HORIZON PETROLEUM PLC

Financial Statements
(Expressed in Canadian dollars)

For the years ended August 31, 2014 and 2013

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Horizon Petroleum plc.

We have audited the accompanying financial statements of Horizon Petroleum plc., which comprise the statements of financial position as at August 31, 2014 and August 31, 2013, statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and notes, comprising 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 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 Canadian generally accepted auditing 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 our 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, we consider 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 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 Horizon Petroleum plc., as at August 31, 2014 and August 31, 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without modifying our opinion, we draw attention to Note 1 in the financial statements which indicates that Horizon Petroleum plc., has recorded significant net losses, and will require additional financing to fund future operations. These conditions, along with other matters as set forth in Note 1 in the financial statements, indicate the existence of a material uncertainty that may cast significant doubt about the ability of Horizon Petroleum plc., to continue as a going concern.

KPMG LLP

Chartered Accountants

December 1, 2014
Calgary, Canada

HORIZON PETROLEUM PLC
Statements of Financial Position
(Expressed in Canadian dollars)
As at

	August 31, 2014	August 31, 2013
Assets		
Current assets:		
Cash and equivalents	$ 1,008,699	$ 503,467
Receivables (note 5)	24,749	6,020
Prepaid expenses	7,591	11,067
	1,041,039	520,554
Exploration and evaluation asset (note 7)	-	1
	$ 1,041,039	$ 520,555
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities (notes 8 & 12	$ 184,079	$ 202,840
Shareholders' equity:		
Share capital (note 9)	13,978,838	12,258,433
Reserves (note 10)	428,854	137,921
Deficit	(13,550,732)	(12,078,639)
	856,960	317,715
	$ 1,041,039	$ 520,555

Corporate information and going concern (note 1)
Subsequent events (note 16)

See accompanying notes to the financial statements.

Approved by the Board:

"Yogeshwar Sharma"
Director

"David Winter"
Director

HORIZON PETROLEUM PLC
Statements of Operations, Loss and Comprehensive Loss
(Expressed in Canadian dollars)
Years ended August 31,

		2014		2013
Expenses:				
Consulting fees	$	230,246	$	84,131
Directors' fees		159,048		35,433
Foreign exchange loss		13,307		-
Management fees		152,599		98,642
Office		43,379		10,670
Professional fees		286,782		157,234
Property investigation costs (note 6)		253,517		439,744
Shareholder communications		89,153		21,413
Share-based payments (note 10)		153,501		11,619
Transfer agent and regulatory fees		43,678		35,190
Travel and related costs		56,287		15,903
Impairment of exploration and evaluation asset (note 7)		1		161,056
		(1,481,498)		(1,071,035)
Other item:				
Interest income		9,405		-
Loss and comprehensive loss for the year	$	(1,472,093)	$	(1,071,035)
Basic and diluted loss per common share	$	(0.04)	$	(0.06)
Basic and diluted weighted average number of common shares outstanding		37,554,311		17,029,836

See accompanying notes to the financial statements.

HORIZON PETROLEUM PLC
Statements of Cash Flows
(Expressed in Canadian dollars)
Years ended August 31,

	2014	2013
Cash provided by (used in):		
Operating activities:		
Loss for the year	$ (1,472,093)	$ (1,071,035)
Items not affecting cash:		
Share-based payments	153,501	11,619
Write-down of exploration and evaluation asset	1	161,056
	(1,318,591)	(898,360)
Changes in non-cash working capital items:		
Receivables	(18,729)	73,792
Prepaid expenses	3,476	(11,067)
Accounts payable and accrued liabilities	(18,761)	205,842
	(1,352,605)	(629,793)
Investing activity:		
Additions to exploration and evaluation asset	-	(19,809)
	-	(19,809)
Financing activities:		
Shares issued for cash	2,000,000	577,500
Share issuance costs	(142,163)	(28,968)
	1,857,837	548,532
Change in cash during the year	505,232	(101,070)
Cash and equivalents, beginning of year	503,467	604,537
Cash and equivalents, end of year	$ 1,008,699	$ 503,467

Supplemental disclosure with respect to cash flows (note 11)

See accompanying notes to the financial statements.

