (signed) “Andrew Bowerbank”
Director

APPENDIX A

Kontrol's unaudited interim financial statements for the nine months ended May 31, 2016

Condensed Consolidated Interim Financial Statements

KONTROL ENERGY CORP.

(formerly Arrowhead Gold Corp.)

Nine months ended May 31, 2016 and 2015

(unaudited)

Prepared by Management without Company's Auditors' Review

Expressed in Canadian Dollars

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited interim financial statements of Arrowhead Gold Corp. is prepared by management in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). Therefore, these financial statements comply with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting”. Management acknowledges responsibility for the preparation and presentation of the unaudited interim financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company’s circumstances.

Management has established processes, which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the unaudited interim financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the unaudited interim financial statements and (ii) the unaudited interim financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the unaudited interim financial statements.

The Board of Directors is responsible for reviewing and approving the unaudited interim financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited interim financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited interim financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company’s affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), 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 accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

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

Kontrol Energy Corp.
(formerly Arrowhead Gold Corp.)
Consolidated statements of financial position
(Expressed in Canadian dollars)

	Notes		May 31, 2016		August 31, 2015
ASSETS					
Current assets					
Cash	5	$	4,441	$	38,948
Accounts receivable	6		31,737		33,476
Marketable securities	7		-		14,000
			36,178		86,424
Non-current assets					
Machinery, equipment and furniture	8		-		-
Exploration and evaluation assets	9		-		-
			-		-
TOTAL ASSETS		**$**	**36,178**	**$**	**86,424**
LIABILITIES					
Current liabilities					
Trade payables and accrued liabilities	10	$	56,753	$	48,455
TOTAL LIABILIITES			**56,753**		**48,455**
SHAREHOLDERS' EQUITY					
Share capital	12		17,424,645		17,424,645
Reserves	13		1,670,960		1,478,981
Deficit			(19,116,180)		(18,865,657)
TOTAL EQUITY			**(20,575)**		**37,969**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$**	**36,178**	**$**	**86,424**

Nature and continuance of operations (Note 1)
Subsequent event (Note 16)

APPROVED ON BEHALF OF THE BOARD:

Director: *"Bilal Bhamji"*
Bilal Bhamji

Director: *"Steve Smith"*
Steve Smith

Kontrol Energy Corp.
(formerly Arrowhead Gold Corp.)
Consolidated statements of comprehensive loss
(Expressed in Canadian dollars)

	Three Months Period Ended May 31, 2016	Three Months Period Ended May 31, 2015	Nine Months Period Ended May 31, 2016	Nine Months Period Ended May 31, 2015
EXPENSES				
Amortization	$ -	$ 7,820	$ -	$ 23,516
Consulting (Note 14)	-	1,000	-	1,000
Office and miscellaneous	561	97	5,638	2,966
Professional fees (Note 14)	10,000	13,166	22,654	40,659
Rent (Note 14)	2,800	-	4,950	8,000
Transfer agent, filing fees	5,235	2,000	25,302	15,790
Travel and promotion	-	-	-	543
	18,596	23,083	58,544	92,474
INCOME (LOSS) BEFORE OTHER ITEMS	$ (18,596)	$ (23,083)	$ (58,544)	$ (92,474)
Gain on settlement of debt	-	-	-	101,500
Realized loss on sales of marketable securities	-	(136,344)	(191,979)	(211,924)
INCOME (LOSS) FOR THE PERIOD	$ (18,596)	$ (159,427)	$ (250,523)	$ (202,898)
Other comprehensive income (loss)	-			
Unrealized gain on investment		118,472	-	155,672
INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	$ (18,596)	$ (40,955)	$ (250,523)	$ (47,226)
INCOME (LOSS) PER SHARE - BASIC AND FULLY DILUTED	$ (0.00)	$ (0.00)	$ (0.01)	$ (0.00)

Kontrol Energy Corp.
(formerly Arrowhead Gold Corp.)
Consolidated statements of changes in shareholders' equity
(Expressed in Canadian dollars)

	Share capital		Reserves			
	Number of shares	Amount	Available for sale marketable securities	Contributed surplus	Deficit	Total
Balance at September 1, 2015	**20,940,494**	**$17,424,645**	**$ (187,601)**	**$ 1,666,582**	**$ (18,865,657)**	**$ 37,969**
Net loss for the period	-	-	-	-	**(250,523)**	**(250,523)**
Transfer of reserves on sale of Tajiri shares	-	-	**191,979**	-	-	**191,979**
Balance at May 31, 2016	**20,940,494**	**$17,424,645**	**$ (50,601)**	**$ 1,666,582**	**$ (19,116,180)**	**$ 20,575)**

	Share capital		Reserves			
	Number of shares	Amount	Available for sale marketable securities	Contributed surplus	Deficit	Total
Balance at September 1, 2014	**15,471,744**	**$17,113,145**	**$ (393,380)**	**$ 1,666,582**	**$ (16,328,198)**	**$ 2,058,149**
Net loss for the period	-	-	-	-	**(47,226)**	**(47,226)**
Comprehensive loss for the period	-	-	**38,828**	-	-	**38,828**
Shares issued for cash – private placement @ 0.08	**1,268,750**	**101,500**	-	-	-	**101,500**
Shares issued for debt settlement	**4,200,000**	**417,000**	-	-	-	**417,000**
Balance at May 31, 2015	**20,940,494**	**$17,631,645**	**$ (354,552)**	**$ 1,666,582**	**$ (16,375,424)**	**$ 2,568,251**

Kontrol Energy Corp.
(formerly Arrowhead Gold Corp.)
Consolidated statements of cash flows
(Expressed in Canadian dollars)

	Three Months Period Ended May 31, 2016	Three Months Period Ended May 31, 2015	Nine Months Period Ended May 31, 2016	Nine Months Period Ended May 31, 2015
Operating activities				
Net Income (loss) for the period	$ (18,596)	$ (40,955)	$ (250,523)	$ (47,266)
Income tax paid	-	-	-	-
Adjustments for non-cash items:				
Amortization	-	7,820	-	23,516
Unrealized loss on investments	-	(141,809)	-	155,672
Realized loss on sale of investments	-	-	191,979	
Mineral property write off	-	-	-	-
Changes in non-cash operating working capital:				
Accounts receivable	(431)	332	1,738	(26,229)
Investment	-	-	14,000	-
Trade payables and accrued liabilities	(7,212)	7,746	8,299	(476,327)
Net cash flows from (used in) operating activities	$ (26,239)	$ (7,889)	$ (34,507)	$ (470,054)
Investing Activities:				
Expenditures on exploration and evaluation assets	-	-	-	-
Proceeds from mineral property	-	-	-	-
Purchase of equipment and machinery	-	-	-	-
Net cash flows from (used in) investing activities	-	-	-	-
Financing Activities:				
Proceeds on issuance of common shares - net of share issue costs	-	-	-	518,500
Net cash flows from (used in) financing activities	-	-	-	518,500
Increase (decrease) in cash and cash equivalents	(26,239)	(7,889)	(34,507)	(48,446)
Cash and cash equivalents, Beginning of period	30,680	60,906	38,948	4,571
Cash and cash equivalents, End of period	$ 4,441	$ 18,435	$ 4,441	$ 18,435

1. Nature and continuance of operations

Kontrol Energy Corp. (the "Company") was incorporated under the Company Act (British Columbia) on March 28, 2008. The Company is an exploration stage public company and the Company's shares are traded on the Canadian Securities Exchange ("CSE") under the symbol "AWH". The Company's principal business activities include acquiring and developing mineral properties. The head office, principal address and records office of the Company are located at 409 Granville Street, Suite 608, Vancouver, British Columbia, Canada. During the year, the Company wrote-off its mineral property in Guyana and began investigating other projects.

These unaudited consolidated financial statements have been prepared on the assumption that the Company and its subsidiary will continue as a going concern, which means that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from carrying values as shown and these consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. At May 31, 2016, the Company had not yet achieved profitable operations, had a working capital deficit of $20,575 which may not be sufficient to sustain operations over the next year and expects to incur further losses in the development of its business, all of which casts significant doubt about the Company's ability to continue as a going concern. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future. These conditions indicate the existence of material uncertainties that the Company will be able to continue on a going concern basis. If the going concern assumption was not used then the adjustments required to report the Company's assets and liabilities on a liquidation basis could be material to these consolidated financial statements. Management believes that it has adequate funds to finance operating costs over the next twelve months.

2. Significant accounting policies and basis of preparation

The consolidated financial statements were authorized for issue by the directors of the Company on August 02, 2016.

Statement of compliance to International Financial Reporting Standards

The unaudited interim consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). Therefore, these financial statements comply with International Accounting Standard ("IAS") 34 "Interim Financial Reporting".

This interim financial report does not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Company for the year ended August 31, 2015.

Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis except for certain financial assets measured at fair value as explained in the accounting policies set out in Note 2. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. All dollar amounts presented are in Canadian dollars unless otherwise specified.

2. Significant accounting policies and basis of preparation (cont'd)

Significant accounting judgments, estimates and assumptions

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including exceptions of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. See Note 4.

Marketable securities

Marketable securities are classified as available for sale and are recorded at fair value with unrealized gains and losses recorded in comprehensive income (loss).

Consolidation

The consolidated financial statements include the accounts of the Company and its controlled entity whose details are as follows:

		Percentage owned	
	Country of incorporation	August 31, 2015	August 31, 2014
Otish Gold (Guyana) Inc.	Guyana	100%	100%

Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated on consolidation.

Foreign currency translation

The functional currency of each of the Company's entities is measured using the currency of the primary economic environment in which the Company operates. The consolidated financial statements are presented in Canadian dollars which is the parent company's functional and presentation currency. The functional currency of the Company's subsidiary in Guyana is the Canadian dollar.

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on translation are recognized in profit or loss in the statement of comprehensive income in the period in which they arise.

Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of income and comprehensive income during the financial period in which they are incurred.

2. Significant accounting policies and basis of preparation (cont'd)

Property, plant and equipment *(cont'd)*

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss.

Depreciation and amortization are calculated to write off the cost of the assets to their residual values over their estimated useful lives. The depreciation and amortization rates applicable to each category of property, plant and equipment are as follows:

Class of property, plant and equipment	Depreciation rate	
Motor vehicles	3 years	straight line
Office equipment and furniture	3 years	straight line
Drilling and exploration equipment	3 years	straight line

One half of the normal rate is recorded in the year of acquisition.

Exploration and evaluation expenditures

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures ("E&E") are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the year in which they occur. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

The Company may occasionally enter into farm-out arrangements, whereby the Company will transfer part of a mineral interest, as consideration, for an agreement by the transferee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess cash accounted for as a gain on disposal.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to the statement of comprehensive loss/income.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

2. Significant accounting policies and basis of preparation (cont'd)

Impairment of assets

The carrying amount of the Company's assets (which include equipment and exploration and evaluation assets) is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of comprehensive income/loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

Share Capital

Common shares issued by the Company are classified as equity. Costs directly attributable to the issue of common shares, share purchase warrants and share options are recognized as a deduction from equity, net of any related income tax effects.

Loss per share

Basic loss per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, the loss attributable to common shareholders equals the reported loss attributable to owners of the Company. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

Share-based payments

The Company operates an employee stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve (contributed surplus). The fair value of options is determined using a Black–Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

2. Significant accounting policies and basis of preparation (cont'd)

Financial instruments

The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Financial assets are classified at fair value through profit or loss ("FVTPL") when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss. The Company's cash is classified as FVTPL.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's receivables are classified as loans and receivables.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary financial assets. The Company's marketable securities are classified as available-for-sale.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost. The Company's trade payables and accrued liabilities are classified as other financial liabilities.

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the group commits to purchase the asset.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether impairment has arisen.

The Company does not have any derivative financial assets and liabilities.

2. Significant accounting policies and basis of preparation (cont'd)

Income taxes

Income tax expense comprises of current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss/income.

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting year the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

3. Accounting standards, amendments and interpretations

Application of new and revised accounting standards effective September 1, 2014

The company has evaluated the following new and revised IFRS standards and has determined there to be no material impact on the consolidated financial statements upon adoption:

1) IAS 32 – Financial Instruments: Presentation
2) IAS 36 – Impairment of Assets
3) IFRIC 21 – Levies

Future accounting standards

Certain pronouncements were issued by the International Accounting Standards Board ("IASB") of the IFRS Interpretations Committee ("IFRIC") but not yet effective as at August 31, 2015. The Company intends to adopt these standards and interpretations when they become effective. The Company does not expect these standards to have an impact on its consolidated financial statements. Pronouncements that are not applicable to the Company have been excluded from those described below.

(Expressed in Canadian dollars)

3. Accounting standards, amendments and interpretations (cont'd)

Future accounting standards (cont'd)

The following standards or amendments are effective for annual periods beginning on or after September 1, 2015.

1) IFRS 9 – Financial Instruments
2) IFRS 15 – Revenue from Contracts with Customers

4. Critical Accounting Estimates and Judgments

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the years of change, if the change affects that year only, or in the year of the change of future years, if the change affects both.

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed below:

Going Concern

The determination of the Company's ability to continue as a going concern requires significant judgment. Material adjustments to the consolidated financial statements would be required if the going concern assumption was not used

5. Cash

The components of cash are as follows:

	May 31, 2016	August 31, 2015
Cash at bank	$ 4,441	$ 38,948

6. Accounts receivable

	May 31, 2016	August 31, 2015
Goods and services taxes	$ 4,559	$ 6,476
Accounts receivable	27,000	27,000
	$ 31,559	$ 33,476

7. Marketable securities

The Company has the following marketable securities:

	May 31, 2016		August 31, 2015	
	Number of shares	Fair value	Number of shares	Fair value
Tajiri Resources Corp. (Note 14)	-	$ -	1,400,000	$ 14,000

(Expressed in Canadian dollars)

8. Machinery, equipment and furniture

	Office equipment	Furniture and fixtures	Machinery and equipment	Pontoon	Motor boat	Vehicles	Total
	$	$	$	$	$	$	$
Cost							
Balance as at August 31, 2013	13,743	1,287	135,484	90,728	7,586	40,348	289,176
Additions during the year	-	-	-	-	-	-	-
Balance as at August 31, 2014	13,743	1,287	135,484	90,728	7,586	40,348	289,176
Additions during the year	-	-	-	-	-	-	-
Write-off for the year	(13,743)	(1,287)	(135,484)	(90,728)	(7,586)	(40,348)	(289,176)
Balance as at August 31, 2015	-	-	-	-	-	-	-
Accumulated depreciation							
Balance as at August 31, 2013	6,671	1,100	108,410	45,652	3,817	25,980	191,630
Depreciation for the year	6,379	187	22,729	30,531	2,553	8,222	70,601
Balance as at August 31, 2014	13,050	1,287	131,139	76,183	6,370	34,202	262,231
Depreciation for the year	385	-	2,454	14,545	-	6,132	23,516
Write-off for the year	(13,435)	(1,287)	(133,593)	(90,728)	(6,370)	(40,334)	(285,747)
Balance as at August 31, 2015	-	-	-	-	-	-	-
Net book value							
At August 31, 2013	7,072	187	27,074	45,076	3,769	14,368	97,546
At August 31, 2014	693	-	4,345	14,545	1,216	6,146	26,945
At August 31, 2015	-	-	-	-	-	-	-

During the year ended August 31, 2015 the Company ceased exploration activities in Guyana, and wrote off the machinery, equipment and furniture pertaining to the property.

(Expressed in Canadian dollars)

9. Exploration and evaluation assets

The following is a description of the Company's exploration and evaluation assets and the related spending commitments:

		Total
Balance, August 31, 2013	$	2,692,646
Exploration expenditures		3,999
Option payment		(52,500)
Write-down of exploration and evaluation expenditures		(148,000)
Balance, August 31, 2014		2,496,145
Write-down of exploration and evaluation expenditures		(2,496,145)
Balance August 31, 2015	$	-

During the year ended August 31, 2015 the Company decided to cease all work in Guyana resulting in a write-off of $2,496,145.

a) Gobin Gold Property, Mazaruni, Guyana

In 2011, the Company acquired all of the hard rock mining rights (the "Rights") in three Guyana Geology Guyana Geology and Mines Commission Mining Permits in the Cuyuni Mining District #4, Guyana SA. The consideration payable by the Company for the purchase of the Rights was US$10,000 (paid) and 600,000 common shares in the capital stock of the Company (issued). Each property is subject to a 2% Net Smelter Return ('NSR') royalty in favour of the vendor. The Company may at any time purchase 1% of the NSR for US$1,000,000 and may also purchase the remaining 1% of the NSR for US$1,000,000.

