

**CGE ENERGY, INC.**

CGE ENERGY, INC.  
AND  
SUBSIDIARY CLEAN GREEN ENERGY INC.

**CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE NINE MONTHS ENDED  
JUNE 30, 2017**

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**CGE Energy, Inc.  
and  
Subsidiary Clean Green Energy, Inc.**

**Consolidated Financial Statements  
For the nine months ended June 30, 2017**

**Officers Certificate**

I, the undersigned, Bryan Zaplitny, CEO of CGE Energy, Inc and its wholly owned subsidiary, Clean Green Energy, Inc. (collectively, the "Companies"), hereby certify that the accompanying balance sheet as of June 30, 2017 and the statement of income for the nine months ended June 30, 2017, have been compiled from figures shown in the records of the companies and fairly represent the results of operations of the Companies for the periods presented. The statements include certain Non-GAAP adjustments as indicated in Note A.

This report is intended solely for the use of the Companies and should not be used for any other purpose.

**/s/ Bryan Zaplitny**  
President/CEO  
CGE Energy, Inc.

Brighton, Michigan  
November 28, 2017

## **MANAGEMENT'S DISCUSSION COMPANY ORIGINS**

Each startup has an origins story. CGE Energy has been a story about ingenuity, drive and commitment. CGE Energy has a higher calling— a larger purpose to make a difference. But for a small company like ours, scaling the business to reach that calling, a team must have the vision, the plan and the resourcefulness to execute when all odds are against them.

### **A Journey Begins**

Going back to 2008, a promising wind turbine technology needed saving. The previous company, McKenzie Bay International, ran into some financial problems as well as issues with their engineering design. Having the foresight that vertical-axis wind turbine technology and distributed generation business models would change the energy landscape, we stepped in to complete the project. Completely redesigned and reengineered, we finished the turbine prototype with groundbreaking techniques and proved all the concepts needed to move onto commercial production. Now we had an uphill battle to face and challenges to overcome— starting with over \$20 Million in assumed debt from McKenzie Bay.

### **A Clean Slate**

In the coming years, the team made calculated steps forward. Unwavering in belief of success, I (Bryan Zaplitny) have personally invested over \$8 Million into the company to date. While it took longer than anticipated, all former liabilities were satisfied. The company now operates virtually debt free. With a clean bill of health, McKenzie Bay merged with us to become the publicly traded CGE Energy, Inc. (CGEI).

In addition to internal investments, a total of \$3.2 Million has been raised from outside investors at various times to help keep wind turbine developments moving forward. Continuously perfecting the design, our engineering team has received multiple patents, with additional international patents pending, for our re-engineered commercial WIND-e20 wind turbine. Foreseeing Burtek Enterprises' (our former WIND-e20 manufacturing partner) closure, we begin discussions with Roush Industries for the next phases of bringing WIND-e20 to market. With assistance from Roush, a 1/10th scale WIND-e20 demonstration unit was fabricated. The CGE and Roush teams are currently working together to build other demonstration units to facilitate pre-sales of the production turbines.

Expanding upon the original model of selling the power the turbines produce, we saw an opportunity to innovate a “sustainability-as-a-service” business model, offering a comprehensive energy solution with no capital cost to the customer. After almost two years of development, this concept went on to become our “CGE Sustain” program.

To complete where this journey began, Sustain contracts are structured to seamlessly accept the installation of WIND-e20 turbines as they are manufactured.

## **MANAGEMENT'S DISCUSSION FUTURE FINANCIAL CONDITION**

The following is management's discussion and analysis of certain significant factors that will affect the financial condition and results of operations of CGE Energy, Inc. (the "Company"). This discussion should be read in conjunction with the Company's historical unaudited Financial Statements — Non-GAAP Basis and the notes thereto included elsewhere in this report. The Company's actual results in the future could differ significantly from the historical results.

Management has separated Pre-merger Retained Deficit and Post-merger Retained Income. Separating the two provides a better indication of the progress the Company has made since the merger. Until early 2017, CGE Energy, Inc. was in the development stage of our Sustain Program model, further development of our WIND•e20® wind turbine, building a 1/10th scale prototype for marketing purposes and creating our customized software for implementing the Sustain Program.