HORIZON PETROLEUM PLC
Statements of Changes in Equity
(Expressed in Canadian dollars)
Years ended August 31, 2014 and 2013

	Number of shares	Share capital	Reserves	Deficit	Total
Balance, August 31, 2012	15,912,987	$ 11,709,901	$ 126,302	$ (11,007,604)	$ 828,599
Loss for the year	-	-	-	(1,071,035)	(1,071,035)
Private placement	11,550,000	577,500	-	-	577,500
Share issuance costs	-	(28,968)	-	-	(28,968)
Share-based payments	-	-	11,619	-	11,619
Balance, August 31, 2013	27,462,987	12,258,433	137,921	(12,078,639)	317,715
Loss for the year	-	-	-	(1,472,093)	(1,472,093)
Private placement	16,666,667	2,000,000	-	-	2,000,000
Share issuance costs	-	(279,595)	137,432	-	(142,163)
Share-based payments	-	-	153,501	-	153,501
Balance, August 31, 2014	44,129,654	$ 13,978,838	$ 428,854	$ (13,550,732)	$ 856,960

See accompanying notes to the financial statements.

1. Corporate information and Going Concern

Horizon Petroleum Plc. ("Horizon" or the "Company") was incorporated in British Columbia. During the year ended August 31, 2014, the Company's domicile was officially changed to Jersey, Channel Islands. The principal business of the Company is the acquisition, exploration, and development of oil and gas properties.

The Company's registered office is located at Queensway House, Hilgrove Street, St Helier, Jersey, JE1 1E. During the year ended August 31, 2013, the Company completed a 1-new for 3-old share consolidation (see note 9). All references to number of shares and per share amounts have been retroactively restated to reflect the consolidation.

The Company has not generated revenues from operations. These financial statements have been prepared assuming the Company will continue as a going concern which contemplates the ability of the Company to realize its assets and discharge its liabilities in the normal course of business. These financial statements do not include adjustments that would have been required if going concern were not an appropriate basis for preparation of the financial statements.

The Company has incurred losses since inception and is currently not generating any revenues aside from interest income. For the year ended August 31, 2014, the Company used cash from operations of $1,352,605 (2013 - $629,793). At August 31, 2014, the Company's cash balance was $1,008,699 (2013 - $503,467) and working capital was $856,960 (2013 - $317,714).

These annual financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. If this assumption were not appropriate, adjustments to these annual financial statements may be necessary. When assessing the Company's ability to continue on a going concern basis, material uncertainties as to the Company's ability to obtain additional financing to fund future operations may cast significant doubt on the Company's ability to continue as a going concern. The successful future operations of the Company are dependent on the ability of the Company to secure sufficient funds through financing (note 16) or other sources, and there are no assurances that such financing will be obtained.

The Company continues to evaluate several oil and gas exploration and development opportunities in Africa.

2. Basis of presentation and statement of compliance

(a) Statement of compliance:

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), as issued by the International Accounting Standards Board ('IASB').

These financial statements were authorized for issue by the Board of Directors on December 1, 2014.

(b) Basis of presentation:

These financial statements have been prepared on a historical cost basis and are presented in Canadian dollars, which is also the Company's functional currency.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all years presented in these financial statements.

(a) Foreign currency transactions:

The functional currency of an entity is the currency of the primary economic environment in which the entity operates.

Transactions in currencies other than the functional currency are translated into Canadian dollars using the exchange rate prevailing on the date of transaction. At the period-end date, unsettled monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at the period-end date and the related translation differences are recognized in net income.

Non-monetary assets and liabilities that are measured at historical cost are translated into Canadian dollars by using the exchange rate in effect at the date of the initial transaction and are not subsequently restated. Non-monetary assets and liabilities that are measured at fair value or a revalued amount are translated into Canadian dollars by using the exchange rate in effect at the date the value is determined and the related translation differences are recognized in net income or other comprehensive loss consistent with where the gain or loss on the underlying non-monetary asset or liability has been recognized.