During the year ended August 31, 2014 the Company ended its interest in the property resulting in a write-off of $148,000 in exploration and evaluation expenditures.

b) Puruni Gold Property, Puruni, Guyana

On June 17, 2010, the Company signed an assignment agreement with Trevor Taylor ("Taylor") of Ajax, Ontario whereby the Company acquired 100% of Taylor's interest in a contiguous land block comprised of six (6) Medium Scale Prospecting Permits, comprising approximately 6,900 acres. The property is known as the Puruni Gold Property located in Puruni, Mazaruni Mining District No. 3, Guyana (the "Property"). Total consideration consists of $50,000 (paid) and 3,500,000 shares of the Company (issued). The property is subject to a 2% NSR. The Company may at any time purchase 1% of the NSR for US$1,000,000 and may also purchase the remaining 1% of the NSR for US$2,000,000.

A finder's fee of 350,000 shares was issued in connection with the assignment agreement.

During the year ended August 31, 2015, the Company decided to cease all work in Guyana and wrote off the property

c) Kaburi Gold Property, Mazaruni, Guyana

In 2011, the Company acquired all of the hardrock mining rights (the "Rights") in the Guyana Geology and Mines Commission Large Scale Prospecting Licence No. 01/2009 located in the Kaburi Area, Mazaruni, Guyana SA. The consideration payable by the Company for the purchase of the Rights was 900,000 common shares in the capital stock of the Company (issued) and one hundred and fifty thousand dollars US (paid).

The property is subject to a 3% NSR. The Company may at any time purchase 1% of the NSR for US$1,500,000 and may purchase the remaining 2% of the NSR for US$2,000,000.

(Expressed in Canadian dollars)

9. Exploration and evaluation assets (cont'd)

c) Kaburi Gold Property, Mazaruni, Guyana (cont'd)

On October 21, 2011, Tajiri Resources Corp. ("Tajiri"), a Company with common directors, obtained the option to acquire a 51% interest in the Rights from the Company. The consideration receivable from Tajiri is:

Option Exercise Schedule	Shares Received		Payment Received		Exploration Expenditures
December 7, 2011	200,000(1)	$	50,000(1)	$	-
December 7, 2012	400,000(2)		50,000(2)		250,000
December 7, 2013	400,000(3)		-		500,000
January 21, 2014	1,650,000(4)		-		750,000
Total	2,650,000	$	100,000	$	1,500,000(4)

(1) The Company received 200,000 shares and received $50,000.
(2) The Company received 400,000 shares and received $50,000.
(3) The company received 400,000 shares
(4) As per an amended agreement dated November 4, 2013 between Arrowhead Gold Corp and Tajiri Resources Corp., Tajiri finalized its acquisition of a 100 percent interest in the Kaburi PL gold property, district 7, Guyana, South America from Arrowhead by issuing 1.65 million shares (including satisfaction of the required exploration expenditures).

On June 27, 2012, the Company optioned its remaining 49% interest in the Rights to Tajiri, in consideration for the receipt of a total of 600,000 common shares (received) of Tajiri and a one-time cash payment of $50,000.

The Company will retain a 3% NSR royalty, of which Tajiri has the right to buy back the first 1.0% for $1,000,000, the next 1% for $1,500,000, and the remaining balance for $2,000,000.

As at August 31, 2014, Tajiri held a 100% undivided interest in the property.

10. Trade payables and accrued liabilities

		May 31, 2016		**August 31, 2015**
Trade payables and accrued liabilities	$	4,253	$	18,130
Amounts due to related parties (Note 14)		52,500		30,325
	$	56,753	$	48,455

(Expressed in Canadian dollars)

11. Income tax expense and deferred tax assets and liabilities

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

	Nine month period ended May 31, 2016	Year ended August 31, 2015
Net loss	$ (250,523)	$ (2,537,459)
Statutory tax rate	26.1%	26.1%
Expected income tax recovery at the statutory tax rate	$ 65,387	$ 664,000
Differences due to recognition of items for tax purposes		
Non-deductible items and other	(26,000)	(636,000)
Share issue costs	2,000	4,000
Change in valuation allowance	(41,387)	(32,000)
Income tax recovery	$ -	$ -

The Company's unrecognized deductible temporary differences and unused tax losses consist of the following amounts:

	May 31, 2016	August 31, 2015
Exploration and evaluation assets	$ 3,384,074	$ 3,384,074
Loss carry-forwards	4,444,658	4,444,658
Share issuance and financing costs	9,372	9,372
Machinery, equipment and furniture	49,921	49,921
Unrecognized deductible temporary differences	$ 7,888,025	$ 7,888,025

As at August 31, 2015, the Company has accumulated non-capital losses of approximately $4,445,000 and has accumulated cumulative development expenses of approximately $3,330,000 available to carry forward for income tax purposes, which may be deducted against future years' taxable income.

The taxable entities have historically made tax losses, and the existence of future taxable profits cannot be assessed as probable. Accordingly, the future tax benefit of the above noted tax pools have been offset by recognition of a valuation allowance in these consolidated financial statements.

12. Share capital

a. Authorized share capital

Unlimited number of common shares without par value.

b. Issued share capital

At May 31, 2016, there were 20,940,494 issued and fully paid common shares (August 31, 2015 – 20,940,494).

During the year ended August 31, 2015 the Company had a private placement whereby 1,268,750 common shares were issued at a price of $0.08 per share for proceeds of $101,500. As well, 4,200,000 common shares were issued at a price of $0.05 per share to settle debt totaling $518,500.

c. Share consolidation

On April 2, 2014, the Company completed a consolidation of its common shares at a four to one ratio.

(Expressed in Canadian dollars)

12. Share capital (cont'd)

d. Basic and diluted loss per share

The calculation of basic and diluted loss per share for the period ended May 31, 2016 was based on the loss attributable to common shareholders of $250,523 (August 31, 2015 –$2,537,459) and the weighted average number of common shares outstanding of 20,940,494 (August 31, 2014 – 19,935,566). Diluted loss per share did not include the effect of stock options as the effect would be anti-dilutive.

e. Stock options

The Company adopted a stock option plan whereby, the maximum number of shares reserved for issue under the plan shall not exceed 10% of the outstanding common shares of the Company, as at the date of the grant. The maximum number of common shares reserved for issue to any one person under the plan cannot exceed 5% of the issued and outstanding number of common shares at the date of the grant and the maximum number of common shares reserved for issue to a consultant or a person engaged in investor relations activities cannot exceed 2% of the issued and outstanding number of common shares at the date of the grant. The exercise price of each option granted under the plan may not be less than the Discounted Market Price (as that term is defined in the policies of the TSX.V). Options may be granted for a maximum term of five years from the date of the grant, are non-transferable and expire within 90 days of termination of employment or holding office as director or officer of the Company and, in the case of death, expire within one year thereafter. Upon death, the options may be exercised by legal representation or designated beneficiaries of the holder of the option. Unless otherwise stated, stock options vest when granted.

The changes in options during the year ended May 31, 2016 are as follows:

Expiry	Price ($)	Weighted Average Remaining Life (years)	Outstanding September 1, 2015	Granted	Exercised	Cancelled/ Forfeited	Outstanding May 31, 2016
September 29, 2015*	0.76	0.04	637,500	-	-	637,500	-
April 7, 2016	0.76	0.32	557,500	-	-	557,500	-
			1,207,500	-	-	1,207,500	-

The weighted average contractual life remaining of all stock options at May 31, 2016 is 0.0 years.

The changes in options during the year ended August 31, 2015 are as follows:

Expiry	Price ($)	Weighted Average Remaining Life (years)	Outstanding September 1, 2014	Granted	Exercised	Cancelled/ Forfeited	Outstanding August 31, 2015
January 12, 2015	0.40	0.00	12,500	-	-	12,500	-
September 29, 2015*	0.76	0.04	637,500	-	-	-	637,500
April 7, 2016	0.76	0.32	557,500	-	-	-	557,500
			1,207,500	-	-	12,500	1,195,000

f. Stock-based compensation

During the quarter ended May 31, 2016 and 2015, the Company did not grant any incentive stock options.

(Expressed in Canadian dollars)

12. Share capital (cont'd)

g. Share purchase warrants:

Outstanding share purchase warrants at May 31, 2016 were as follows:

Expiry	Price ($)	Outstanding September 1 , 2015	Issued	Exercised	Expired	Outstanding May 31, 2016
December 3, 2016	0.20	1,268,750	-	-	-	1,268,750
		1,268,750	-	-	-	1,268,750

The weighted average contractual life remaining of all warrants is .05 years.

Outstanding share purchase warrants at August 31, 2015 were as follows:

Expiry	Price ($)	Outstanding September 1 , 2014	Issued	Exercised	Expired	Outstanding August 31, 2015
December 3, 2016	0.20	-	1,268,750	-	-	1,268,750
		-	1,268,750	-	-	1,268,750

The weighted average contractual life remaining of all warrants is 1.26 years.

13. Reserves

Stock option reserve

The stock option reserve (contributed surplus) records items recognized as stock-based compensation expense until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital.

For issuance of any agents warrants in a private placement, the Company, using the Black-Scholes model, computes the fair value of the agent warrants. Until such time that the agents warrants are exercised, at which time the corresponding amount will be transferred to share capital.

14. Related party transactions

Related party balances

The following amounts due to related parties are included in trade payables and accrued liabilities:

	May 31, 2016	August 31, 2015
Directors or companies controlled by directors of the Company	$ 52,500	$ 30,325

These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

14. Related party transactions (cont'd)

Related party transactions

The Company had the following transactions in the normal course of operations with directors and companies with common directors:

	Nine month ended	
	May 31,2015	**May 31,2015**
Consulting	$ -	$ -
Management fees	-	-
Professional fees	22,500	22,500
Rent	4,950	-
	$ 27,450	$ 22,500

These charges were measured by the exchange amount, which is the amount agreed upon by the transacting parties.

a. The Company paid $Nil (2015 - $NIL) in management fees to its President and paid $22,500 (2015 - $22,500) in professional fees to its CFO.

b. $NIL (2015 - $NIL) paid in consulting fees for administration to a director of the Company.

c. $4,950 (2015 - $NIL) paid in rent to a company controlled by two directors of the Company.

d. See Note 9(c) for transactions with Tajiri Resources Corp., a Company with common directors.

e. 4,200,000 shares of the Company were issued to officers and directors of the Company to settle $518,500 of debt. There was a resulting gain on the debt settlement of $308,500 recorded.

15. Financial risk management

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash. The majority of cash is deposited in bank accounts held at a major bank in Canada. As most of the Company's cash is held by one bank there is a concentration of credit risk. This risk is managed by using a major bank that is considered a high credit quality financial institution as determined by rating agencies. The Company's secondary exposure to risk is on its other receivables. This risk is minimal as receivables consist primarily of refundable government goods and services taxes.

Foreign exchange risk

Foreign exchange risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. As at August 31, 2015, all of the Company's cash is held in Canadian dollars, the Company's functional currency. The Company has one operation in a foreign jurisdiction outside of Canada at this time and as such has currency risk associated with its operations.

Capital Management

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity, net of cash. The Company is not subject to any externally imposed capital requirements.

There were no changes in the Company's approach to capital management during the year.

15. Financial risk management (cont'd)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding. The following is an analysis of the contractual maturities of the Company's non-derivative financial liabilities as at May 31, 2016:

	Within one year	Between one and five years	More than five years
Trade payables	$ 56,753	$ -	$ -

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on its cash balances as these instruments have original maturities of three months or less and are therefore exposed to interest rate fluctuations on renewal. A 1% change in market interest rates would have an impact on the Company's net loss of $640.

Fair value

The fair value of the Company's financial assets and liabilities approximates the carrying amount.

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

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

(Expressed in Canadian dollars)

15. Financial risk management (cont'd)

***Fair value** (cont'd)*

The following is an analysis of the Company's financial assets measured at fair value as at May 31, 2016 and August 31, 2015:

	As at May 31, 2016		
	Level 1	**Level 2**	**Level 3**
Cash	$ 4,441	$ -	$ -
Investments	-	-	-
	$ 4,441	$ -	$ -
		-	

	As at August 31, 2015		
	Level 1	**Level 2**	**Level 3**
Cash	$ 38,948	$ -	$ -
Investments	14,000	-	-
	$ 52,948	$ -	$ -
		-	

There were no transfers between levels during the year.

Classification of financial instruments

Financial assets included in the statement of financial position are as follows:

	May 31, 2016	**August 31, 2015**
Cash	$ 4,441	$ 38,948
Loans and receivables:		
Accounts receivables	31,737	33,476
Available-for-sale financial instruments:		
Short-term investments	-	14,000
	$ 36,178	$ 86,424

Financial liabilities included in the statement of financial position are as follows:

	May 31, 2016	**August 31, 2015**
Non-derivative financial liabilities:		
Trade payables	$ 56,753	$ 48,455
	$ 56,753	$ 48,455

16. SUBSEQUENT EVENTS

On Dec 12, 2015 the Company signed a formal share exchange agreement to acquire 100 per cent of the outstanding shares of Nuvo Energy Grid Inc., a private company, with its headquarters in Toronto, Ont. Pursuant to the share exchange agreement, Arrowhead will acquire all shares of Nuvo from the Nuvo shareholders in exchange for 13.25 million post-consolidated common shares of Arrowhead. Nuvo has sufficient working capital to implement its business plan, and, as such, no concurrent financing will be undertaken. Refer to the company's news release of Oct. 16, 2015, for further details concerning the acquisition. The transaction is also subject to regulatory approval.

APPENDIX B

Kontrol's audited financial statements for the years ended August 31, 2015, 2014 and 2013

Consolidated Financial Statements
(Expressed in Canadian dollars)

ARROWHEAD GOLD CORP.

Years ended August 31, 2015 and 2014

DeVISSER GRAY LLP
CHARTERED ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Arrowhead Gold Corp.,

We have audited the accompanying consolidated financial statements of Arrowhead Gold Corp ("the Company"), which comprise the consolidated statements of financial position as at August 31, 2015 and 2014, and the consolidated statements of comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Arrowhead Gold Corp. as at August 31, 2015 and 2014 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which indicates that the Company has limited working capital, no current sources of revenue and is dependent upon its ability to secure new sources of financing. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast doubt about the Company's ability to continue as a going concern.