Management believes that, in order to properly understand our short-term and long-term financial and operational trends, investors may wish to consider the impact of certain long-term contracts and intangibles. These items result from facts and circumstances that vary in frequency and impact on continuing operations. Management also uses results of operations before such items to evaluate the operating performance of CGE Energy, Inc. and compare it against past periods, make operating decisions, and serve as a basis for strategic planning. These non-GAAP financial measures provide management with additional means to understand and evaluate the operating results and trends in our ongoing business by including certain long-term revenues streams and other items that management believes might otherwise make comparisons of our ongoing business with prior periods more difficult, obscure trends in ongoing operations, or reduce management's ability to make useful forecasts. Management believes that these non-GAAP financial measures provide additional means of evaluating period-over-period operating performance. In addition, management understands that some investors and financial analysts find this information helpful in analyzing our financial and operational performance and comparing this performance to our peers and competitors.

### **Forward-Looking Statements**

The Company may make forward-looking statements that involve judgments, assumptions and other uncertainties beyond its control. These forward-looking statements may include, among others, statements concerning revenue and cost trends, cost recovery, cost reduction strategies and anticipated outcomes, pricing strategies, changes in the utility industry, planned capital expenditures, financing needs and availability, statements of the Company's expectations, beliefs, future plans and strategies, anticipated events or trends and similar comments concerning matters that are not historical facts. These types of forward-looking statements are based on current expectations and involve a number of known and unknown risks and uncertainties that could cause the actual results and performance of the Company to differ materially from any expected future results or performance, expressed or implied, by the forward-looking statements. Important factors that could cause actual results to differ materially from those expectations include: market-related effects on revenues and other operating uncertainties, uncertainties relating to economic and political conditions and uncertainties regarding the impact of regulations, changes in government policy and competition. The Company undertakes no obligation to update forward-looking statements, whether as a result of new information, future events or otherwise. The foregoing factors should not be construed as exclusive.

## COMPANY OVERVIEW

CGE Energy makes it easy for businesses, local governments and non-profits to receive the benefits of sustainable energy projects with no upfront cost. We look for the very best facilities to work with and turn their wasted energy into immediate and long-term investment returns for us and continuous savings for the customer. By uniquely selling sustainability-as-a-service, our proprietary Sustain business model delivers an exclusive combination of today's best energy efficiency and generation technologies, along with the value of having our flagship WIND-e20 wind turbine at the customer's site and promoting their social responsibility. Financial backing is secured with the goal to create a projected \$2.6 Billion portfolio of recurring revenue, spanning 700 hand-selected projects installed over the next 5-years.

### **The Need**

Each year, commercial and industrial buildings in the United States spend \$400 billion on energy. Unfortunately, 30% of the energy consumed in commercial buildings is wasted due to inefficient equipment. Of the 5.6 million commercial buildings in the U.S., most buildings have not taken action because of many barriers to entry, including lacking access to capital, long returns on investment, complexity and the extended timeframe required to implement energy projects.

Large buildings are in need of a complete integrated solution to reduce their large energy demand, but they have different priorities for their capital. Additionally, there is an immensely underserved group of small to mid size facilities across the U.S., a gap which represents 50% of commercial buildings.

### **Our Solutions**

CGE Energy's team of experts represent decades of experience and leadership within the sustainable energy industry. During the successful implementation of thousands of energy projects for our customers, what we found is there wasn't a good solution in the market that addressed the largest barriers to entry. From the ground up, we developed our proprietary solutions that addresses these needs and makes projects possible.

- The "CGE Sustain" program makes it easy for the customer to receive the benefits of sustainable energy projects with no upfront cost. Sustain includes an exclusive combination of today's best energy efficiency and generation technologies, completely operated and serviced during the program. A Sustain customer's utility bill is reduced each month, energy savings fully pay for the program, and the excess savings go to the customer's bottom line.
- Our proprietary small wind turbine technology, WIND-e20, is an integral component of our 700 integrated projects. Exclusive to our projects, the turbine is a 105-foot centerpiece to a customer's dedication to social responsibility. The patented technology features collapsible blades and is the world's only turbine that can be installed, maintained and removed without a crane. We are currently building 1/10 scale demonstration units with Roush Industries to facilitate pre-sales.

### **Market Opportunity**

- There are 135,000 buildings sized 100,000 square feet or greater in the United States. We are looking to work with the very best of these facilities. The ideal customer relationships that we can bring the greatest benefit to are those with 24-hour operations, large energy use. With 700 projects in this market, we would create a \$2.6 billion revenue stream and is only capturing half of a percent (0.5%) of the market. This market represents a \$391 billion opportunity in the U.S for energy projects.