(b) Cash and equivalents:

Cash and equivalents include cash held with Canadian financial institutions, and cash held in trust with the Company's lawyer. All funds are readily available to the Company.

(c) Financial instruments:

(*i*) Financial assets:

Financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified at FVTPL are measured at fair value with unrealized gains and losses recognized in profit or loss. The Company has no financial assets classified as FVTPL.

Financial assets classified as loans and receivables and held to maturity assets are measured at amortized cost. Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income and loss except for losses in value that provide object evidence of impairment, which are recognized in profit and loss. The Company's cash and receivables are classified as loans and receivables.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included the initial carrying amount of the asset. Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated present value of the future cash flows of the financial assets are less than their carrying values.

3. Significant accounting policies (continued):

(c) Financial instruments (continued):

(*ii*) Financial liabilities:

All financial liabilities are initially recorded at fair value and designated upon inception at FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. The Company's financial liabilities consist of accounts payable and accrued liabilities, which is classified as other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including embedded derivatives, are also classified as held for trading and recognized at fair value with changes in fair value recognized in earnings unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in profit or loss. The Company has no financial liabilities classified as FVTPL.

(d) Exploration and evaluation assets:

(*i*) Property investigation costs:

Property investigation costs are expensed as incurred.

(*ii*) Exploration and evaluation expenditures:

Exploration and evaluation ("E&E") costs, including costs of licence acquisition, technical services and studies, exploratory drilling whether successful or unsuccessful and testing and directly attributable overhead are capitalized to E&E assets according to the nature of the assets acquired. The costs are accumulated in cost centres by well, field or exploration area pending determination of technical feasibility and commercial viability.

E&E assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

The technical feasibility and commercial viability of extracting a mineral resource is generally considered to be determinable when proven and/or probable reserves are determined to exist. A review of each exploration license or field is carried out, at least annually, to ascertain whether it is technically feasible and commercially viable. Upon determination of technical feasibility and commercial viability, intangible E&E assets attributable to those reserves are first tested for impairment and then reclassified from E&E assets to a separate category within tangible assets within property, plant and equipment referred to as oil and gas and mineral interests.

3. Significant accounting policies (continued):

(e) Decommissioning obligation:

Decommissioning obligations are recognized for constructive and legal obligations related to the decommissioning of long-lived tangible assets that arise from the acquisition, construction, development or normal operation of such assets. The obligation would be discounted using risk-free rate bonds. A liability for decommissioning is recognized in the period in which it is incurred and when a reasonable estimate of the liability can be made with the corresponding decommissioning provision recognized by increasing the carrying amount of the related long-lived asset. The decommissioning provision is subsequently allocated in a rational and systematic method over the underlying asset's useful life. The liability is accreted, by charges to the profit or loss, to its estimated future value.

(f) Impairment of financial and non-financial assets:

(*i*) Impairment of financial assets:

At each reporting date the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

(*ii*) Impairment of non-financial assets:

The carrying amounts of the non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment.

E&E assets are assessed for impairment when facts and circumstances suggest that the carrying amount exceeds the recoverable amount and when they are reclassified to PP&E assets. For the purpose of impairment testing, E&E assets are grouped by concession or field with other E&E and PP&E assets belonging to the same concession or field. The impairment loss will be calculated as the excess of the carrying value over recoverable amount of the E&E impairment grouping and any resulting impairment loss is recognized in profit or loss. Recoverable amount is general determined by reference to the value in use or fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

PP&E assets will be tested for impairment whenever events and circumstances arising during the development and production phase indicate that the carrying amount of the PP&E asset may exceed its recoverable amount. For the purpose of impairment testing, PP&E assets will be grouped into the smallest group of assets that generates cash inflows that are largely independent of cash inflows from other assets or groups of assets (the "cash generating unit" or "CGU"). The aggregate carrying value will be compared against the expected recoverable amount of the CGU, generally by reference to the present value of the future net cash flows expected to be derived from the production of proved and probable reserves. CGU's are generally defined by field except where a number of field interests can be grouped because the cash flows generated by the fields are interdependent. Impairment losses recognized in respect of CGU's are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce to the carrying amounts of the other assets in the unit (group of units) on a pro-rata basis.