De Visser Gray LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, Canada
December 21, 2015

Arrowhead Gold Corp.
Consolidated statements of financial position
(Expressed in Canadian dollars)

	Notes	August 31, 2015	August 31, 2014
ASSETS			
Current assets			
Cash	5	$ 38,948	$ 4,571
Accounts receivable	6	33,476	17,440
Marketable securities	7	14,000	101,760
		86,424	123,771
Non-current assets			
Machinery, equipment and furniture	8	-	26,945
Exploration and evaluation assets	9	-	2,496,145
		-	2,523,900
TOTAL ASSETS		**$ 86,424**	**$ 2,646,861**
LIABILITIES			
Current liabilities			
Trade payables and accrued liabilities	10	$ 48,455	$ 588,712
TOTAL LIABILIITES		**48,455**	**588,712**
SHAREHOLDERS' EQUITY			
Share capital	12	17,424,645	17,113,145
Reserves	13	1,478,981	1,273,202
Deficit		(18,865,657)	(16,328,198)
TOTAL EQUITY		**37,969**	**2,058,149**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$ 86,424**	**$ 2,646,861**

Nature and continuance of operations (Note 1)
Subsequent event (Note 16)

APPROVED ON BEHALF OF THE BOARD:

Director: *"Bilal Bhamji"*
Bilal Bhamji

Director: *"Steve Smith"*
Steve Smith

Arrowhead Gold Corp.
Consolidated statements of comprehensive loss
(Expressed in Canadian dollars)

	Notes	Years ended August 31, 2015	August 31, 2014
Expenses			
Amortization		$ 23,516	$ 70,601
Consulting fees	14	1,000	65,500
Management fees	14	-	84,000
Office and miscellaneous		6,531	530
Professional fees	14	68,128	69,100
Rent	14	12,050	42,000
Shareholder information, transfer agent and filing fee		18,110	25,149
Travel and promotion		1,743	-
		131,078	356,880
Loss before other items		**(131,078)**	**(356,880)**
Gain on settlement of debt		370,040	111,990
Write-down of exploration and evaluation assets	9	(2,496,145)	(148,000)
Write-down of machinery, equipment and furniture	8	(3,429)	-
Write-off of uncollectible accounts receivable		(15,000)	-
Realized loss on sale of marketable securities		(261,847)	-
Net loss for the year		**(2,537,459)**	**(392,890)**
Other comprehensive loss			
Unrealized loss on marketable securities		(51,190)	(269,140)
Comprehensive loss for the year		**$ (2,588,649)**	**$ (662,030)**
Loss per share – basic and diluted	12	**$ (0.12)**	**$ (0.04)**

Arrowhead Gold Corp.
Consolidated statements of changes in shareholders' equity
(Expressed in Canadian dollars)

	Share capital		Reserves			
	Number of shares	Amount	Available for sale marketable securities	Contributed surplus	Deficit	Total
Balance at September 1, 2014	**15,471,744**	**$17,113,145**	**$ (393,380)**	**$ 1,666,582**	**$ (16,328,198)**	**$ 2,058,149**
Net loss for the year	-	-	-	-	**(2,537,459)**	**(2,537,459)**
Comprehensive loss for the year	-	-	**(51,190)**	-	-	**(51,190)**
Transfer of reserves on sale of Tajiri shares	-	-	**256,969**	-	-	**256,969**
Shares issued for debt settlement	**4,200,000**	**210,000**	-	-	-	**210,000**
Shares issued for private placement	**1,268,750**	**101,500**	-	-	-	**101,500**
Balance at August 31, 2015	**20,940,494**	**$17,424,645**	**$ (187,601)**	**$ 1,666,582**	**$ (18,865,657)**	**$ 37,969**

	Share capital		Reserves			
	Number of shares	Amount	Available for sale marketable securities	Contributed surplus	Deficit	Total
Balance at September 1, 2013	**15,471,744**	**$17,113,145**	**$ (124,240)**	**$ 1,666,582**	**$ (15,935,308)**	**$ 2,720,179**
Net loss for the year	-	-	-	-	**(392,890)**	**(392,890)**
Comprehensive loss for the year	-	-	**(269,140)**	-	-	**(269,140)**
Balance at August 31, 2014	**15,471,744**	**$17,113,145**	**$ (393,380)**	**$ 1,666,582**	**$ (16,328,198)**	**$ 2,058,149**

Arrowhead Gold Corp.
Consolidated Statements of Cash Flows
For the years ended August 31, 2015 and 2014
(Expressed in Canadian dollars)

	Years ended	
	August 31, 2015	August 31, 2014
Operating activities		
Net loss for the year	$ (2,537,459)	$ (392,890)
Adjustments for:		
Amortization	23,516	70,601
Write-down of exploration and evaluation assets	2,496,145	148,000
Write-down of machinery, equipment and furniture	3,429	-
Loss on sale of marketable securities	261,847	-
Loss on write-off of uncollectible accounts receivable	15,000	-
Gain on settlement of debt	(370,040)	(111,990)
Changes in non-cash working capital items:		
Accounts receivable	(31,035)	47,537
Trade payables and accrued liabilities	39,782	182,822
Net cash flows used in operating activities	(98,815)	(55,920)
Investing activities		
Expenditures on exploration and evaluation assets	-	(3,999)
Proceeds from sale of marketable securities	31,692	-
Net cash flows provided by (used in) investing activities	31,692	(3,999)
Financing activities		
Proceeds from private placement	101,500	-
Net cash flows provided by financing activities	101,500	-
Increase (decrease) in cash	34,377	(59,919)
Cash, beginning of the year	4,571	64,490
Cash, end of the year	**$ 38,948**	**$ 4,571**
Supplementary cash flow information		
Non-cash investing and financing activities include:		
Shares received in lieu of cash payment	**$ -**	**$ 50,000**

1. Nature and continuance of operations

Arrowhead Gold Corp. (the “Company”) was incorporated under the Company Act (British Columbia) on March 28, 2008. The Company is an exploration stage public company and the Company’s shares are traded on the Canadian Securities Exchange (“CSE”) under the symbol “AWH”. The Company’s principal business activities include acquiring and developing mineral properties. The head office, principal address and records office of the Company are located at 409 Granville Street, Suite 608, Vancouver, British Columbia, Canada. During the year, the Company wrote-off its mineral property in Guyana and began investigating other projects.

These consolidated financial statements have been prepared on the assumption that the Company and its subsidiary will continue as a going concern, which means that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from carrying values as shown and these consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. At August 31, 2015, the Company had not yet achieved profitable operations, had a working capital of $37,969 which may not be sufficient to sustain operations over the next year and expects to incur further losses in the development of its business, all of which casts significant doubt about the Company’s ability to continue as a going concern. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future. These conditions indicate the existence of material uncertainties that the Company will be able to continue on a going concern basis. If the going concern assumption was not used then the adjustments required to report the Company’s assets and liabilities on a liquidation basis could be material to these consolidated financial statements. Management believes that it has adequate funds to finance operating costs over the next twelve months.

2. Significant accounting policies and basis of preparation

The consolidated financial statements were authorized for issue by the directors of the Company on December 21, 2015.

Statement of compliance to International Financial Reporting Standards

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis except for certain financial assets measured at fair value as explained in the accounting policies set out in Note 2. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. All dollar amounts presented are in Canadian dollars unless otherwise specified.

Significant accounting judgments, estimates and assumptions

The preparation of the Company’s consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management’s experience and other factors, including exceptions of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. See Note 4.

2. Significant accounting policies and basis of preparation (cont'd)

Marketable securities

Marketable securities are classified as available for sale and are recorded at fair value with unrealized gains and losses recorded in comprehensive income (loss).

Consolidation

The consolidated financial statements include the accounts of the Company and its controlled entity whose details are as follows:

		Percentage owned	
	Country of incorporation	**August 31, 2015**	**August 31, 2014**
Otish Gold (Guyana) Inc.	Guyana	100%	100%

Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated on consolidation.

Foreign currency translation

The functional currency of each of the Company's entities is measured using the currency of the primary economic environment in which the Company operates. The consolidated financial statements are presented in Canadian dollars which is the parent company's functional and presentation currency. The functional currency of the Company's subsidiary in Guyana is the Canadian dollar.

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on translation are recognized in profit or loss in the statement of comprehensive income in the period in which they arise.

Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of income and comprehensive income during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss.

2. Significant accounting policies and basis of preparation (cont'd)

Property, plant and equipment *(cont'd)*

Depreciation and amortization are calculated to write off the cost of the assets to their residual values over their estimated useful lives. The depreciation and amortization rates applicable to each category of property, plant and equipment are as follows:

Class of property, plant and equipment	Depreciation rate	
Motor vehicles	3 years	straight line
Office equipment and furniture	3 years	straight line
Drilling and exploration equipment	3 years	straight line

One half of the normal rate is recorded in the year of acquisition.

Exploration and evaluation expenditures

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures ("E&E") are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the year in which they occur. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

The Company may occasionally enter into farm-out arrangements, whereby the Company will transfer part of a mineral interest, as consideration, for an agreement by the transferee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess cash accounted for as a gain on disposal.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to the statement of comprehensive loss/income.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

2. Significant accounting policies and basis of preparation (cont'd)

Impairment of assets

The carrying amount of the Company's assets (which include equipment and exploration and evaluation assets) is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of comprehensive income/loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

Share Capital

Common shares issued by the Company are classified as equity. Costs directly attributable to the issue of common shares, share purchase warrants and share options are recognized as a deduction from equity, net of any related income tax effects.

Loss per share

Basic loss per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, the loss attributable to common shareholders equals the reported loss attributable to owners of the Company. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

Share-based payments

The Company operates an employee stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve (contributed surplus). The fair value of options is determined using a Black–Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

2. Significant accounting policies and basis of preparation (cont'd)

Financial instruments

The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Financial assets are classified at fair value through profit or loss ("FVTPL") when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss. The Company's cash is classified as FVTPL.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's receivables are classified as loans and receivables.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary financial assets. The Company's marketable securities are classified as available-for-sale.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost. The Company's trade payables and accrued liabilities are classified as other financial liabilities.

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the group commits to purchase the asset.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether impairment has arisen.

The Company does not have any derivative financial assets and liabilities.

2. Significant accounting policies and basis of preparation (cont'd)

Income taxes

Income tax expense comprises of current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss/income.

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting year the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

3. Accounting standards, amendments and interpretations

Application of new and revised accounting standards effective September 1, 2014

The company has evaluated the following new and revised IFRS standards and has determined there to be no material impact on the consolidated financial statements upon adoption:

1) IAS 32 – Financial Instruments: Presentation
2) IAS 36 – Impairment of Assets
3) IFRIC 21 – Levies

Future accounting standards

Certain pronouncements were issued by the International Accounting Standards Board ("IASB") of the IFRS Interpretations Committee ("IFRIC") but not yet effective as at August 31, 2015. The Company intends to adopt these standards and interpretations when they become effective. The Company does not expect these standards to have an impact on its consolidated financial statements. Pronouncements that are not applicable to the Company have been excluded from those described below.

(Expressed in Canadian dollars)

3. Accounting standards, amendments and interpretations (cont'd)

Future accounting standards (cont'd)

The following standards or amendments are effective for annual periods beginning on or after September 1, 2015.

1) IFRS 9 – Financial Instruments
2) IFRS 15 – Revenue from Contracts with Customers

4. Critical Accounting Estimates and Judgments

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the years of change, if the change affects that year only, or in the year of the change of future years, if the change affects both.

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed below:

Going Concern

The determination of the Company's ability to continue as a going concern requires significant judgment. Material adjustments to the consolidated financial statements would be required if the going concern assumption was not used

5. Cash

The components of cash are as follows:

	August 31, 2015	August 31, 2014
Cash at bank	$ 38,948	$ 4,571

6. Accounts receivable

	August 31, 2015	August 31, 2014
Goods and services taxes	$ 6,476	$ 2,440
Accounts receivable	27,000	15,000
	$ 33,476	$ 17,440

7. Marketable securities

The Company has the following marketable securities:

	August 31, 2015		August 31, 2014	
	Number of shares	Fair value	Number of shares	Fair value
Tajiri Resources Corp. (Note 14)	1,400,000	$ 14,000	3,392,000	$ 101,760

(Expressed in Canadian dollars)

8. Machinery, equipment and furniture

	Office equipment	Furniture and fixtures	Machinery and equipment	Pontoon	Motor boat	Vehicles	Total
	$	$	$	$	$	$	$
Cost							
Balance as at August 31, 2013	13,743	1,287	135,484	90,728	7,586	40,348	289,176
Additions during the year	-	-	-	-	-	-	-
Balance as at August 31, 2014	13,743	1,287	135,484	90,728	7,586	40,348	289,176
Additions during the year	-	-	-	-	-	-	-
Write-off for the year	(13,743)	(1,287)	(135,484)	(90,728)	(7,586)	(40,348)	(289,176)
Balance as at August 31, 2015	-	-	-	-	-	-	-
Accumulated depreciation							
Balance as at August 31, 2013	6,671	1,100	108,410	45,652	3,817	25,980	191,630
Depreciation for the year	6,379	187	22,729	30,531	2,553	8,222	70,601
Balance as at August 31, 2014	13,050	1,287	131,139	76,183	6,370	34,202	262,231
Depreciation for the year	385	-	2,454	14,545	-	6,132	23,516
Write-off for the year	(13,435)	(1,287)	(133,593)	(90,728)	(6,370)	(40,334)	(285,747)
Balance as at August 31, 2015	-	-	-	-	-	-	-
Net book value							
At August 31, 2013	7,072	187	27,074	45,076	3,769	14,368	97,546
At August 31, 2014	693	-	4,345	14,545	1,216	6,146	26,945
At August 31, 2015	-	-	-	-	-	-	-

During the year ended August 31, 2015 the Company ceased exploration activities in Guyana, and wrote off the machinery, equipment and furniture pertaining to the property.

(Expressed in Canadian dollars)

9. Exploration and evaluation assets

The following is a description of the Company's exploration and evaluation assets and the related spending commitments:

		Total
Balance, August 31, 2013	$	2,692,646
Exploration expenditures		3,999
Option payment		(52,500)
Write-down of exploration and evaluation expenditures		(148,000)
Balance, August 31, 2014		2,496,145
Write-down of exploration and evaluation expenditures		(2,496,145)
Balance August 31, 2015	$	-

During the year ended August 31, 2015 the Company decided to sease all work in Guyana resulting in a write-off of $2,496,145.

a) Gobin Gold Property, Mazaruni, Guyana

In 2011, the Company acquired all of the hard rock mining rights (the "Rights") in three Guyana Geology Guyana Geology and Mines Commission Mining Permits in the Cuyuni Mining District #4, Guyana SA. The consideration payable by the Company for the purchase of the Rights was US$10,000 (paid) and 600,000 common shares in the capital stock of the Company (issued). Each property is subject to a 2% Net Smelter Return ('NSR') royalty in favour of the vendor. The Company may at any time purchase 1% of the NSR for US$1,000,000 and may also purchase the remaining 1% of the NSR for US$1,000,000.

During the year ended August 31, 2014 the Company ended its interest in the property resulting in a write-off of $148,000 in exploration and evaluation expenditures.

b) Puruni Gold Property, Puruni, Guyana

On June 17, 2010, the Company signed an assignment agreement with Trevor Taylor ("Taylor") of Ajax, Ontario whereby the Company acquired 100% of Taylor's interest in a contiguous land block comprised of six (6) Medium Scale Prospecting Permits, comprising approximately 6,900 acres. The property is known as the Puruni Gold Property located in Puruni, Mazaruni Mining District No. 3, Guyana (the "Property"). Total consideration consists of $50,000 (paid) and 3,500,000 shares of the Company (issued). The property is subject to a 2% NSR. The Company may at any time purchase 1% of the NSR for US$1,000,000 and may also purchase the remaining 1% of the NSR for US$2,000,000.

A finder's fee of 350,000 shares was issued in connection with the assignment agreement.

During the year ended August 31, 2015, the Company decided to cease all work in Guyana and wrote off the property

c) Kaburi Gold Property, Mazaruni, Guyana

In 2011, the Company acquired all of the hardrock mining rights (the "Rights") in the Guyana Geology and Mines Commission Large Scale Prospecting Licence No. 01/2009 located in the Kaburi Area, Mazaruni, Guyana SA. The consideration payable by the Company for the purchase of the Rights was 900,000 common shares in the capital stock of the Company (issued) and one hundred and fifty thousand dollars US (paid).

The property is subject to a 3% NSR. The Company may at any time purchase 1% of the NSR for US$1,500,000 and may purchase the remaining 2% of the NSR for US$2,000,000.

(Expressed in Canadian dollars)

9. Exploration and evaluation assets (cont'd)

c) Kaburi Gold Property, Mazaruni, Guyana (cont'd)

On October 21, 2011, Tajiri Resources Corp. ("Tajiri"), a Company with common directors, obtained the option to acquire a 51% interest in the Rights from the Company. The consideration receivable from Tajiri is:

Option Exercise Schedule	Shares Received		Payment Received		Exploration Expenditures
December 7, 2011	200,000(1)	$	50,000(1)	$	-
December 7, 2012	400,000(2)		50,000(2)		250,000
December 7, 2013	400,000(3)		-		500,000
January 21, 2014	1,650,000(4)		-		750,000
Total	2,650,000	$	100,000	$	1,500,000(4)

(1) The Company received 200,000 shares and received $50,000.
(2) The Company received 400,000 shares and received $50,000.
(3) The company received 400,000 shares
(4) As per an amended agreement dated November 4, 2013 between Arrowhead Gold Corp and Tajiri Resources Corp., Tajiri finalized its acquisition of a 100 percent interest in the Kaburi PL gold property, district 7, Guyana, South America from Arrowhead by issuing 1.65 million shares (including satisfaction of the required exploration expenditures).