- There are 2.4 million small to mid-size businesses. 60% lack access to capital. This underserved market represents a \$177 billion opportunity in the U.S for energy projects.
- There are 41,000 local governments with populations under 25,000. This underserved market finds it difficult to get projects done and represents an \$11 billion opportunity in the U.S for energy projects.
- There are 175,000 non-profits (primarily schools and universities). This underserved market represents a \$12 billion opportunity in the U.S for energy projects.

### **Our Business Model**

We have developed a unique, integrated approach that makes our value proposition powerful. Key elements of our business model are:

- **Turnkey Solution** – We effectively and efficiently administer the project development, engineering, as well as product and financial sourcing. Installation and maintenance is outsourced to trusted electrical contractors.
- **Recurring Payments** – Revenue coming in every period on a committed basis is the Holy Grail to survival and growth. Sustain contracts are guaranteed, fixed rate, long-term income streams for 5-25 years. The finance period is typically 3-10 years. We are cash flow positive for the entire contract.

### **Our Growth Strategy**

We plan to achieve our disruptive growth strategy with the following tactics:

- **National Scale** - We intend to invest significantly in sales, marketing, operations and additional personnel to further expand our business and customer base nationally.
- **Sales Offices** - The CGE management team conducted thorough analysis of each state and how a similar energy project would perform in each market. The comparison criteria included but was not limited to the average commercial kWh rate, wind and solar potential, utility rebates and incentives available, net metering and regulatory, number of commercial facilities per square mile, prevailing labor rates, local competition and cost of doing business. Based on this data, we are taking steps to establish sales offices in the following locations:
  - U.S. Headquarters
    - Michigan; Servicing Michigan and Ohio;
  - Proposed Sales Office Locations
    - Northeast; Servicing Massachusetts, Connecticut, New Hampshire, Rhode Island;
    - California; Servicing California;
    - Upper Peninsula; Servicing Michigan Upper Peninsula;
    - Hawaii; Servicing Hawaii
- **Electrical Contractor Affiliates** – Small electrical contractors (annual sales of under \$1 million) want to focus on performing electrical work. As affiliate partners, we bring value by handling all engineering, product sourcing at scale and funding. The electrical contractors get the installation work, ongoing maintenance retainer and a commission. There are 70,000 electrical contractors in the U.S who could grow their businesses with CGE Sustain, while bringing us new sales.

- **Marketing** - Using a mix of proven business-to-business marketing tactics (targeted digital ads, email, direct mail) as well as outsourced lead generation, we keep a full pipeline of qualified sales leads.
- **International Opportunity** - North America is only 17% of the world's energy usage. With higher energy costs, there is great international opportunity that we intend to target in the future.
- **Focus on Customer Experience and Social Responsibility** - We are dedicated to social responsibility. Our guiding principle is "Power to Make a Difference". Making a difference in our world is why we come in to work each day. With our Sustain program we empower our customer's shared values. From case study videos to kiosks in their lobby, we give them the tools to track and promote their social impact with their customers and their employees.



**CGE Energy, Inc. and Subsidiary**  
**Consolidated Balance Sheet**  
**As of June 30, 2017**  
**(Unaudited)**

ASSETS

Current Assets:	
Cash in Bank	\$ 70,262
Accounts Receivable	2,392,618
Inventory-Stock	126,212
Total Current Assets	2,589,092
Property and Equipment:	
Computer Equipment & Software	159,111
Furniture & Fixtures	36,622
Leasehold Improvements	52,377
Equipment	2,698,012
Vehicles	153,309
	3,099,431
Less Accumulated Depreciation	(2,315,374)
Total Property and Equipment	784,057
Other Assets	
Prepaid Expenses	40,555
Long-term Contracts Receivable	4,704,772
Patents and Trademarks	5,189,298
Goodwill	10,160,207
	10,160,207
Total Other Assets	20,094,832
Total Assets	\$ 23,467,981