3. Significant accounting policies (continued):

(f) Impairment of financial and non-financial assets (continued):

(*ii*) Impairment of non-financial assets (continued):

Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation or amortization, of no impairment loss had been recognized. An impairment loss in respect of goodwill is not reversed.

(g) Share capital:

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, share options and share warrants are classified as equity instruments. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(h) Share-based payments:

Where non-cash equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive loss over the vesting period. Vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive loss over the remaining vesting period.

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in comprehensive loss over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of comprehensive loss, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The entire fair value model is updated, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioral considerations.

3. Significant accounting policies (continued):

(h) Share-based payments (continued):

All non-cash equity-settled share-based payments are reflected in contributed surplus, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital, adjusted for any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period.

(i) 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.

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. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted, or substantially enacted by the reporting date.

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 period 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 tax assets and liabilities are offset if there is a legal enforceable right to offset the tax liabilities and assets, and they related to income taxes levied by the same tax authority.

(j) Loss per share:

Basic loss per share is computed by dividing net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted income per share is computed by using the the weighted average shares outstanding plus additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

4. New accounting standards, amendments and interpretations:

a) New accounting standards adopted:

The following standards, amendments and interpretations have been adopted by the Company as of September 1, 2013. There were no material impacts on the financial statements as a result of the adoption of these standards, amendments and interpretations:

(i) IFRS 10 Consolidated Financial Statements

(ii) IFRS 11 Joint Arrangements

(iii) IFRS 12 Disclosures of Interests in Other Entities

(iv) IFRS 13 Fair Value Measurement

(b) New accounting standards not yet effective:

The following standards, amendments and interpretations, which may be relevant to the Company have been introduced or revised by the IASB:

(i) IFRIC 21 Levies. The Company intends to adopt IFRIC 21 in its consolidated financial statements for the annual period beginning September 1, 2014. The Company does not expect the amendments to have a material impact on the consolidated financial statements.

(ii) On July 24, 2014, the IASB issued the complete IFRS 9 (IFRS 9 (2014)). In November 2009, the IASB issued the first version of IFRS 9, Financial Instruments (IFRS 9 (2009)) and subsequently issued various amendments in October 2010, (IFRS 9 Financial Instruments (2010)) and November 2013 (IFRS 9 Financial Instruments (2013)). The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight. The Company does not intend to adopt the new standard prior to its effective date and has not yet determined the impact of this new standard on the consolidated financial statements.

(Expressed in Canadian dollars)

4. Critical accounting estimates and judgments:

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are discussed below:

(a) Economic recoverability and probability of future economic benefits upon future decision to proceed to development:

The decision to proceed with development with respect to note 3(d) Exploration and evaluation assets 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. 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 statement of comprehensive loss in the period the new information becomes available. Amounts shown for assets represents costs incurred less any write-downs and recoveries, and are not intended to represent present or future values.

(b) Share-based payment transactions:

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 9.

5. Receivables

The Company's receivables are as follows:

	August 31, 2014	August 31, 2013
GST receivable	$ 4,423	$ 6,020
Interest	7,266	-
Other	13,060	-
	$ 24,749	$ 6,020

6. Property investigation costs

All property investigation costs are related to the investigation of oil and gas opportunities in countries within Africa.