On June 27, 2012, the Company optioned its remaining 49% interest in the Rights to Tajiri, in consideration for the receipt of a total of 600,000 common shares (received) of Tajiri and a one-time cash payment of $50,000.

The Company will retain a 3% NSR royalty, of which Tajiri has the right to buy back the first 1.0% for $1,000,000, the next 1% for $1,500,000, and the remaining balance for $2,000,000.

As at August 31, 2014, Tajiri held a 100% undivided interest in the property.

10. Trade payables and accrued liabilities

		August 31, 2015		**August 31, 2014**
Trade payables and accrued liabilities	$	18,130	$	64,712
Amounts due to related parties (Note 14)		30,325		524,000
	$	48,455	$	588,712

(Expressed in Canadian dollars)

11. Income tax expense and deferred tax assets and liabilities

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

	Year ended August 31, 2015	Year ended August 31, 2014
Net loss	$ (2,537,459)	$ (392,890)
Statutory tax rate	26.1%	30.0%
Expected income tax recovery at the statutory tax rate	$ 664,000	$ 112,000
Differences due to recognition of items for tax purposes		
Non-deductible items and other	(636,000)	(49,000)
Share issue costs	4,000	8,000
Change in valuation allowance	(32,000)	(71,000)
Income tax recovery	$ -	$ -

The Company's unrecognized deductible temporary differences and unused tax losses consist of the following amounts:

	August 31, 2015	August 31, 2014
Exploration and evaluation assets	$ 3,384,074	$ 3,384,074
Loss carry-forwards	4,444,658	4,333,011
Share issuance and financing costs	9,372	26,769
Machinery, equipment and furniture	49,921	49,921
Unrecognized deductible temporary differences	$ 7,888,025	$ 7,793,775

As at August 31, 2015, the Company has accumulated non-capital losses of approximately $4,445,000 and has accumulated cumulative development expenses of approximately $3,330,000 available to carry forward for income tax purposes, which may be deducted against future years' taxable income.

The taxable entities have historically made tax losses, and the existence of future taxable profits cannot be assessed as probable. Accordingly, the future tax benefit of the above noted tax pools have been offset by recognition of a valuation allowance in these consolidated financial statements.

12. Share capital

a. Authorized share capital

Unlimited number of common shares without par value.

b. Issued share capital

At August 31, 2015, there were 20,940,494 issued and fully paid common shares (August 31, 2014 – 15,471,744).

During the year ended August 31, 2015 the Company had a private placement whereby 1,268,750 common shares were issued at a price of $0.08 per share for proceeds of $101,500. As well, 4,200,000 common shares were issued at a price of $0.05 per share to settle debt totaling $518,500.

c. Share consolidation

On April 2, 2014, the Company completed a consolidation of its common shares at a four to one ratio.

(Expressed in Canadian dollars)

12. Share capital (cont'd)

d. Basic and diluted loss per share

The calculation of basic and diluted loss per share for the year ended August 31, 2015 was based on the loss attributable to common shareholders of $2,537,459 (August 31, 2014 –$392,890) and the weighted average number of common shares outstanding of 19,935,566 (August 31, 2014 – 15,471,744). Diluted loss per share did not include the effect of 1,195,000 stock options as the effect would be anti-dilutive.

e. Stock options

The Company adopted a stock option plan whereby, the maximum number of shares reserved for issue under the plan shall not exceed 10% of the outstanding common shares of the Company, as at the date of the grant. The maximum number of common shares reserved for issue to any one person under the plan cannot exceed 5% of the issued and outstanding number of common shares at the date of the grant and the maximum number of common shares reserved for issue to a consultant or a person engaged in investor relations activities cannot exceed 2% of the issued and outstanding number of common shares at the date of the grant. The exercise price of each option granted under the plan may not be less than the Discounted Market Price (as that term is defined in the policies of the TSX.V). Options may be granted for a maximum term of five years from the date of the grant, are non-transferable and expire within 90 days of termination of employment or holding office as director or officer of the Company and, in the case of death, expire within one year thereafter. Upon death, the options may be exercised by legal representation or designated beneficiaries of the holder of the option. Unless otherwise stated, stock options vest when granted.

The changes in options during the year ended August 31, 2015 are as follows:

Expiry	Price ($)	Weighted Average Remaining Life (years)	Outstanding September 1, 2014	Granted	Exercised	Cancelled/ Forfeited	Outstanding August 31, 2015
January 12, 2015	0.40	0.00	12,500	-	-	12,500	-
September 29, 2015*	0.76	0.04	637,500	-	-	-	637,500
April 7, 2016	0.76	0.32	557,500	-	-	-	557,500
			1,207,500	-	-	12,500	1,195,000

*Subsequent to year-end options expired unexercised

The weighted average contractual life remaining of all stock options at August 31, 2015 is 0.32 years.

The changes in options during the year ended August 31, 2014 are as follows:

Expiry	Price ($)	Weighted Average Remaining Life (years)	Outstanding September 1, 2013	Granted	Exercised	Cancelled/ Forfeited	Outstanding August 31, 2014
January 12, 2015	0.40	0.37	12,500	-	-	-	12,500
September 29, 2015	0.76	1.08	637,500	-	-	-	637,500
April 7, 2016	0.76	1.60	557,500	-	-	-	557,500
			1,207,500	-	-	-	1,207,500

f. Stock-based compensation

During the years ended August 31, 2015 and 2014, the Company did not grant any incentive stock options.

(Expressed in Canadian dollars)

12. Share capital (cont'd)

g. Share purchase warrants:

Outstanding share purchase warrants at August 31, 2015 were as follows:

Expiry	Price ($)	Outstanding September 1 , 2014	Issued	Exercised	Expired	Outstanding August 31, 2015
December 3, 2016	0.20	-	1,268,750	-	-	1,268,750
		-	1,268,750	-	-	1,268,750

The weighted average contractual life remaining of all warrants is 1.26 years.

Outstanding share purchase warrants at August 31, 2014 were as follows:

Expiry	Price ($)	Outstanding September 1 , 2013	Issued	Exercised	Expired	Outstanding August 31, 2014
December 12, 2013	1.00	625,000	-	-	(625,000)	-
December 12, 2013	0.60	33,813	-	-	(33,813)	-
		658,813	-	-	(658,813)	-

The weighted average contractual life remaining of all warrants is 0.28 years.

13. Reserves

Stock option reserve

The stock option reserve (contributed surplus) records items recognized as stock-based compensation expense until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital.

For issuance of any agents warrants in a private placement, the Company, using the Black-Scholes model, computes the fair value of the agent warrants. Until such time that the agents warrants are exercised, at which time the corresponding amount will be transferred to share capital.

14. Related party transactions

Related party balances

The following amounts due to related parties are included in trade payables and accrued liabilities:

	August 31, 2015	August 31, 2014
Directors or companies controlled by directors of the Company	$ 30,325	$ 524,000

These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

14. Related party transactions (cont'd)

Related party transactions

The Company had the following transactions in the normal course of operations with directors and companies with common directors:

	Year ended	
	August 31,2015	**August 31, 2014**
Consulting	$ 1,000	$ 65,500
Management fees	-	84,000
Professional fees	30,000	50,000
Rent	12,050	42,000
	$ 43,050	$ 241,500

These charges were measured by the exchange amount, which is the amount agreed upon by the transacting parties.

a. The Company paid $Nil (2014 - $84,000) in management fees to its President and paid $30,000 (2014 - $50,000) in professional fees to its CFO.

b. $1,000 (2014 - $65,500) paid in consulting fees for administration to a director of the Company.

c. $12,050 (2014 - $42,000) paid in rent to a company controlled by two directors of the Company.

d. See Note 9(c) for transactions with Tajiri Resources Corp., a Company with common directors.

e. 4,200,000 shares of the Company were issued to officers and directors of the Company to settle $518,500 of debt. There was a resulting gain on the debt settlement of $308,500 recorded.

15. Financial risk management

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash. The majority of cash is deposited in bank accounts held at a major bank in Canada. As most of the Company's cash is held by one bank there is a concentration of credit risk. This risk is managed by using a major bank that is considered a high credit quality financial institution as determined by rating agencies. The Company's secondary exposure to risk is on its other receivables. This risk is minimal as receivables consist primarily of refundable government goods and services taxes.

Foreign exchange risk

Foreign exchange risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. As at August 31, 2015, all of the Company's cash is held in Canadian dollars, the Company's functional currency. The Company has one operation in a foreign jurisdiction outside of Canada at this time and as such has currency risk associated with its operations.

Capital Management

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity, net of cash. The Company is not subject to any externally imposed capital requirements.

There were no changes in the Company's approach to capital management during the year.

15. Financial risk management (cont'd)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding. The following is an analysis of the contractual maturities of the Company's non-derivative financial liabilities as at August 31, 2015:

	Within one year	Between one and five years	More than five years
Trade payables	$ 48,455	$ -	$ -

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on its cash balances as these instruments have original maturities of three months or less and are therefore exposed to interest rate fluctuations on renewal. A 1% change in market interest rates would have an impact on the Company's net loss of $485.

Fair value

The fair value of the Company's financial assets and liabilities approximates the carrying amount.

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

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

(Expressed in Canadian dollars)

15. Financial risk management (cont'd)

Fair value *(cont'd)*

The following is an analysis of the Company's financial assets measured at fair value as at August 31, 2015 and August 31, 2014:

	As at August 31, 2015		
	Level 1	**Level 2**	**Level 3**
Cash	$ 38,948	$ -	$ -
Investments	14,000	-	-
	$ 52,948	$ -	$ -

	As at August 31, 2014		
	Level 1	**Level 2**	**Level 3**
Cash	$ 4,571	$ -	$ -
Investments	101,760	-	-
	$ 106,331	$ -	$ -

There were no transfers between levels during the year.

Classification of financial instruments

Financial assets included in the statement of financial position are as follows:

	August 31, 2015	**August 31, 2014**
Cash	$ 38,948	$ 4,571
Loans and receivables:		
Accounts receivables	33,476	17,440
Available-for-sale financial instruments:		
Short-term investments	14,000	101,760
	$ 86,424	$ 123,772

Financial liabilities included in the statement of financial position are as follows:

	August 31, 2015	**August 31, 2014**
Non-derivative financial liabilities:		
Trade payables	$ 48,455	$ 588,712
	$ 48,455	$ 588,712

16. Subsequent events

Subsequent to year-end, 637,500 share purchase options expired unexercised (Note 12 e).

On October 16, 2015, the Company announced it has signed a Letter of Intent (LOI) to acquire 100% of the outstanding shares of NuVo Energy Grid Inc. ("NuVo"), a private Canadian company, with its headquarters in Toronto, Ontario. NuVo is focused on acquiring companies in the Energy Efficiency and Technology sectors. Pursuant to the LOI, the Company will acquire all shares of NuVo from the NuVo shareholders in exchange for 13.25 million post consolidated common shares of the Company.

Consolidated Financial Statements
(Expressed in Canadian dollars)

ARROWHEAD GOLD CORP.

Years ended August 31, 2014 and 2013

DeVISSER GRAY LLP
CHARTERED ACCOUNTANTS

401-905 West Pender St
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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Arrowhead Gold Corp.,

We have audited the accompanying consolidated financial statements of Arrowhead Gold Corp ("the Company"), which comprise the consolidated statements of financial position as at August 31, 2014 and 2013, and the consolidated statements of comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Arrowhead Gold Corp. as at August 31, 2014 and 2013 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which indicates that the Company has limited working capital, no current sources of revenue and is dependent upon its ability to secure new sources of financing. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast doubt about the Company's ability to continue as a going concern.

De Visser Gray LLP

CHARTERED ACCOUNTANTS
Vancouver, Canada
December 23, 2014

Arrowhead Gold Corp.
Consolidated statements of financial position
(Expressed in Canadian dollars)

	Notes	August 31, 2014	August 31, 2013
ASSETS			
Current assets			
Cash	5	$ 4,571	$ 64,490
Accounts receivable	6	17,440	114,977
Marketable securities	7	101,760	268,400
		123,771	447,867
Non-current assets			
Machinery, equipment and furniture	8	26,945	97,546
Exploration and evaluation assets	9	2,496,145	2,692,646
		2,523,090	2,790,192
TOTAL ASSETS		**$ 2,646,861**	**$ 3,238,059**
LIABILITIES			
Current liabilities			
Trade payables and accrued liabilities	10	$ 588,712	$ 517,880
TOTAL LIABILIITES		**588,712**	**517,880**
SHAREHOLDERS' EQUITY			
Share capital	12	17,113,145	17,113,145
Reserves	13	1,273,202	1,542,342
Deficit		(16,328,198)	(15,935,308)
TOTAL EQUITY		**2,058,149**	**2,720,179**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$ 2,646,861**	**$ 3,238,059**

Nature and continuance of operations (Note 1)
Contingency (Note 17)

APPROVED ON BEHALF OF THE BOARD:

Director: *"Bilal Bhamji"* Bilal Bhamji

Director: *"Steve Smith"* Steve Smith

Arrowhead Gold Corp.
Consolidated statements of comprehensive loss
(Expressed in Canadian dollars)

		Years ended	
	Notes	**August 31, 2014**	**August 31, 2013**
Expenses			
Amortization		$ 70,601	$ 92,430
Consulting fees	14	65,500	65,049
Management fees	14	84,000	84,000
Office and miscellaneous		530	10,301
Professional fees	14	69,100	93,720
Rent	14	42,000	42,000
Shareholder information, transfer agent and filing fee		25,149	18,787
Travel and promotion		-	496
		356,880	406,783
Loss before other items		**(356,880)**	**(406,783)**
Gain on settlement of debt		111,990	-
Write-down of exploration and evaluation assets		(148,000)	-
Other income		-	11,835
Realized gain on sale of marketable securities		-	250
Net loss for the year		**(392,890)**	**(394,698)**
Other comprehensive loss			
Unrealized loss on marketable securities		(269,140)	(80,490)
Comprehensive loss for the year		**$ (662,030)**	**$ (475,188)**
Loss per share – basic and diluted	12	**$ (0.04)**	**$ (0.03)**

Arrowhead Gold Corp.
Consolidated statements of changes in shareholders' equity
(Expressed in Canadian dollars)

	Share capital		Reserves			
	Number of shares	Amount	Available for sale marketable securities	Contributed surplus	Deficit	Total
Balance at September 1, 2013	**15,471,744**	**$17,113,145**	**$ (124,240)**	**$ 1,666,582**	**$ (15,935,308)**	**$ 2,720,179**
Net loss for the year	-	-	-	-	**(392,890)**	**(392,890)**
Comprehensive loss for the year	-	-	**(269,140)**	-	-	**(269,140)**
Balance at August 31, 2014	**15,471,744**	**$17,113,145**	**$ (393,380)**	**$ 1,666,582**	**$ (16,328,198)**	**$ 2,058,149**

	Share capital		Reserves			
	Number of shares	Amount	Available for sale marketable securities	Contributed surplus	Deficit	Total
Balance at September 1, 2012	**15,471,744**	**$17,113,145**	**$ (43,750)**	**$ 1,666,582**	**$ (15,540,610)**	**$ 3,195,367**
Net loss for the year	-	-	-	-	**(394,698)**	**(394,698)**
Comprehensive loss for the year	-	-	**(80,490)**	-	-	**(80,490)**
Balance at August 31, 2013	**15,471,744**	**$17,113,145**	**$ (124,240)**	**$ 1,666,582**	**$ (15,935,308)**	**$ 2,720,179**

See accompanying notes to the consolidated financial statements

Arrowhead Gold Corp.
Consolidated statements of cash flows
(Expressed in Canadian dollars)

	Years ended	
	August 31, 2014	**August 31, 2013**
Operating activities		
Net loss for the year	$ (392,890)	$ (394,698)
Adjustments for:		
Amortization	70,601	92,430
Write-down of exploration and evaluation assets	148,000	-
Gain on sale of shares	-	(250)
Gain on settlement of debt	(111,990)	-
Changes in non-cash working capital items:		
Accounts receivable	47,537	(66,571)
Trade payables and accrued liabilities	182,822	273,437
Net cash flows used in operating activities	(55,920)	(95,652)
Investing activities		
Expenditures on exploration and evaluation assets	(3,999)	(6,695)
Option payments received	-	50,000
Proceeds from sale of shares	-	2,610
Purchase of equipment and machinery	-	(28,680)
Net cash flows provided by (used in) investing activities	(3,999)	17,235
Decrease in cash	(59,919)	(78,417)
Cash, beginning of the year	64,490	142,907
Cash, end of the year	**$ 4,571**	**$ 64,490**

Supplementary cash flow information		
Non-cash investing and financing activities include:		
Shares received in lieu of cash payment	**$ 50,000**	**$ -**

1. Nature and continuance of operations

Arrowhead Gold Corp. (the "Company") was incorporated under the Company Act (British Columbia) on March 28, 2008. The Company is an exploration stage public company and the Company's shares are traded on the Canadian Securities Exchange ("CSE") under the symbol "AWH". The Company's principal business activities include acquiring and developing mineral properties. The head office, principal address and records office of the Company are located at 409 Granville Street, Suite 608, Vancouver, British Columbia, Canada. At August 31, 2014, the Company's principal exploration and evaluation asset interests are located in Guyana.