LIABILITIES AND EQUITY

Current Liabilities:	
Accounts Payable	\$ 2,014,954
Accrued Expenses	29,947
Customer Deposits	19,716
	19,716
Total Current Liabilities	2,064,617
Long Term Liabilities:	
Equipment Loan-HVSB	114,492
Note Payable – Related Party	3,374,142
Note Payable – Other	100,000
Long-term Contracts Payable	3,458,543
	3,458,543
Total Long Term Liabilities	7,047,177
Capital	
Preferred Stock - \$0.00001 par value, 100,000,000 authorized no shares issued and outstanding	-
Common Stock - \$0.00001 par value 92,000,000 shares authorized 67,951,825 shares Issued and Outstanding	680
Paid-In-Capital	45,864,904
Pre-merger Retained Deficit	(32,552,854)
Post-merger Retained Income	1,043,457
	1,043,457
Total Capital	14,356,187
Total Liabilities and Capital	\$ 23,467,981

**CGE Energy, Inc. and Subsidiary**  
**Consolidated Statement of Operations**  
**For the nine months ended June 30, 2017**  
**(Unaudited)**

Sales	<u>\$ 7,791,833</u>
Cost of Goods Sold	<u>5,748,273</u>
Gross Profit	2,043,560
Total Operating Expenses (Schedule)	<u>417,856</u>
Net (Loss) from Operations	<u>1,625,704</u>
Other Expenses	
Interest Expense	<u>(17,803)</u>
Total Other Expense	<u>(17,803)</u>
Net Income	<u><u>\$ 1,607,901</u></u>
Shares outstanding	67,951,825
Income per Share	\$ 0.02

**CGE Energy, Inc. and Subsidiary**  
**Consolidated Schedule of Operating Expenses**  
**For the nine months ended June 30, 2017**  
**(Unaudited)**

Operating Expenses:	
Accounting	\$ 92,004
Advertising	33,212
Automobile Expense	2,113
Bank Charges	2,143
Contributions	-
Depreciation Expense	141,000
Dues and Subscriptions	15,086
Entertainment & Meals	378
Insurance	7,950
Legal & Professional Fees	8,000
Licenses & Fees	3,686
Office Supplies and Expenses	26,873
Other Expense	1,326
Postage & Printing	931
Rent	58,950
Repairs and Maintenance	9,788
Taxes	-
Telephone	10,697
Travel	1,852
Utilities	1,867
	<hr/>
Total Operating Expense	<u><u>\$ 417,856</u></u>

**CGE Energy, Inc. and Subsidiary, Clean Green Energy, Inc**  
**Consolidated Notes to Financial Statements**  
**For the nine months ended June 30, 2017**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Business Activity

CGE Energy, Inc. and its wholly-owned subsidiary Clean Green Energy, Inc., (doing business as and hereinafter “CGE Energy”) is a developer of long-term energy projects which solve the unique energy challenges of their commercial, municipal, nonprofit and international customers.

Basis of Accounting and Consolidation

The accompanying consolidated financial statements have been prepared in a NON-GAAP format to present long term contracts receivable, research and development and patent valuations. The NON-GAAP presentation increases assets by \$22,437,360, Revenue by \$7,182,329 and net profit by \$2,099,616. Pre-merger deficit is shown separately from post-merger deficit. These financial statements include the activities of the Company and its wholly-owned subsidiary, Clean Green Energy, Inc. All inter-subsidiary and inter-company balances and transactions have been eliminated in consolidations.

Basis of presentation

The financial statements of the Company have been prepared on the basis of the Company continuing as a going concern, which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. The Company's continued existence is dependent upon its ability to raise additional capital and generate profits. However, management believes that it will be successful at raising additional capital in the short-term and will have profitable operations in the long-term. The accompanying financial statements do not include any adjustments relating to the recoverability and classification of recorded assets and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentrations of Credit Risk

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist of cash and accounts receivable. The Company places its cash with high credit qualified financial institutions. At times, such cash in banks may be in excess of the FDIC insurance limit. With respect to accounts receivable, the Company attempts to minimize credit risk by reviewing all customers' credit history before extending credit and monitoring customers' credit exposure on a continuing basis

**CGE Energy, Inc. and Subsidiary, Clean Green Energy, Inc**  
**Consolidated Notes to Financial Statements (continued)**  
**For the nine months ended June 30, 2017**

Inventory

Inventory is presented at lower of cost or market using the FIFO (first in first out) method.

Property and Equipment

Property and equipment are recorded at cost and depreciated using the straight-line method over their estimated useful lives for both the parent and subsidiary.