(Expressed in Canadian dollars)

7. Exploration and evaluation asset

During the year ended August 31, 2011, the Company entered into an option agreement with Garibaldi Resources Corp. ("Garibaldi") to acquire up to a 70% interest in two blocks comprised of 1,720 hectares located in the Iskut River District of northern British Columbia (the "King property"). In order to exercise its initial option to acquire a 50% interest in the King property, the Company was required to make the following cash payments and incur exploration expenditures as follows:

Date		Cash Payment		Required exploration expenditures
August 1, 2011	$	20,000 (paid)	$	-
June 14, 2014		70,000		500,000
Total	$	90,000	$	500,000

During the year ended August 31, 2013, the Company wrote down the costs associated with the King property by $161,056 to $1. During the year ended August 31, 2014, the Company amended the agreement with Garibaldi to extend the exploration expenditure commitment date from December 31, 2013 to June 30, 2014, for a $5,000 payment, which was expensed. During the year ended August 31, 2014, the Company did not make the required cash payment of $70,000 or incur $500,000 in cumulative exploration expenditures on the King property. As a result, the Company's rights to the property were forfeited and the Company wrote off the remaining $1 of cost.

8. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are as follows:

		August 31, 2014		August 31, 2013
Accounts payable	$	29,332	$	28,142
Due to related parties (Note 12)		100,272		131,097
Accrued liabilities		54,475		43,601
	$	184,079	$	202,840

9. Share capital

Authorized:

- Unlimited common shares without par value and an unlimited number of preferred shares without par value, all issued shares, consisting only of common shares that are fully paid.

During the year ended August 31, 2014, the Company:

- Issued 16,666,667 common shares for gross proceeds totaling $2,000,000 pursuant to the completion of a private placement. In conjunction with the issuance of the shares, the Company incurred total share issuance costs of $279,595, which included cash costs comprised of legal and filing fees of $61,255 and finders' fees payments of $80,908, as well as a non-cash cost of $137,432 relating to the valuation of the issuance of 674,230 finders' warrants. Each finders' warrant enabled the holder to acquire one additional common share for $0.16 per share up to July 22, 2014 (See Note 10). The fair value of the warrants was determined using the Black-Scholes option-pricing model with the following assumptions: expected life six months; volatility – 119%; dividend rate – nil; risk free interest rate – 1.01%.

During the year ended August 31, 2013, the Company:

- Completed a 1-new for 3-old common share consolidation. All common share, warrant and stock option information presented in these consolidated financial statements is on a post-consolidation basis.

  Issued 11,550,000 common shares for gross proceeds totaling $577,500 pursuant to the completion of a private placement. In conjunction with the issuance of the shares, the Company incurred $28,968 in share issuance costs.

10. Reserves

(a) Stock options:

Option plan:

The Company has a stock option plan covering the grant of options to its directors, officers and employees. A limit of 10% of the issued and outstanding common shares base can be issued in stock options without shareholder approval. The stock option plan provides that the options are for a maximum term of ten years and that the option exercise price shall be for not less than the market price on the grant date.

(Expressed in Canadian dollars)

10. Reserves (continued)

(a) Stock options (continued):

As at August 31, 2014, the Company had the following outstanding stock options:

	Number of options	Weighted average exercise price
Balance, August 31, 2012	200,000	$ 0.315
Granted	1,714,000	0.15
Expired	(200,000)	0.315
Balance, August 31, 2013	1,714,000	0.15
Cancelled	(50,000)	0.15
Balance, August 31, 2014	1,664,000	$ 0.15
Number of options currently exercisable	554,667	$ 0.15

The weighted average remaining contractual life for the share options outstanding as at August 31, 2014 is 8.93 years (2013 – 9.93 years).

As at August 31, 2014, the Company had outstanding stock options enabling the holders to acquire common shares as follows:

Number of options	Exercise price	Expiry date
1,664,000	$ 0.15	August 4, 2023

(b) Share-based payments:

During the year ended August 31, 2014, the Company granted nil (2013 – 1,714,000) stock options. The fair value of the options granted during the year is $nil (2013 - $257,077), based on the Black-Scholes option pricing model. For the year ended August 31, 2014, the share-based payments expense recognized was $153,501 (2013 - $11,619).