The Company is currently exploring its exploration and evaluation assets and has not yet determined the existence of economically recoverable reserves. The recoverability of the amounts shown for interests in mineral properties is dependent upon the discovery of economically recoverable reserves or proceeds from the disposition thereof, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain financing to complete development of the properties and on future profitable operations.

These consolidated financial statements have been prepared on the assumption that the Company and its subsidiary will continue as a going concern, which means that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from carrying values as shown and these consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. At August 31, 2014, the Company had not yet achieved profitable operations, had a working capital deficiency of $464,941 which may not be sufficient to sustain operations over the next year and expects to incur further losses in the development of its business, all of which casts significant doubt about the Company's ability to continue as a going concern. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future. These conditions indicate the existence of material uncertainties that the Company will be able to continue on a going concern basis. If the going concern assumption was not used then the adjustments required to report the Company's assets and liabilities on a liquidation basis could be material to these consolidated financial statements. Management believes that it has adequate funds to finance operating costs over the next twelve months.

2. Significant accounting policies and basis of preparation

The consolidated financial statements were authorized for issue on by the directors of the Company on December 23, 2014.

Statement of compliance to International Financial Reporting Standards

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis except for certain financial assets measured at fair value as explained in the accounting policies set out in Note 2. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. All dollar amounts presented are in Canadian dollars unless otherwise specified.

2. Significant accounting policies and basis of preparation (cont'd)

Going Concern of Operations

The Company has not generated revenue from operations. The Company incurred a net loss of $392,890 during the year ended August 31, 2014 and, as of that date the Company's accumulated deficit was $16,328,198. As the Company is in the exploration stage, the recoverability of the costs incurred to date on exploration properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties and upon future profitable production or proceeds from the disposition of the properties and deferred exploration expenditures. The Company will periodically have to raise funds to continue operations and, although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future

Significant accounting judgments, estimates and assumptions

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. See Note 4.

Marketable securities

Marketable securities are classified as available for sale and are recorded at fair value with unrealized gains and losses recorded in comprehensive income (loss).

Consolidation

The consolidated financial statements include the accounts of the Company and its controlled entity whose details are as follows:

		Percentage owned	
	Country of incorporation	**August 31, 2014**	**August 31, 2013**
Otish Gold (Guyana) Inc.	Guyana	100%	100%

Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated on consolidation.

Foreign currency translation

The functional currency of each of the Company's entities is measured using the currency of the primary economic environment in which the Company operates. The consolidated financial statements are presented in Canadian dollars which is the parent company's functional and presentation currency. The functional currency of the Company's subsidiary in Guyana is the Canadian dollar.

2. Significant accounting policies and basis of preparation (cont'd)

Foreign currency translation (cont'd)

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on translation are recognized in profit or loss in the statement of comprehensive income in the period in which they arise.

Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of income and comprehensive income during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss.

Depreciation and amortization are calculated to write off the cost of the assets to their residual values over their estimated useful lives. The depreciation and amortization rates applicable to each category of property, plant and equipment are as follows:

Class of property, plant and equipment	Depreciation rate	
Motor vehicles	3 years	straight line
Office equipment and furniture	3 years	straight line
Drilling and exploration equipment	3 years	straight line

One half of the normal rate is recorded in the year of acquisition.

Exploration and evaluation expenditures

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures ("E&E") are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the year in which they occur. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

The Company may occasionally enter into farm-out arrangements, whereby the Company will transfer part of a mineral interest, as consideration, for an agreement by the transferee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess cash accounted for as a gain on disposal.

2. Significant accounting policies and basis of preparation (cont'd)

Exploration and evaluation expenditures (cont'd)

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to the statement of comprehensive loss/income.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

Impairment of assets

The carrying amount of the Company's assets (which include equipment and exploration and evaluation assets) is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of comprehensive income/loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

Share Capital

Common shares issued by the Company are classified as equity. Costs directly attributable to the issue of common shares, share purchase warrants and share options are recognized as a deduction from equity, net of any related income tax effects.

2. Significant accounting policies and basis of preparation (cont'd)

Loss per share

Basic loss per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, the loss attributable to common shareholders equals the reported loss attributable to owners of the Company. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

Share-based payments

The Company operates an employee stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve (contributed surplus). The fair value of options is determined using a Black–Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Financial instruments

The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Financial assets are classified at fair value through profit or loss ("FVTPL") when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss. The Company's cash is classified as FVTPL.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's receivables are classified as loans and receivables.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets. Unrealized gains and losses are recognized in other comprehensive income,

2. Significant accounting policies and basis of preparation (cont'd)

Financial instruments (cont'd)

except for impairment losses and foreign exchange gains and losses on monetary financial assets. The Company's marketable securities are classified as available-for-sale.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost. The Company's trade payables and accrued liabilities are classified as other financial liabilities.

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the group commits to purchase the asset.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether impairment has arisen.

The Company does not have any derivative financial assets and liabilities.

Income taxes

Income tax expense comprises of current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss/income.

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting year the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

2. Significant accounting policies and basis of preparation (cont'd)

Restoration and environmental obligations

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to exploration and evaluation assets along with a corresponding increase in the restoration provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The restoration asset will be depreciated on the same basis as other mining assets.

The Company's estimates of restoration costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to the restoration provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit or loss for the year.

The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the year incurred.

The costs of restoration projects that were included in the provision are recorded against the provision as incurred. The costs to prevent and control environmental impacts at specific properties are capitalized in accordance with the Company's accounting policy for exploration and evaluation assets. As at August 31, 2014, the Company has no restoration and environmental obligations.

3. Accounting standards, amendments and interpretations issued by not yet effective

Effective September 1, 2013, the Company adopted the following new and revised IFRS that were issued by the IASB:

- Amendments to IAS 1, Presentation of Items of Other Comprehensive Income
- IFRS 7, Financial Instruments: Disclosures
- IFRS 11, Joint Arrangements
- IFRS 12, Disclosure of Interests in Other Entities
- IFRS 13, Fair Value Measurement
- IAS 19, Employee Benefits
- IAS 27, Separate Financial Statements
- IAS 28, Investments in Associates and Joint Ventures

The application of these new and revised IFRS has not had any material impact on the amounts reported for the current and prior periods but may affect the accounting for future transactions or arrangements.

New standards amendments and interpretations to existing standards not yet effective

Effective for annual reporting periods beginning on or after January 1, 2014

- IAS 32, Offsetting Financial Assets and Financial Liabilities
- IAS 36, Recoverable Amount Disclosure for Non-Financial Assets

3. Accounting standards, amendments and interpretations issued by not yet effective (cont'd)

The Company has not early adopted these new and amended standards and is currently assessing the impact that these standards will have on the Company's financial statements.

4. Critical Accounting Estimates and Judgments

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the years of change, if the change affects that year only, or in the year of the change of future years, if the change affects both.

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed below:

Exploration and Evaluation Expenditure

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the profit or loss in the year the new information becomes available.

Functional Currency Determination

The determination of a subsidiary's functional currency often requires significant judgment where the primary economic environment in which they operate may not be clear. This can have a significant impact on the consolidated results of the Company based on the foreign currency translation methods used.

Going Concern

The determination of the Company's ability to continue as a going concern requires significant judgment. Material adjustments to the consolidated financial statements would be required if the going concern assumption was not used.

(Expressed in Canadian dollars)

5. Cash

The components of cash are as follows:

	August 31, 2014	August 31, 2013
Cash at bank	$ 4,571	$ 64,490
	$ 4,571	$ 64,490

6. Accounts receivable

	August 31, 2014	August 31, 2013
Goods and services taxes	$ 2,440	$ 3,707
Accounts receivable	15,000	15,000
Amount due from Tajiri Resources Corp. (Note 14)	-	96,270
	$ 17,440	$ 114,977

7. Marketable securities

The Company has the following marketable securities:

	August 31, 2014		August 31, 2013	
	Number of shares	Amount	Number of shares	Amount
Tajiri Resources Corp. (Note 14)	3,392,000	$ 101,760	1,342,000	$ 268,400

8. Machinery, equipment and furniture

	Office equipment	Furniture and fixtures	Machinery and equipment	Pontoon	Motor boat	Vehicles	Total
	$	$	$	$	$	$	$
Cost							
Balance as at August 31, 2012	11,666	1,287	126,716	90,728	7,586	27,720	265,703
Additions during the year	2,077	-	8,768	-	-	12,628	23,473
Balance as at August 31, 2013	13,743	1,287	135,484	90,728	7,586	40,348	289,176
Additions during the year	-	-	-	-	-	-	-
Balance as at August 31, 2014	13,743	1,287	135,484	90,728	7,586	40,348	289,176
Accumulated depreciation							
Balance as at August 31, 2012	4,943	655	68,305	15,122	1,264	14,119	104,408
Depreciation for the year	1,728	445	40,105	30,530	2,553	11,861	87,222
Balance as at August 31, 2013	6,671	1,100	108,410	45,652	3,817	25,980	191,630
Depreciation for the year	6,379	187	22,729	30,531	2,553	8,222	70,601
Balance as at August 31, 2014	13,050	1,287	131,139	76,183	6,370	34,202	262,231
Net book value							
At August 31, 2012	6,723	632	58,411	75,606	6,322	13,601	161,295
At August 31, 2013	7,072	187	27,074	45,076	3,769	14,368	97,546
At August 31, 2014	693	-	4,345	14,545	1,216	6,146	26,945

(Expressed in Canadian dollars)

9. Exploration and evaluation assets

The following is a description of the Company's exploration and evaluation assets and the related spending commitments:

	Total
Balance August 31, 2012	$ 2,773,120
Exploration expenditures	59,526
Option payment	(140,000)
Balance August 31, 2013	$ 2,692,646
Exploration expenditures	3,999
Option payment	(52,500)
Write-down of exploration and evaluation expenditures	(148,000)
Balance August 31, 2014	$ 2,496,145

a) Gobin Gold Property, Mazaruni, Guyana

In 2011, the Company acquired all of the hard rock mining rights (the "Rights") in three Guyana Geology Guyana Geology and Mines Commission Mining Permits in the Cuyuni Mining District #4, Guyana SA. The consideration payable by the Company for the purchase of the Rights was US$10,000 (paid) and 600,000 common shares in the capital stock of the Company (issued). Each property is subject to a 2% Net Smelter Return ('NSR') royalty in favour of the vendor. The Company may at any time purchase 1% of the NSR for US$1,000,000 and may also purchase the remaining 1% of the NSR for US$1,000,000.

During the year ended August 31, 2014 the Company ended its interest in the property resulting in a write-off of $148,000 in exploration and evaluation expenditures.

b) Puruni Gold Property, Puruni, Guyana

On June 17, 2010, the Company signed an assignment agreement with Trevor Taylor ("Taylor") of Ajax, Ontario whereby the Company acquired 100% of Taylor's interest in a contiguous land block comprised of six (6) Medium Scale Prospecting Permits, comprising approximately 6,900 acres. The property is known as the Puruni Gold Property located in Puruni, Mazaruni Mining District No. 3, Guyana (the "Property"). Total consideration consists of $50,000 (paid) and 3,500,000 shares of the Company (issued). The property is subject to a 2% NSR. The Company may at any time purchase 1% of the NSR for US$1,000,000 and may also purchase the remaining 1% of the NSR for US$2,000,000.

A finder's fee of 350,000 shares was issued in connection with the assignment agreement.

c) Kaburi Gold Property, Mazaruni, Guyana

In 2011, the Company acquired all of the hardrock mining rights (the "Rights") in the Guyana Geology and Mines Commission Large Scale Prospecting Licence No. 01/2009 located in the Kaburi Area, Mazaruni, Guyana SA. The consideration payable by the Company for the purchase of the Rights was 900,000 common shares in the capital stock of the Company (issued) and one hundred and fifty thousand dollars US (paid).

The property is subject to a 3% NSR. The Company may at any time purchase 1% of the NSR for US$1,500,000 and may purchase the remaining 2% of the NSR for US$2,000,000.

(Expressed in Canadian dollars)

9. Exploration and evaluation assets (cont'd)

c) Kaburi Gold Property, Mazaruni, Guyana (cont'd)

On October 21, 2011, Tajiri Resources Corp. ("Tajiri"), a Company with common directors, obtained the option to acquire a 51% interest in the Rights from the Company. The consideration receivable from Tajiri is:

Option Exercise Schedule	Shares Received		Payment Received		Exploration Expenditures
December 7, 2011	200,000(1)	$	50,000(1)	$	-
December 7, 2012	400,000(2)		50,000(2)		250,000
December 7, 2013	400,000(3)		-		500,000
January 21, 2014	1,650,000(4)		-		750,000
Total	2,650,000	$	100,000	$	1,500,000(4)

(1) The Company received 200,000 shares and received $50,000.
(2) The Company received 400,000 shares and received $50,000.
(3) The company received 400,000 shares
(4) As per an amended agreement dated November 4, 2013 between Arrowhead Gold Corp and Tajiri Resources Corp., Tajiri finalized its acquisition of a 100 percent interest in the Kaburi PL gold property, district 7, Guyana, South America from Arrowhead by issuing 1.65 million shares (including satisfaction of the required exploration expenditures).

On June 27, 2012, the Company optioned its remaining 49% interest in the Rights to Tajiri, in consideration for the receipt of a total of 600,000 common shares (received) of Tajiri and a one-time cash payment of $50,000.

The Company will retain a 3% NSR royalty, of which Tajiri has the right to buy back the first 1.0% for $1,000,000, the next 1% for $1,500,000, and the remaining balance for $2,000,000.

As at August 31, 2014, Tajiri holds a 100% undivided interest in the property.

10. Trade payables and accrued liabilities

		August 31, 2014		**August 31, 2013**
Trade payables and accrued liabilities	$	64,712	$	173,280
Amounts due to related parties (Note 14)		524,000		344,600
	$	588,712	$	517,880

(Expressed in Canadian dollars)

11. Income tax expense and deferred tax assets and liabilities

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

		Year ended, August 31, 2014		Year ended August 31, 2013
Net loss	$	(392,890)	$	(394,698)
Statutory tax rate		30.0%		28.7%
Expected income tax recovery at the statutory tax rate	$	112,000	$	114,000
Differences due to recognition of items for tax purposes				
Non-deductible items and other		(49,000)		(73,000)
Share issue costs		8,000		8,000
Change in valuation allowance		(71,000)		(49,000)
Income tax recovery	$	-	$	-

The components of the Company's deferred tax assets and liabilities, after applying enacted corporate income tax rates, are as follows:

		August 31, 2014		August 31, 2013
Exploration and evaluation assets	$	880,000	$	439,000
Loss carry-forwards		1,083,000		940,000
Share issuance and financing costs		7,000		15,000
Machinery, equipment and furniture		110,000		81,000
		2,080,000		1,475,000
Valuation allowance		(2,080,000)		(1,475,000)
Net deferred income tax asset	$	-	$	-

The Company has recorded a valuation allowance against deferred income taxes on the extent to which it is more likely than not that sufficient taxable income will not be realized during the carry forward period to utilize all the deferred tax assets.

As at August 31, 2014, the Company has accumulated non-capital losses of approximately $4,333,000 and has accumulated cumulative development expenses of approximately $3,330,000 available to carry forward for income tax purposes, which may be deducted against future years' taxable income.

The taxable entities have historically made tax losses, and the existence of future taxable profits cannot be assessed as probable. Accordingly, the future tax benefit of the above noted tax pools have been offset by recognition of a valuation allowance in these consolidated financial statements.