Impairment of Long-Lived Assets

The Company evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Impairment is determined by comparing the carrying value of the asset to its estimated future undiscounted cash flows, and impairment is recognized when such estimated cash flows are less than the carrying value of the asset. Measurement of the amount of impairment, if any, is based upon the difference between carrying value and estimated fair value.

Corporate Organization and Income Taxes

CGE Energy, Inc, is a Delaware corporation. The company and its wholly owned subsidiary file a consolidated return.

The Company accounts for income under the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be realized or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Net gain (loss) per share

Basic earnings (loss) per share are computed by dividing net income (loss) (the numerator) by the weighted-average number of outstanding common shares (the denominator) for the period. There is no dilution of stock at this time.

**CGE Energy, Inc. and Subsidiary, Clean Green Energy, Inc**  
**Consolidated Notes to Financial Statements (continued)**  
**For the nine months ended June 30, 2017**

**NOTE B – INVESTMENT IN CLEAN GREEN ENERGY, INC, WHOLLY OWNED SUBSIDIARY**

The Company owns 100% of the authorized Common Stock of its wholly owned subsidiary, Clean Green Energy, Inc.

**NOTE C – NOTES PAYABLE**

The other notes payable is renewable annually at the discretion of the lender.

**NOTE D – LEASE OBLIGATIONS**

Its subsidiary, Clean Green Energy Inc. has a month-to-month lease on its current office and operations facility of \$5,300 per month.

**NOTE F – RESEARCH & DEVELOPMENT**

Research and development costs are capitalized and will be amortized when the WIND•e20® is manufactured and sold. Research and development costs for the 9 months ended June 30, 2017 were \$49,455.

**NOTE-G- LONG TERM RECEIVABLES**

Long term contract receivables \$812,395 is value of all contracts completed. The contracts provide a revenue stream for various different periods from 5 years up to 20 years.

Contracts already signed but not yet completed in the amount of \$8,250,500 have not been included in these financial statements.

**CGE Energy, Inc. and Subsidiary, Clean Green Energy, Inc.**  
**Consolidated Notes to Financial Statements (continued)**  
**For the nine months ended June 30, 2017**

**NOTE H – SUBSEQUENT EVENTS**

None.

**NOTE I - PATENTS, TRADEMARKS, AND INTELLECTUAL PROPERTY**

**PATENTS**

CGE Energy, Inc via its wholly owned subsidiary, Clean Green Energy, Inc. applied for three patents in connection with their WIND•e20® technology with the US Patent and Trademark office. Two patents have been granted and the third is patent-pending. CGE Energy, Inc., including its wholly owned subsidiary, Clean Green Energy, also owns patent rights for other related technologies as further described below.

WIND•e20® vertical axis wind turbine technology: Clean Green Energy holds multiple patent rights for the WIND•e20® vertical axis wind turbine technology.

US8985948 - Fluid driven vertical axis turbine

US8823199 - Fluid driven turbine

US20130136612 - Fluid Driven Turbine & Turbine Using Same. Patent-pending.

WindStor® vertical axis wind turbine technology: CGE Energy, Inc. holds a joint patent with Analytical Design Service Corporation for the WindStor® vertical axis wind turbine technology.

Danotek generator technology: CGE Energy, Inc. holds a joint patent with Danotek Motion Technologies, Inc. for the proprietary generator and cooling mechanism utilized in the WindStor® vertical axis wind turbine design.

Dermond vertical axis wind turbine technology: CGE Energy, Inc. holds patent rights for the Dermond vertical axis wind turbine technology.

**CGE Energy, Inc. and Subsidiary, Clean Green Energy, Inc.**  
**Consolidated Notes to Financial Statements (continued)**  
**For the nine months ended June 30, 2017**

**INTELLECTUAL PROPERTY**

CGE Energy, Inc.: CGE Energy, Inc. owns a proprietary method to process vanadium bearing ore into high purity vanadium products, in particular vanadium electrolyte for vanadium redox batteries.

**TRADEMARKS**

Clean Green Energy, Inc. has filed for and received Trademarks from the US Patent and Trademark office for its WIND•e20® wind turbine, R.A.M.P® lighting maintenance program, and its Project EverGREEN Schools® initiative. Trademarks have been applied for EverGREEN Energy System and NET ZER·O REC.

Project EverGreen Schools®  
US Serial Number 85492829

WIND-e20®  
US Serial Number 85485827

R.A.M.P. ®  
US Serial Number 85924054