The following assumptions were used for the Black-Scholes option pricing model:

	2013
Risk-free interest rate	2.49%
Expected life of options	10 years
Annualized volatility	246%
Dividend rate	0.00%
Forfeiture rate	0.00%

(Expressed in Canadian dollars)

10. Reserves (continued)

(c) Warrants:

Warrant transactions and the number of warrants are summarized as follows:

	Number of warrants	Weighted average exercise price
Balance August 31, 2012	14,650,000	$ 0.45
Expired	(1,316,698)	0.45
Balance, August 31, 2013	13,333,302	0.45
Issued	674,230	0.16
Expired	(674,230)	0.16
Balance, August 31, 2014	13,333,302	$ 0.45

As at August 31, 2014, the Company had outstanding warrants enabling the holders to acquire common shares as follows:

Number of warrants	Exercise price	Expiry date
13,333,302	$ 0.45	March 16, 2016

Subsequent to August 31, 2014, the Company applied to have certain of its outstanding share purchase warrants re-priced. There are 13,333,302 warrants outstanding exercisable at $0.45. The Company will seek TSX Venture Exchange approval to re-price 12,811,053 of those warrants at $0.15 (excluding 522,249 warrants held by insiders). The Warrants will also be amended such that the exercise period may be reduced to 30 days if, for any ten consecutive trading days, the closing price of the Company's shares equals or exceeds $0.19 per share.

11. Supplemental disclosure with respect to cash flows

During the year ended August 31, 2014 the Company incurred the following non-cash investing and financing transactions:

a) Incurred $137,432 of share issuance costs relating to the valuation of warrants granted during the year.

There were no non-cash investing and financing transactions during the year ended August 31, 2013.

(Expressed in Canadian dollars)

12. Related party transactions

The Company incurred the following expenses charged by key management personnel and companies controlled by key management personnel:

		August 31, 2014		August 31, 2013
Executive compensation (1) to (6)	$	431,225	$	202,302
Non-executive directors' fees (7)		108,445		20,875
Share-based payments		114,153		11,619
	$	653,823	$	234,796

(1) Includes $7,500 (2013 - $45,000) in management fees paid to the Company's former CEO and corporate secretary of the Company.

(2) Includes $145,099 (2013 - $45,642) in management fees paid or accrued to the Company's current CEO.

(3) Includes $110,921 (2013 - $27,088) in professional fees paid or accrued to the Company's current CFO.

(4) Includes $37,705 (2013 - $55,945) in professional fees and $13,453 (2013 - $nil) in share issuance costs paid or accrued to the Company's current Corporate Secretary.

(5) Includes $50,603 (2013 - $14,557) in directors' fees paid or accrued to executive directors of the Company.

(6) Includes $65,944 (2013 - $28,015) in consulting fees paid or accrued to a director of the Company.

(7) Includes $108,445 (2013 - $20,875) in directors' fees paid or accrued to non-executive directors of the Company.

Included in accounts payable and accrued liabilities at August 31, 2014 is $100,272 (2013 - $131,097) owing to related parties, all in respect of the above transactions. All related party transactions were conducted on arm's length terms.

13. Financial instruments and risk management

IFRS 7, Financial Instruments: Disclosures ("IFRS 7") establishes a fair value hierarchy that prioritizes the inputs to the valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2: Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantively the full term of the asset or liability.
- Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

13. Financial instruments and risk management (continued)

The Company does not have any financial instruments recognized at fair value. The carrying values of cash, receivables, and accounts payable and accrued liabilities approximate their fair values because of their short terms to maturity.

(a) Financial instrument risk exposure and risk management:

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes. The type of risk exposure and the way in which such exposure is managed is provided below:

Credit risk

Credit risk is the risk of potential loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets, including cash, advances from employee, receivable from related parties and other accounts receivable. The Company limits the exposure to credit risk by only investing its cash with high credit quality financial institutions in business and saving accounts, and guaranteed investment certificates, which are available on demand by the Company. The carrying amount of cash, receivables from related parties and other accounts receivable represents the Company's maximum exposure to credit risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's interest bearing financial assets are comprised of cash, which bear interest at fixed or variable rates. The Company is not exposed to material interest rate risk.