12. Share capital

a. Authorized share capital

Unlimited number of common shares without par value.

b. Issued share capital

At August 31, 2014, there were 15,471,744 issued and fully paid common shares (August 31, 2013 – 15,471,744).

c. Share consolidation

On April 2, 2014, the Company completed a consolidation of its common shares at a four to one ratio.

(Expressed in Canadian dollars)

12. Share capital (cont'd)

d. Basic and diluted loss per share

The calculation of basic and diluted loss per share for the period ended August 31, 2014 was based on the loss attributable to common shareholders of $392,890 (August 31, 2013 – loss of $374,698) and the weighted average number of common shares outstanding of 15,471,744 (August 31, 2013 – 15,471,744). Diluted loss per share did not include the effect of 1,207,500 stock options as the effect would be anti-dilutive.

e. Stock options

The Company adopted a stock option plan whereby, the maximum number of shares reserved for issue under the plan shall not exceed 10% of the outstanding common shares of the Company, as at the date of the grant. The maximum number of common shares reserved for issue to any one person under the plan cannot exceed 5% of the issued and outstanding number of common shares at the date of the grant and the maximum number of common shares reserved for issue to a consultant or a person engaged in investor relations activities cannot exceed 2% of the issued and outstanding number of common shares at the date of the grant. The exercise price of each option granted under the plan may not be less than the Discounted Market Price (as that term is defined in the policies of the TSX.V). Options may be granted for a maximum term of five years from the date of the grant, are non-transferable and expire within 90 days of termination of employment or holding office as director or officer of the Company and, in the case of death, expire within one year thereafter. Upon death, the options may be exercised by legal representation or designated beneficiaries of the holder of the option. Unless otherwise stated, stock options vest when granted.

The changes in options during the year ended August 31, 2014 are as follows:

Expiry	Price ($)	Weighted Average Remaining Life (years)	Outstanding September 1, 2013	Granted	Exercised	Cancelled/ Forfeited	Outstanding August 31, 2014
January 12, 2015	0.40	0.37	12,500	-	-	-	12,500
September 29, 2015	0.76	1.08	637,500	-	-	-	637,500
April 7, 2016	0.76	1.60	557,500	-	-	-	557,500
			1,207,500	-	-	-	1,207,500

The weighted average contractual life remaining of all stock options at August 31, 2014 is 1.74 years.

The changes in options during the year ended August 31, 2013 are as follows:

Expiry	Price ($)	Weighted Average Remaining Life (years)	Outstanding September 1, 2012	Granted	Exercised	Cancelled/ Forfeited	Outstanding August 31, 2013
December 12, 2012	0.40	-	1,563	-	-	(1,563)	-
January 12, 2015	0.40	1.37	12,500	-	-	-	12,500
September 29, 2015	0.76	2.08	637,500	-	-	-	637,500
April 7, 2016	0.76	2.60	557,500	-	-	-	557,500
			1,209,063	-	-	(1,563)	1,207,500

f. Stock-based compensation

During the year ended August 31, 2014, the Company did not grant any incentive stock options.

(Expressed in Canadian dollars)

12. Share capital (cont'd)

g. Share purchase warrants:

Outstanding share purchase warrants at August 31, 2014 were as follows:

Expiry	Price ($)	Outstanding September 1 , 2013	Issued	Exercised	Expired	Outstanding August 31, 2014
December 12, 2013	1.00	625,000	-	-	(625,000)	-
December 12, 2013	0.60	33,813	-	-	(33,813)	-
		658,813	-	-	(658,813)	-

Outstanding share purchase warrants at August 31, 2013 were as follows:

Expiry	Price ($)	Outstanding September 1 , 2012	Issued	Exercised	Expired	Outstanding August 31, 2013
September 9, 2012	1.00	437,500	-	-	(437,500)	-
September 9, 2012	1.00	35,380	-	-	(35,380)	-
December 12, 2013	1.00	625,000	-	-	-	625,000
December 12, 2013	0.60	33,813	-	-	-	33,813
		1,131,693	-	-	(1,891,520)	658,813

The weighted average contractual life remaining of all warrants is 0.28.

13. Reserves

Stock option reserve

The stock option reserve (contributed surplus) records items recognized as stock-based compensation expense until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital.

For issuance of any agents warrants in a private placement, the Company, using the Black-Scholes model, computes the fair value of the agent warrants. Until such time that the agents warrants are exercised, at which time the corresponding amount will be transferred to share capital.

14. Related party transactions

Related party balances

The following amounts due to related parties are included in trade payables and accrued liabilities:

	August 31, 2014	**August 31, 2013**
Directors or companies controlled by directors of the Company	$ 524,000	$ 344,600

These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

14. Related party transactions (cont'd)

Related party transactions

The Company had the following transactions in the normal course of operations with directors and companies with common directors:

	Year ended	
	August 31,2014	**August 31, 2013**
Consulting	$ 65,500	$ 60,000
Management fees	84,000	84,000
Professional fees	50,000	60,000
Office rent and supplies	42,000	42,000
	$ 241,500	$ 246,000

These charges were measured by the exchange amount, which is the amount agreed upon by the transacting parties.

a. The Company paid $84,000 (2013 - $84,000) in management fees to its President and paid $50,000 (2013 - $60,000) in professional fees to its CFO.

b. $65,500 (2013 - $60,000) paid in consulting fees for administration to a director of the Company.

c. $42,000 (2013 - $42,000) paid in rent to a company controlled by two directors of the Company.

d. See Note 9(c) for transactions with Tajiri Resources Corp., a Company with common directors.

15. Commitments

By an agreement dated January 29, 2008, a director of the Company has agreed to provide the Company management services for a monthly fee of $7,000, which agreement may be terminated with six months' severance.

By an agreement, a director of the Company has agreed to provide the Company management services for a monthly fee of $5,000, which agreement may be terminated with six months' severance.

16. Financial risk management

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash. The majority of cash is deposited in bank accounts held at a major bank in Canada. As most of the Company's cash is held by one bank there is a concentration of credit risk. This risk is managed by using a major bank that is considered a high credit quality financial institution as determined by rating agencies. The Company's secondary exposure to risk is on its other receivables. This risk is minimal as receivables consist primarily of refundable government goods and services taxes.

Foreign exchange risk

Foreign exchange risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. As at August 31, 2014, all of the Company's cash is held in Canadian dollars, the Company's functional currency. The Company has one operation in a foreign jurisdiction outside of Canada at this time and as such has currency risk associated with its operations.

16. Financial risk management (cont'd)

Capital Management

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity, net of cash. The Company is not subject to any externally imposed capital requirements.

There were no changes in the Company's approach to capital management during the year.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding. The following is an analysis of the contractual maturities of the Company's non-derivative financial liabilities as at August 31, 2014:

	Within one year	Between one and five years	More than five years
Trade payables	$ 588,712	$ -	$ -

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on its cash balances as these instruments have original maturities of three months or less and are therefore exposed to interest rate fluctuations on renewal. A 1% change in market interest rates would have an impact on the Company's net loss of $5,887.

Fair value

The fair value of the Company's financial assets and liabilities approximates the carrying amount.

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

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

(Expressed in Canadian dollars)

16. Financial risk management (cont'd)

Fair value *(cont'd)*

The following is an analysis of the Company's financial assets measured at fair value as at August 31, 2014 and August 31, 2013:

	As at August 31, 2014		
	Level 1	**Level 2**	**Level 3**
Cash	$ 4,571	$ -	$ -
Investments	101,760	-	-
	$ 106,331	$ -	$ -

	As at August 31, 2013		
	Level 1	**Level 2**	**Level 3**
Cash	$ 64,490	$ -	$ -
Investments	268,400	-	-
	$ 332,890	$ -	$ -

There were no transfers between levels during the year.

Classification of financial instruments

Financial assets included in the statement of financial position are as follows:

	August 31, 2014	**August 31, 2013**
Cash	$ 4,571	$ 64,490
Loans and receivables:		
Accounts receivables	17,440	114,977
Available-for-sale financial instruments:		
Short-term investments	101,760	268,400
	$ 123,772	$ 447,867

Financial liabilities included in the statement of financial position are as follows:

	August 31, 2014	**August 31, 2013**
Non-derivative financial liabilities:		
Trade payables	$ 588,712	$ 517,880
	$ 588,712	$ 517,880

17. Contingent liability

In June 2011, Trevor Taylor (the `Vendor`) of the Puruni Gold Property and the Company were served under the *Rules of Civil Procedures*, where the Plaintiff, Mr. Randy Singh, claims restitution of $222,600 for 30% of a certain property interest previously acquired by the Company from the Vendor. The Plaintiff claims that the Vendor of the Property and the Plaintiff had agreed that the Plaintiff would receive 30% of any consideration that the Vendor received from the Company. The Company was not aware of such agreement or ownership. The Company will defend vigourously the claim by the Plaintiff and seeks the full reimbursement of costs, direct and indirect. No amounts have been accrued in the financial statements in connection with this action as the amount is indeterminable at this time.

(Expressed in Canadian dollars)

18. Segmented information

The Company operates in two jurisdictions, Canada and Guyana:

August 31, 2014	Canada	Guyana	Total
Non-current assets	-	2,523,090	$2,671,090

August 31, 2013	Canada	Guyana	Total
Non-current assets	-	2,790,192	$2,790,192

19. Events after the reporting period

Subsequent to year-end the Company completed a shares-for-debt settlement in the amount of $518,500 by the issuance of an aggregate of 4,200,000 common shares of the Company.

APPENDIX C

Nuvo's unaudited financial statements for the three months ended March 31, 2016

NUVO ENERGY GRID INC.

FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2016
(UNAUDITED)
(Prepared in Canadian dollars)

NUVO ENERGY GRID INC.
STATEMENTS OF FINANCIAL POSITION
(UNAUDITED)
AS AT
(in Canadian dollars)

	Notes	March 31 2016	December 31 2015
Assets			
Cash		$ 44,124	$ 2,198
Prepaid expenses		17,039	7,850
Current assets		61,163	10,048
Furniture and equipment		12,517	-
Long term investments	4	1	1
Non-current assets		12,518	1
Total assets		$ 73,681	$ 10,049
Liabilities			
Accounts payable and accrued liabilities		$ 12,902	$ 11,227
Due to shareholder	5	13,199	14,284
Current liabilities		26,101	25,511
Loan from shareholder	6	60,000	-
Non-current liabilities		60,000	-
Total liabilities		86,101	25,511
Equity			
Common stock	7	100	100
Deficit		(12,520)	(15,562)
Total equity		(12,420)	(15,462)
Total liabilities and equity		$ 73,681	$ 10,049

Approved on Behalf of the Board

Director

C. D. [illegible]

Director

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

NUVO ENERGY GRID INC.
STATEMENT OF COMPREHENSIVE INCOME
(UNAUDITED)
(in Canadian dollars)

	Notes	Three months ended March 31 2016
Revenues		$ 50,000
Selling		4,654
General and administrative	8	42,304
Operating expenses		46,958
Income tax	10	-
Net income		$ 3,042
Basic and diluted earnings per share		$3
Basic and diluted weighted average number of common shares outstanding		1,000

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

NUVO ENERGY GRID INC.
STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED
(UNAUDITED)
(In Canadian dollars)

	Common Shares	Deficit	Total Equity
As at December 31, 2015	$100	$(15,562)	$(15,462)
Net income	-	3,042	3,042
As at March 31, 2016	$100	$(12,520)	$(12,420)

This accompanying notes are an integral part of this financial statements.

NUVO ENERGY GRID INC.
STATEMENT OF CASH FLOW
(UNAUDITED)
(in Canadian dollars)

		Three months ended March 31
		2016
Operating activities		
Net income	$	3,042
Non-cash working capital items		
Prepaid expenses		(9,189)
Accounts payable and accrued liabilities		1,675
Cash flows from operating activities		(4,472)
Investing activities		
Additions to furniture and equipment		(12,517)
Cash flows from investing activities		(12,517)
Financing activities		
Proceeds from shareholder		(1,085)
Proceeds of loan from shareholder		60,000
Cash flows from financing activities		58,915
Net increase in cash		41,926
Cash at beginning of period		2,198
Cash at end of period	$	44,124

This accompanying notes are an integral part of this financial statements.

1. NATURE OF OPERATIONS

Nuvo Energy Grid Inc. (the "Company" or "Nuvo") incorporated on August 28, 2015 under the laws of the State of Ontario with an office location at 5045 Orbitor Drive, Building 9, Suite 401 Mississauga Ontario L4W 4Y4 Canada. The Company is focused on acquiring companies in the energy efficiency and technology sector.

The financial statements were approved for issue by the Board of Directors on August 17, 2016.

2. BASIS OF PRESENTATION

Statement of Compliance

The financial statements ("financial statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

3. SIGNIFICANT ACCOUNTING POLICIES

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of services.

Financial assets and liabilities

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. The classification of financial assets and liabilities depends on the nature and purpose of the financial assets or liabilities and is determined at the time of initial recognition.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in the statement of operations.

Financial assets and liabilities

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

a) Fair value through profit or loss ("FVTPL") – This category comprises financial assets held for trading and assets designated upon initial recognition as FVTPL. Financial assets held for trading are acquired or incurred principally for the purpose of selling or repurchasing in the near term. On initial recognition it is part of a portfolio of identifiable financial instruments managed together for which there is evidence of a recent pattern of short-term profit taking, or a derivative (excluding a derivative used for hedging). FVTPL are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of comprehensive loss for the year.

b) Loans and receivables – Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's trade and other receivables are of short term nature and their fair values approximate their carrying values and are included in current assets. Loans and receivables are recognized initially at the amount expected to be received, less, when material, a discount to reduce loans and receivables to fair value. Subsequently, loans and receivable are measured at initial measurement less any allowance for doubtful accounts.

c) Held-to-maturity investments – Non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, the amount of the impairment loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the Company's original effective interest rate. The impairment losses are recognized in the statement of comprehensive loss.

d) Available-for-sale – Non-derivative financial assets designated as available-for-sale and financial assets that are not classified as loans and receivables, held to maturity investments or FVTPL. Available-for-sale are carried at fair value with changes in fair value recognized in other comprehensive income. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment other than temporary, the amount of the loss is removed from the other comprehensive income and recognized in the statement of comprehensive loss.

All financial assets except for those recorded at fair value through profit or loss and as available-for-sale are subject to review for impairment. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired.

Financial liabilities

The Company classifies its financial liabilities into one of two categories depending on the purpose for which the liability was assumed. The Company's accounting policy for each category is as follows:

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets and liabilities (continued)

Financial liabilities (continued)

a) FVTPL – This category comprises financial liabilities held for trading and liabilities designated upon initial recognition as FVTPL. FVTPL liabilities are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of comprehensive loss for the period.

b) Other financial liabilities – All other financial liabilities except financial liabilities FVTPL.

The Company's financial instruments consist of the following:

Financial Instrument	Classification	Measurement
Cash	FVTPL	Fair value
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Due to shareholder and Loan from Shareholder	Other financial liabilities	Amortized cost

Cash is classified as Level 1 and is recorded at fair value in the statement of financial position.

The fair value of, accounts payable and accrued liabilities, due to shareholder and loan from shareholder, approximates their carrying values due to their short-term nature.

Classification of financial instruments

IFRS 7, *Financial instruments: disclosures,* establishes a fair value hierarchy that reflects the significance of inputs in measuring fair value as the following:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 –inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices); and

Level 3 – inputs for the assets or liability that are not based on observable market data (unobservable inputs).

The classification of a financial instrument in the fair value hierarchy is based upon the lowest level of input that is significant to the measurement of fair value.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts that are reported in the financial statements and accompanying note disclosures. Although these estimates and assumptions are based on management's best knowledge of current events, actual results may be different from the estimates. Estimates and assumptions are used when accounting for the value of long term investments.

The Company reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utilization of the assets.

Furniture and equipment is stated at cost less accumulated depreciation and impairment losses. Amortization of furniture and equipment is recorded on a declining balance basis.

4. LONG TERM INVESTMENTS

On October 5, 2015, a consulting agreement with Ghana Energy One ("project") was assigned to Nuvo, which entitles the Company to have a 4% interest in the project. The project is approximately 157 Megawatts in total size and is to be located in the Ashanti region of Ghana. The project is in the final stages of development and is anticipated to begin construction in 2016. The project will have a long term Power Purchase Agreement (PPA) with the Government of Ghana for a period of 20 years. The balance $1 is a nominal value to represent the investment.

5. DUE TO SHAREHOLDER

Due to shareholder is unsecured, non-interest bearing and due on demand. The shareholder has agreed not to demand repayment prior to January 1, 2017.

6. LOAN FROM SHAREHOLDER

Loan from shareholder is unsecured, interest bearing at 3% per annum and due on demand. The shareholder has agreed not to demand repayment prior to January 1, 2018.

7. COMMON STOCK

The Company is authorized to issue an unlimited number of common shares. On August 28, 2015, the Company issued 1000 common shares at a total consideration of $100.

(in Canadian dollars)

8. GENERAL AND ADMINISTRATIVE

General and administrative expenses are comprised as follows:

	For the three months ended March 31, 2016
Professional fees	$ 28,778
Office and general	3,987
Interest and bank charges	67
Vehicle	338
Rent	7,997
Telecommunications	530
Travel	607
Total	**$ 42,304**

9. COMMITMENT

On January 21, 2016, Nuvo entered into a commercial office lease with MP Development Ltd. The term of the lease is two years and the scheduled payment for next two years is presented below:

2016	$ 17,670
2017	$ 19,530

10. TAX

The Company has deferred tax assets of approximately $4,000 resulting from the non-capital tax loss carryforward of $15,429 as of December 31, 2015. The company has recorded an allowance for 100% of this asset. There were no differences between accounting and taxable income.

11. SUBSEQUENT EVENT

Reverse Take Over ("RTO")

On August 9, 2016 Kontrol Energy Corp. (formerly Arrowhead Gold Corp.) announced the completion of its reverse take-over transaction, pursuant to which it acquired all of the issued and outstanding shares of Nuvo;

On July 7, 2016 Arrowhead Gold Corp. consolidated its issued and outstanding common shares on the basis of one post-consolidated common share for every six pre-consolidated common shares held, and changed its name from "Arrowhead Gold Corp" to "Kontrol Energy Corp.";

On July 8, 2016 Kontrol Energy Corp. acquired all of the outstanding shares of Nuvo in exchange for 13,250,000 post-consolidated shares. As a result, Nuvo became a wholly owned subsidiary of Kontrol Energy Corp.

Acquisition of Kontrol Technologies Inc.

In June 2016, Nuvo acquired 100% of the issued and outstanding common shares of Kontrol Technologies Inc.

Kontrol Technolgies Inc. provides customers with market-based energy solutions designed to reduce their overall cost of energy while providing a corresponding reduction in Green House Gas (GHG) emissions.

Nuvo and Kontrol Technologies Inc. management teams have extensive experience in providing Energy Retrofits, Distributed Generation Infrastructure and Energy Analytics Technology. The Company's solutions aim to deliver immediate financial savings and sustainable energy benefits, with the ability to monitor and modify energy consumption and demand in real-time.

APPENDIX D

Nuvo's audited financial statements for the period from Nuvo's incorporation on August 28, 2015 to December 31, 2015

NUVO ENERGY GRID INC.

FINANCIAL STATEMENTS
FOR THE PERIOD FROM AUGUST 28, 2015 (DATE OF INCORPORATION)
TO DECEMBER 31, 2015
(Prepared in Canadian dollars)

NUVO ENERGY GRID INC.
FINANCIAL STATEMENTS
FOR THE PERIOD FROM AUGUST 28, 2015 (DATE OF INCORPORATION)
TO DECEMBER 31, 2015

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FINANCIAL STATEMENTS

KRESTON
GTA

INDEPENDENT AUDITORS' REPORT

To the Shareholders of

Nuvo Energy Grid Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Nuvo Energy Grid Inc., which comprise the statement of financial position as at December 31, 2015 and August 28, 2015, and the statement of operations, comprehensive loss and deficit and cash flows for the period August 28, 2015 to December 31, 2015, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Financial Reporting Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Nuvo Energy Grid Inc. as at December 31, 2015 and August 28, 2015, and its financial performance and its cash flow for the period August 28, 2015 to December 31, 2015 in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 in the financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Nuvo Energy Grid Inc.'s ability to continue as a going concern.

Kreston GTA LLP

Licensed Public Accountants
March 8, 2016
Markham, Canada

NUVO ENERGY GRID INC.
STATEMENTS OF FINANCIAL POSITION
AS AT
(in Canadian dollars)

	DECEMBER 31, 2015	AUGUST 28, 2015
Assets		
Current Assets		
Cash	$ 2,198	$ 100
Prepaid expenses and other assets	7,850	-
Total Current Assets	10,048	100
Non-current Assets		
Long term investments (note 4)	1	-
Total Non-current Assets	1	-
Total Assets	$ 10,049	$ 100
Liabilities and Equity		
Current Liabilities		
Accounts payable and accrued liabilities	11,227	-
Total Current Liabilities	11,227	-
Non-current Liabilities		
Due to shareholder (note 5)	14,284	-
Total Non-current Liabilities	14,284	-
Total Liabilities	25,511	-
Equity		
Common stock (note 6)	100	100
Deficit	(15,562)	-
Total Equity	(15,462)	100
Total Liabilities and Equity	$ 10,049	$ 100

Approved on Behalf of the Board

Director

NUVO ENERGY GRID INC.
STATEMENT OF COMPREHENSIVE LOSS AND DEFICIT
FOR THE PERIOD FROM AUGUST 28, 2015 (DATE OF INCORPORATION) TO DECEMBER 31, 2015
(in Canadian dollars)

Operating expenses		
Selling		133
General and administrative (note 7)		15,429
Total operating expenses		15,562
Loss from operations		(15,562)
Loss before income taxes		(15,562)
Income tax		-
Net loss		(15,562)
Other comprehensive income		-
Comprehensive loss	$	(15,562)
Basic and diluted loss per share	$	(16)
Basic and diluted weighted average number of common shares outstanding		1,000
Deficit at beginning of period	$	-
Deficit at end of period	$	(15,562)

NUVO ENERGY GRID INC.
STATEMENT OF CASH FLOW
FOR THE PERIOD FROM AUGUST 28, 2015 (DATE OF INCORPORATION) TO DECEMBER 31, 2015
(in Canadian dollars)

CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	$	(15,562)
Item not involving cash:		
Assignment of agreement (note 4)		(1)
		(15,563)
Prepaid expenses and other assets		(7,850)
Accounts payable and accrued liabilities		11,227
Net changes in working capital accounts		3,377
NET CASH USED IN OPERATING ACTIVITIES		**(12,186)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from shareholder		14,284
Issuance of common shares		100
NET CASH FROM FINANCING ACTIVITIES		**14,384**
NET INCREASE IN CASH FOR THE PERIOD		**2,198**
CASH, BEGINNING OF PERIOD		**-**
CASH, END OF PERIOD	**$**	**2,198**

This accompanying notes are an integral part of this financial statements.

1. NATURE OF OPERATIONS

Nuvo Energy Grid Inc. (the "Company" or "Nuvo") incorporated on August 28, 2015 under the laws of the State of Ontario with an office location at 5045 Orbitor Drive, Building 9, Suite 401 Mississauga Ontario L4W 4Y4 Canada. The Company is focused on acquiring companies in the energy efficiency and technology sector.

The financial statements were approved for issue by the Board of Directors on March 8, 2016.

2. BASIS OF PRESENTATION

Statement of Compliance

The financial statements ("financial statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. These are the Company's first financial statements prepared in accordance with IFRS. The statement of comprehensive loss and deficit includes the operations of the company for the period from August 28, 2015 to December 31, 2015.

The Company's date of transition to IFRS and its opening IFRS statement of financial position are as at August 28, 2015 (the "Transition Date"). An explanation of how the transition to IFRS on the Transition Date has affected the reported financial position and financial performance of the Company is not provided, as the transition doesn't have significant effects on equity or other accounts.

Going Concern

The financial statements have been prepared on a going concern basis. The going concern basis of presentation assumes that the company will continue operations for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of operation.

The Company has incurred a net loss of $15,562 for the period ended December 31, 2015, accumulated deficit of $15,562 from inception and working capital deficiency (defined as current assets less current liabilities) of $1,179 as at December 31, 2015. This casts significant doubt on the Company's ability to continue as a going concern unless it can generate net profit and raise adequate financing.

These financial statements do not include any adjustments relating to the recoverability and classification of asset or liabilities that might be necessary should the Company be unable to continue in existence. These adjustments could be material.

3. SIGNIFICANT ACCOUNTING POLICIES

Financial assets and liabilities

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. The classification of financial assets and liabilities depends on the nature and purpose of the financial assets or liabilities and is determined at the time of initial recognition.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in the statement of operations.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets and liabilities (continued)

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

a) Fair value through profit or loss ("FVTPL") – This category comprises financial assets held for trading and assets designated upon initial recognition as FVTPL. Financial assets held for trading are acquired or incurred principally for the purpose of selling or repurchasing in the near term. On initial recognition it is part of a portfolio of identifiable financial instruments managed together for which there is evidence of a recent pattern of short-term profit taking, or a derivative (excluding a derivative used for hedging). FVTPL are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of comprehensive loss for the year.

b) Loans and receivables – Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's trade and other receivables are of short term nature and their fair values approximate their carrying values and are included in current assets. Loans and receivables are recognized initially at the amount expected to be received, less, when material, a discount to reduce loans and receivables to fair value. Subsequently, loans and receivable are measured at initial measurement less any allowance for doubtful accounts.

c) Held-to-maturity investments – Non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, the amount of the impairment loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the Company's original effective interest rate. The impairment losses are recognized in the statement of comprehensive loss.

d) Available-for-sale – Non-derivative financial assets designated as available-for-sale and financial assets that are not classified as loans and receivables, held to maturity investments or FVTPL. Available-for-sale are carried at fair value with changes in fair value recognized in other comprehensive income. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment other than temporary, the amount of the loss is removed from the other comprehensive income and recognized in the statement of comprehensive loss.

All financial assets except for those recorded at fair value through profit or loss and as available-for-sale are subject to review for impairment. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired.

Financial liabilities

The Company classifies its financial liabilities into one of two categories depending on the purpose for which the liability was assumed. The Company's accounting policy for each category is as follows:

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets and liabilities (continued)

Financial liabilities (continued)

a) FVTPL – This category comprises financial liabilities held for trading and liabilities designated upon initial recognition as FVTPL. FVTPL liabilities are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of comprehensive loss for the period.

b) Other financial liabilities – All other financial liabilities except financial liabilities FVTPL.

The Company's financial instruments consist of the following:

Financial Instrument	Classification	Measurement
Cash	FVTPL	Fair value
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Due to shareholder	Other financial liabilities	Amortized cost

As at December 31, 2015, cash is classified as Level 1 and is recorded at fair value in the statement of financial position.

The fair value of, accounts payable and accrued liabilities and due to shareholder, approximates their carrying values due to their short-term nature.

Classification of financial instruments

IFRS 7, *Financial instruments: disclosures,* establishes a fair value hierarchy that reflects the significance of inputs in measuring fair value as the following:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 –inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices); and

Level 3 – inputs for the assets or liability that are not based on observable market data (unobservable inputs).

The classification of a financial instrument in the fair value hierarchy is based upon the lowest level of input that is significant to the measurement of fair value.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts that are reported in the financial statements and accompanying note disclosures. Although these estimates and assumptions are based on management's best knowledge of current events, actual results may be different from the estimates. Estimates and assumptions are used when accounting for the value of long term investments.

Key Area of Judgement

Going Concern

The Company applied judgment in evaluating the going concern assumption and disclosure. The Company prepares a budget to determine its future cash needs and considers future sources of financing.

4. LONG TERM INVESTMENTS

On October 5, 2015, a consulting agreement with Ghana Energy One ("project") was assigned to Nuvo, which entitles the Company to have a 4% interest in the project. The project is approximately 157 Megawatts in total size and is to be located in the Ashanti region of Ghana. The project is in the final stages of development and is anticipated to begin construction in early 2016. The project will have a long term Power Purchase Agreement (PPA) with the Government of Ghana for a period of 20 years. The balance $1 is a nominal value to represent the investment.

5. DUE TO SHAREHOLDER

Due to shareholder is unsecured, non-interest bearing and due on demand. The shareholder has agreed not to demand repayment prior to January 1, 2017.

6. COMMON STOCK

The Company is authorized to issue an unlimited number of common shares. On August 28, 2015, the Company issued 1,000 common shares at a total consideration of $100.

(in Canadian dollars)

7. GENERAL AND ADMINISTRATIVE

General and administrative expenses are comprised as follows:

	The period August 28, 2015 to December 31, 2015
Professional fees	$ 11,783
Office and general	1,260
Interest and bank charges	50
Vehicle	75
Telecommunications	139
Travel	2,122
Total	**$ 15,429**

8. COMMITMENT

On January 21, 2016, Nuvo entered into a commercial office lease with MP Development Ltd. The term of the lease is two years and the scheduled payment for next two years is presented below:

2016	$ 17,670
2017	$ 19,530

9. TAX

The Company has deferred tax assets of approximately $4,000 resulting from the non-capital tax loss carryforward of $15,429 as of December 31, 2015. The Company has recorded an allowance for 100% of this asset. There were no differences between accounting and taxable income.

10. SUBSEQUENT EVENT

Reverse Take Over ("RTO") with Arrowhead Gold Corporation

On December 15, 2015, Nuvo entered into an agreement of purchase and sale with Arrowhead Gold Corporation, whereby, subject to the final approval of the Canadian Securities Exchange ("CSE"), Nuvo will sell 100% of its issued and outstanding common shares to Arrowhead Gold Corporation and Arrowhead Gold Corporation would issue 13,250,000 shares to Nuvo shareholders. The transaction constitutes a RTO.

Acquisition of Kontrol Technologies Inc.

On February 23, 2016, Nuvo entered into a definitive purchase and sale agreement to acquire 100% of the issued and outstanding common shares of Kontrol Technologies Inc. Nuvo will issue common shares to the shareholders of Kontrol. The transaction is conditional on the CSE approval of the RTO with Arrowhead Gold Corporation. This is a concurrent transaction to the Arrowhead Gold Corporation and Nuvo RTO.

Loan Agreement

On January 1, 2016, Nuvo entered into a loan agreement with the Ghezzi Family Trust, related to Nuvo through influence of a shareholder, for a working capital loan of $50,000. The loan is repayable in one year and bears interest at 3% annually and is unsecured. The loan can be renewed at maturity based on mutual agreement between the Ghezzi Family Trust and Nuvo.

APPENDIX E

Kontrol Technologies Inc. audited financial statements for the year ended December 31, 2015

KONTROL TECHNOLOGIES INC.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Prepared in Canadian dollars)

KONTROL TECHNOLOGIES INC.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
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KRESTON
GTA

INDEPENDENT AUDITORS' REPORT

To the Shareholders of

Kontrol Technologies Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Kontrol Technologies Inc., which comprise the statement of financial position as at December 31, 2015 and January 1, 2015, and the statement of operations, comprehensive Income and retained earnings, changes in equity and cash flow for the year ended December 31, 2015, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Financial Reporting Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Kontrol Technologies Inc. as at December 31, 2015 and January 1, 2015, and its financial performance and its cash flow for the year ended December 31, 2015 in accordance with International Financial Reporting Standards.