Foreign currency

The Company is exposed to foreign currency risk as some of its cash and equivalents, receivables and accounts payable and accrued liabilities are held in British Pounds (GBP) and US Dollars (USD). The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due. The Company ensures, as far as reasonably possible, it will have sufficient capital in order to meet short term business requirements, after taking into account cash flows used in operations and the Company's holdings of cash. The Company's cash is currently invested in business accounts which are available on demand by the Company for its programs. As at August 31, 2014, the Company had cash and equivalents of $1,008,699 to settle current liabilities of $184,079. Based on current year expenditures, the Company may require further financings to cover its expected cash requirements for the next twelve months.

(Expressed in Canadian dollars)

14. Capital management

The Company's objectives when managing capital are:

To maintain and safeguard its accumulated capital in order to provide an adequate return to shareholders by maintaining a sufficient level of funds to acquire, explore, and develop other mineral properties.

To invest cash on hand in highly liquid and highly rated financial instruments with high credit quality issuers, thereby minimizing the risk of loss of principal.

To obtain the necessary financing to complete exploration and development of its properties, if and when it is required.

In the management of capital, the Company includes shareholders' equity in the definition of capital. The Company is not exposed to externally imposed capital requirements.

The Company manages the capital structure and makes adjustments to it, based on the level of funds required to manage its operations in light of changes in economic conditions and the risk characteristics of its underlying assets.

In order to maximize ongoing exploration and future development efforts, the Company does not pay dividends. Notwithstanding the risks described in note 1 of the financial statements, the Company expects to continue to raise funds, from time to time, to continue meeting its capital management objectives.

15. Income taxes

The provision for income taxes reported differs from the amount computed by applying cumulative Canadian federal and provincial income tax rates to the loss before the tax provision due to the following:

	2014	2013
Loss year before taxes	$ (1,472,093)	$ (1,071,035)
Statutory tax rate	0.00%	25.42%
Expected income tax recovery	$ -	$ (272,257)
Change in unrecognized deferred tax assets	(1,030,571)	315,835
Share-based payments	-	2,954
Effect of change in tax rates	-	(34,461)
Change in tax rate due to operating jurisdiction and Other	1,030,571	(12,070)
Total income taxes	$ -	$ -

The combined federal and provincial statutory tax rate decrease to 0.00% in fiscal 2014 from 25.42% in fiscal 2013 due to the Company changing jurisdictions from British Columbia, Canada to Jersey, Channel Isles.

Significant components of deductible temporary differences, unused tax losses and unused tax credits that have not been included on the consolidated statement of financial position are:

Exploration & evaluation assets	$ -	$ 192,283
Share issue costs	-	37,905
Non-capital losses	-	3,729,780
Income tax credits	$ -	$ 3,765

16. Subsequent events

Subsequent to August 31, 2014, the Company:

a) announced a non-brokered private placement for aggregate proceeds of up to $800,000, through the distribution of units at $0.05 per unit; each unit consisting of one common share and ½ share purchase warrant with each whole warrant exercisable at $0.075 per share for 24 months.
b) announced the resignation of Peter Clutterbuck and Nigel Friend as CEO and CFO of the Company, respectively;
c) announced the resignation of Peter Clutterbuck, John, Patterson and Read Taylor from the Board of Directors;
d) announced the appointment of David Winter and Derek Aylesworth to the Board of Directors;
e) announced the appointment of David Robinson as interim CEO;
f) announced the appointment of Darren Moulds as CFO;
g) announced the appointment of David Winter as “Business Development Advisor”.
h) Paid US$74,163 to two former directors of the Company and Cdn$24,000 to the Company’s former CFO pursuant to Resignation agreements; and
i) applied to have certain of its outstanding share purchase warrants re-priced (note 10 (c)).