Kreston GTA LLP

Licensed Public Accountants
March 8, 2016
Markham, Canada

KONTROL TECHNOLOGIES INC.
STATEMENTS OF FINANCIAL POSITION
AS AT
(in Canadian dollars)

	DECEMBER 31, 2015	JANUARY 1, 2015
Assets		
Current Assets		
Cash	$ 39	$ 25
Trade and other accounts receivable	7,985	-
Total Assets	$ 8,024	$ 25
Liabilities and Equity		
Current Liabilities		
Accounts payable and accrued liabilities	1,541	-
Due to shareholder (note 4)	2,475	-
Total Liabilities	4,016	-
Equity		
Share capital (note 5)	25	25
Retained earnings	3,983	-
Total Equity	4,008	25
Total Liabilities and Equity	$ 8,024	$ 25

Approved on Behalf of the Board

Director

KONTROL TECHNOLOGIES INC.
STATEMENT OF COMPREHENSIVE INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 2015
(in Canadian dollars)

Sales	$ 323,707
Cost of sales	220,729
Gross profit	102,978
Operating expenses	
Selling	23,927
General and administrative (note 6)	75,068
Total operating expenses	98,995
Income before income taxes	3,983
Income tax	-
Net earnings	3,983
Other comprehensive income	-
Comprehensive income	$ 3,983
Basic and diluted earnings per share	$ 80
Basic and diluted weighted average number of common shares outstanding	50
Retained earnings beginning of year	$ -
Retained earnings end of year	$ 3,983

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

KONTROL TECHNOLOGIES INC.
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015
(in Canadian dollars)

CASH FLOWS FROM OPERATING ACTIVITIES	
Net Income for the period	$ 3,983
Trade and other accounts receivable	(7,985)
Accounts payable and accrued liabilities	1,541
Net changes in working capital accounts	(6,444)
NET CASH USED IN OPERATING ACTIVITIES	(2,461)
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from shareholder	2,475
NET CASH FROM FINANCING ACTIVITIES	2,475
NET INCREASE IN CASH FOR THE YEAR	14
CASH, BEGINNING OF YEAR	25
CASH, END OF YEAR	$ 39

1. NATURE OF OPERATIONS

Kontrol Technologies Inc. (the "Company" or "Kontrol") incorporated on March 16, 2012 under the laws of the State of Ontario with a registered location at 5045 Orbitor Drive, Building 9, Suite 401 Mississauga Ontario L4W 4Y4 Canada. The Company is focused on providing energy efficiency solutions through electrical retrofit services on existing buildings.

The financial statements were approved for issue by the Board of Directors on March 8, 2016.

2. BASIS OF PRESENTATION

Statement of Compliance

The financial statements ("financial statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. These are the Company's first financial statements prepared in accordance with IFRS. The statement of comprehensive Income includes the operations of the company for the year ended December 31, 2015.

The Company's date of transition to IFRS and its opening IFRS statement of financial position are as at January 1, 2015 (the "Transition Date"). An explanation of how the transition to IFRS on the Transition Date has affected the reported financial position and financial performance of the Company is not provided, as the transition doesn't have significant effects on equity or other accounts.

3. SIGNIFICANT ACCOUNTING POLICIES

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sale of Goods

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Company; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering Of Services

Revenue from a contract to provide services such as installation is recognized by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- servicing fees included in the products sold are recognised by reference to the proportion of the total cost of providing the service; and
- revenue from time and material contracts is recognised at the contractual rates as labour hours and direct expenses as incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets and liabilities

Financial assets and financial liabilities are recognized when the company becomes a party to the contractual provisions of the instrument. The classification of financial assets and liabilities depends on the nature and purpose of the financial assets or liabilities and is determined at the time of initial recognition.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the consolidated statement of operations.

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

a) Fair value through profit or loss ("FVTPL") – This category comprises financial assets held for trading and assets designated upon initial recognition as FVTPL. Financial assets held for trading are acquired or incurred principally for the purpose of selling or repurchasing in the near term. On initial recognition it is part of a portfolio of identifiable financial instruments managed together for which there is evidence of a recent pattern of short-term profit taking, or a derivative (excluding a derivative used for hedging). FVTPL are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of comprehensive loss for the year.

b) Loans and receivables – Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's trade and other receivables are of short term nature and their fair values approximate their carrying values and are included in current assets. Loans and receivables are recognized initially at the amount expected to be received, less, when material, a discount to reduce loans and receivables to fair value. Subsequently, loans and receivable are measured at initial measurement less any allowance for doubtful accounts.

c) Held-to-maturity investments – Non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, the amount of the impairment loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the Company's original effective interest rate. The impairment losses are recognized in the statement of comprehensive loss.

d) Available-for-sale – Non-derivative financial assets designated as available-for-sale and financial assets that are not classified as loans and receivables, held to maturity investments or FVTPL. Available-for-sale are carried at fair value with changes in fair value recognized in other comprehensive income. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment other than temporary, the amount of the loss is removed from the other comprehensive income and recognized in the statement of comprehensive loss.

All financial assets except for those recorded at fair value through profit or loss and as available-for-sale are subject to review for impairment. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets and liabilities (Continued)

Financial liabilities

The Company classifies its financial liabilities into one of two categories depending on the purpose for which the liability was assumed. The Company's accounting policy for each category is as follows:

a) FVTPL – This category comprises financial liabilities held for trading and liabilities designated upon initial recognition as FVTPL. FVTPL liabilities are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of comprehensive loss for the period.

b) Other financial liabilities – All other financial liabilities except financial liabilities FVTPL.

The Company's financial instruments consist of the following:

Financial Instrument	Classification	Measurement
Cash	FVTPL	Fair value
Trade and other accounts receivables	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost

As at December 31, 2015, cash is classified as Level 1 and is recorded at fair value in the statement of financial position.

The fair value of, trade and other accounts receivables, and accounts payable and accrued liabilities, approximates their carrying values due to their short-term nature.

Classification of financial instruments

IFRS 7, *Financial instruments: disclosures,* establishes a fair value hierarchy that reflects the significance of inputs in measuring fair value as the following:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 –inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices); and

Level 3 – inputs for the assets or liability that are not based on observable market data (unobservable inputs).

The classification of a financial instrument in the fair value hierarchy is based upon the lowest level of input that is significant to the measurement of fair value.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of estimates

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts that are reported in the financial statements and accompanying note disclosures. Although these estimates and assumptions are based on management's best knowledge of current events, actual results may be different from the estimates. Estimates and assumptions are used when accounting for the recognition of revenue.

4. DUE TO SHAREHOLDER

Due to shareholder is unsecured, non-interest bearing and due on demand.

5. SHARE CAPITAL

The Company is authorized to issue an unlimited number of common shares. On March 16, 2012, the Company issued 50 common shares for proceeds of $25.

6. GENERAL AND ADMINISTRATIVE

General and administrative expenses are comprised as follows:

	Year Ended December 31, 2015
Salaries and benefits	$ 43,875
Professional fees	25,972
Office and general	663
Interest and bank charges	317
Vehicle	1,266
Telecommunications	515
Insurance	885
Repairs and maintenance	300
Meals and entertainment	1,275
Total	**$ 75,068**

7. TAX

The Company has no deferred tax assets or liability as of December 31, 2015. There were no differences between accounting and taxable income.

8. SUBSEQUENT EVENTS

Acquisition by Nuvo Energy Grid Inc.

On February 23, 2016, Kontrol entered into a definitive purchase and sale agreement to sell 100% of the issued and outstanding common shares. Nuvo Energy Grid Inc. ("Nuvo") will issue common shares to the shareholders of Kontrol. The transaction is conditional on the Canadian Securities Exchange ("CSE") approval of the RTO with Arrowhead Gold Corporation. This is a concurrent transaction to the Arrowhead Gold Corporation and Nuvo RTO.

APPENDIX F

Proforma consolidated financial statements as at December 31, 2015

Kontrol Energy Corp.

(formerly Arrowhead Gold Corp.)

PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(Expressed in Canadian dollars)

As at December 31, 2015

KONTROL ENERGY CORP.

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Unaudited)
(Expressed in Canadian dollars)
AS AT DECEMBER 31, 2015

	Nuvo 12/31/15	Kontrol 12/31/15	Notes	Adjustments	Nuvo Consolidated	Issuer 11/30/15	Notes	Pro Forma adjustments	Pro Forma Consolidated
	$	$		$	$	$		$	$
ASSETS									
Current assets									
Cash	2,198	39			2,237	46,619	4b	50,000	98,856
Receivables		7,985			7,985	29,609			37,594
Prepaid expenses	7,850				7,850				7,850
Other						4,000			4,000
Total current assets	10,048	8,024			18,072	80,228			148,300
Non-current assets									
Other	1				1				1
Total non-current assets	1	0			1	0			1
Total assets	10,049	8,024			18,073	80,228			148,301
LIABILITIES AND SHAREHOLDERS' EQUITY									
Current liabilities									
Accounts payables	11,227	1,541			12,768	59,057			71,825
Due to shareholder		2,475			2,475				2,475
Total Current liabilities	11,227	4,016			15,243	59,057			74,300
Non-Current Liabilities									
Due to shareholder	14,284				14,284		4b	50,000	64,284
Total Liabilities	25,511	4,016			29,527	59,057			138,584
Equity									
Share Capital	100	25	4a	(25)	108	17,424,645	4c	(17,424,645)	139,711
			4a	8			4c	139,603	
Reserves						1,615,981	4c	(1,615,981)	0
Retained earnings / (Deficit)	(15,562)	3,983	4a	(3,983)	(11,562)	(19,019,455)	4c	19,019,455	(129,994)
			4a	4,000			4c	(118,432)	
Total equity	(15,462)	4,008			(11,454)	21,171			9,717
Total liabilities and shareholders' equity	10,049	8,024			18,073	80,228			148,301

The accompanying notes are an integral part of these pro forma consolidated financial statements.

KONTROL ENERGY CORP.
PRO FORMA CONSOLIDATED STATEMENT OF LOSS AND COMPREHENSIVE LOSS
(Unaudited)
(Expressed in Canadian dollars)
FOR THE YEAR ENDED DECEMBER 31, 2015

	Nuvo 12/31/15 $	Kontrol 12/31/15 $	Issuer 11/30/15 $	Notes	Adjustments	Pro Forma Consolidated $
Sales		323,707				323,707
Cost of Sales		220,729				220,729
Gross Profit		102,978				102,978
Operating expenses						
Selling	133	23,927				24,060
General and administrative	15,429	75,068	111,591			202,088
Total operating expenses	15,562	98,995	111,591			226,148
Loss before other items	(15,562)	3,983	(111,591)			(123,170)
Gain on settlement of debt			268,900			268,900
Bargain purchase gain from acquisition				4a	4,000	4,000
Listing expense				4c	(118,432)	(118,432)
Property and receivable write-downs			(2,514,574)			(2,514,574)
Realized loss on marketable securities			(398,847)			(398,847)
Unrealized gain on marketable securities			16,650			16,650
Net loss and comprehensive loss for the year	**(15,562)**	**3,983**	**(2,739,462)**		**(114,432)**	**(2,865,473)**
Basic and diluted loss per share						**(0.17)**

The accompanying notes are an integral part of these pro forma consolidated financial statements.

(Expressed in Canadian dollars)

1. Basis of preparation

The unaudited Pro Forma Consolidated Financial Statements have been prepared by management to show the effect of the proposed acquisition (the "transaction" or "acquisition") by Arrowhead Gold Corp. ("Arrowhead" or the "Issuer") of the shares of Nuvo Energy Grid Inc. ("Nuvo") on the basis of the assumptions and adjustments made by management as described in Note 4.

The unaudited Pro Forma Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards and have been compiled from information derived from the unaudited interim financial statements of Arrowhead as at November 30, 2015, the audited financial statements of Nuvo as at December 31, 2015, and the audited financial statements of Kontrol Technologies Inc. ("Kontrol") as at December 31, 2015.

The unaudited Pro Forma Consolidated Financial Statements are not intended to reflect the financial position of the Issuer on the date of the completion of the proposed acquisition of Nuvo.

The unaudited Pro Forma Consolidated Financial Statements should be read in conjunction with the financial statements of Arrowhead, Nuvo and Kontrol, and other disclosure of the Issuer in respect of the proposed acquisition transaction.

Completion of the transaction is subject to a number of conditions including, but not limited to approval by the shareholders of Arrowhead and the Canadian Securities Exchange ("CSE").

2. The Transaction

The unaudited Pro Forma Consolidated Statement of Financial Position gives effect to Arrowhead's acquisition of Nuvo, and Nuvo's acquisition of Kontrol, as the related matters described below had occurred on December 31, 2015. In this regard Nuvo will have acquired all of the issued shares of Kontrol such that Kontrol became a wholly-owned subsidiary of Nuvo; and Arrowhead will have acquired all of the issued shares of Nuvo such that Nuvo became a wholly-owned subsidiary of the Issuer.

Nuvo, concurrently with the completion of the Issuer's acquisition of Nuvo, acquired all of the issued and outstanding shares of Kontrol from the shareholders thereof, in exchange for 80 common shares of Nuvo at a price per share of $0.10 for total consideration of $8.

The acquisition of Kontrol is accounted for under the acquisition method for business combinations. Any excess of the purchase price over the fair value of net assets acquired is recognized as goodwill. The negative goodwill resulting in the acquisition of Kontrol is recorded to accumulated Deficit.

The net assets of Kontrol are included at their fair value.

Consideration transferred	$8
Net assets acquired	
Cash	39
Accounts receivable	7,985
Accounts payable	(1,541)
Due to shareholder	(2,475)
	4,008
Bargain purchase gain from acquisition	$(4,000)

The acquisition of Kontrol resulted in a bargain purchase as the fair value of the assets acquired and liabilities assumed exceeded the total fair value of consideration transferred. The amount of the gain is recorded as income in the pro forma consolidated statement of loss and comprehensive loss (see Note 4(a)).

(Expressed in Canadian dollars)

3. Reverse Takeover

The Acquisition reflects a share consolidation on the basis of one new Share for every six old Shares (such that the number of outstanding Shares of Arrowhead was decreased from 20,940,494 Shares to 3,490,082 Shares).

Arrowhead issued a total of 13,250,000 common shares to the shareholders of Nuvo in consideration for acquiring the shares of Nuvo.

Upon closing of the Acquisition there being 16,740,082 shares outstanding.

In accordance with IFRS 3, Business Combinations, the substance of the transaction was a reverse acquisition of a non-operating company. As a result of the RTO, the Pro Forma Consolidated Statement of Financial Position has been adjusted for Share Capital, Reserves, and accumulated Deficit within Shareholders' Equity.

4. Pro Forma assumptions and adjustments

(a) Nuvo, acquired all of the issued and outstanding shares of Kontrol from the shareholders thereof, in exchange for 80 common shares of Nuvo at a price per share of $0.10 for total consideration of $8. The net assets of Kontrol are included at their fair value of $4,008. Negative goodwill is recorded to accumulated Deficit

(b) Loan from Nuvo shareholder in the amount of $50,000. The Loan is unsecured, non-interest bearing and due on demand. The NUVO shareholder has agreed not to demand repayment prior to January 1, 2017.

(c) Arrowhead issued a total of 13,250,000 common shares to the shareholders of Nuvo in consideration for acquiring their shares of Nuvo. The Arrowhead shares are issued using a fair value of $0.04 per share, or $139,603. As a result of the acquisition, the Company has recorded a Listing expense as follows:

Fair value of Arrowhead shares	$139,603
Net assets acquired	
Cash	46,619
Accounts receivable	29,609
Marketable securities	4,000
Accounts payable	(59,057)
	21,171
Listing expense	$118,432

Fair value of Arrowhead shares	
Arrowhead pre-acquisition shares	20,940,494
Arrowhead consolidation (6:1)	(17,450,412)
Number of post-consolidation Arrowhead shares	3,490,082
Share value determined to be $0.04	$139,603

(Expressed in Canadian dollars)

5. The Pro Forma Consolidated Statement of Loss and Comprehensive Loss

The pro forma consolidated statement of loss and comprehensive loss is based on the following reporting periods:

i. the audited financial statements of Arrowhead for the fiscal year ended August 31, 2015, determined for the nine month period from December 1, 2014 to August 31, 2015; plus, the three month period from September 1, 2015 to November 30, 2015 based on Arrowhead's quarterly financial statements for such period;
ii. the audited financial statements of Nuvo for the period ended December 31, 2015; and
iii. the audited financial statements of Kontrol for the fiscal year ended December 31, 2015.

6. Pro Forma Share Capital

The table below reconciles the outstanding common shares of the Issuer upon completion of the transaction:

	Number of Shares
Arrowhead pre-acquisition shares	20,940,494
Arrowhead consolidation (6:1)	(17,450,412)
Share exchange to acquire Nuvo	13,250,000
Total	16,740,082
Share Capital	**$139,711**

7. Income Taxes

The pro forma effective tax rate for December 31, 2015 is nil. There is no tax effect of pro forma adjustments related to Arrowhead and Kontrol because both entities have net deferred income tax assets which have not been recognized due to uncertainty as to whether those assets will be realized.