HORIZON PETROLEUM LTD.
(formerly Horizon Petroleum PLC)

Financial Statements
(Expressed in Canadian dollars)

For the years ended August 31, 2016 and 2015

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Horizon Petroleum Ltd.

We have audited the accompanying financial statements of Horizon Petroleum Ltd. (formerly Horizon Petroleum PLC) which comprise the statements of financial position as at August 31, 2016 and August 31, 2015, the statements of operations and comprehensive loss, changes in equity (deficit) 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 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 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 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 in our audits 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 Ltd. (formerly Horizon Petroleum PLC) as at August 31, 2016 and August 31, 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter – Going Concern

Without modifying our opinion, we draw attention to Note 1 in the financial statements which indicates that Horizon Petroleum Ltd. (formerly Horizon Petroleum PLC) incurred losses and has a working capital deficit and will need to raise capital to fund its planned operating and investing activities. 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 Horizon Petroleum Ltd. (formerly Horizon Petroleum PLC) ability to continue as a going concern.

KPMG LLP

Chartered Professional Accountants
December 19, 2016
Calgary, Canada

HORIZON PETROLEUM LTD.
(formerly Horizon Petroleum PLC)

Statements of Financial Position

(Expressed in Canadian dollars)

As at

	August 31, 2016	August 31, 2015
Assets		
Current assets:		
Cash and cash equivalents	$ 5,853	$ 243,273
Receivables (note 6)	23,849	8,049
Prepaid expenses	5,898	8,734
	$ 35,600	$ 260,056
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities (notes 8 & 12)	$ 327,978	$ 197,138
Promissory notes payable (note 13)	137,636	-
	465,614	197,138
Shareholders' equity (deficiency):		
Share capital (note 9)	14,198,204	13,927,594
Reserves (note 10)	574,311	451,619
Warrants (note 10)	33,440	51,244
Deficit	(15,235,969)	(14,367,539)
	(430,014)	62,918
	$ 35,600	$ 260,056

Corporate information and going concern (note 1)

Significant transaction (note 17)

See accompanying notes to the financial statements.

Approved by the Board:

"Yogeshwar Sharma"
Director – Yogeshwar Sharma

"David Winter"
Director - David Winter

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HORIZON PETROLEUM LTD.
(formerly Horizon Petroleum PLC)
Statements of Operations, Loss and Comprehensive Loss
(Expressed in Canadian dollars)
Year ended August 31,

	2016	2015
Expenses:		
Consulting fees	$ -	$ 1,509
Directors' fees	59,165	107,776
Foreign exchange loss (gain)	(2,586)	5,511
Management fees	104,000	177,874
Office	19,141	39,664
Professional fees	160,016	149,587
Property investigation costs (note 7)	208,275	183,318
Rent	52,829	69,776
Shareholder communications	45,452	700
Share-based payments (note 10)	71,448	22,765
Transaction costs	101,683	-
Transfer agent and regulatory fees	40,265	45,523
Travel and related costs	2,734	18,424
	(862,422)	(822,427)
Other Items:		
Interest income	87	5,620
Interest expense (note 13)	(6,095)	-
	(6,008)	(5,620)
Loss and comprehensive loss for the year	$ (868,430)	$ (816,807)
Basic and diluted loss per common share	$ (0.02)	$ (0.02)
Basic and diluted weighted average number of common shares outstanding	45,205,501	44,129,654

See accompanying notes to the financial statements.

HORIZON PETROLEUM LTD.
(formerly Horizon Petroleum PLC)

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

	2016	2015
Cash provided by (used in):		
Operating activities		
Loss for the year	$ (868,430)	$ (816,807)
Items not affecting cash:		
Share-based payments	71,448	22,765
Interest expense	6,095	-
	(790,887)	(794,042)
Changes in non-cash working capital items:		
Receivables	(15,800)	16,700
Prepaid expenses	2,836	(1,143)
Accounts payable and accrued liabilities	276,745	13,059
	(527,106)	(765,426)
Financing activities		
Shares issued for cash	160,000	-
Share issuance costs	(7,950)	-
Promissory notes payable	137,636	-
	289,686	-
Decrease in cash and cash equivalents during the year	(237,420)	(765,426)
Cash and cash equivalents, beginning of year	243,273	1,008,699
Cash and cash equivalents, end of year	$ 5,853	$ 243,273

Supplemental disclosure with respect to cash flows (note 11)

See accompanying notes to the financial statements.

HORIZON PETROLEUM LTD.
(formerly Horizon Petroleum PLC)
Statements of Changes in Equity (Deficit)
(Expressed in Canadian dollars)
Years ended August 31, 2016 and 2015

	Number of shares		Share capital		Warrants		Reserves		Deficit		Total
Balance, August 31, 2014	44,129,654	$	13,978,838	$	-	$	428,854	$	(13,550,732)	$	856,960
Loss for the year	-		-		-		-		(816,807)		(816,807)
Warrants	-		(51,244)		51,244		-		-		-
Share-based payments	-		-		-		22,765		-		22,765
Balance, August 31, 2015	44,129,654	$	13,927,594	$	51,244	$	451,619	$	(14,367,539)	$	62,918
Loss for the year	-		-		-		-		(868,430)		(868,430)
Private placement	3,200,000		160,000		-		-		-		160,000
Share issuance costs	-		(9,390)		1,440		-		-		(7,950)
Warrants	-		(32,000)		32,000		-		-		-
Reallocation upon expiry of warrants	-		-		(51,244)		51,244		-		-
Shares for debt	3,040,000		152,000		-		-		-		152,000
Share-based payments	-		-		-		71,448		-		71,448
Balance, August 31, 2016	50,369,654	$	14,198,204	$	33,440	$	574,311	$	(15,235,969)	$	(430,014)

See accompanying notes to the financial statements.

1. Corporate information and Going Concern

Horizon Petroleum Ltd. ("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. During the year ended August 31, 2016, the Company changed its domicile again from Jersey, Channel Islands to Alberta, Canada. Consequently, the Company changed its name from Horizon Petroleum PLC to Horizon Petroleum Ltd. The principal business of the Company is the acquisition, exploration, and development of oil and gas properties.

The head office of the Company is located at 1500, 700 4th Ave. SW, Calgary, Alberta, T2P 3J4. The registered and records office of the Company is located at 15th Floor, 850 – 2nd Street SW, Calgary, Alberta T2P 0R8.

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 these 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, 2016, the Company used cash from operating activities of $527,106 (2015 - $765,426). At August 31, 2016, the Company's cash balance was $5,853 (2015 - $243,273) and the working capital deficiency was $430,014 (2015 – working capital position of $62,918).

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. 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 or other sources, and there are no assurances that such financing will be obtained.

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 19, 2016.

(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 5.

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. 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.

3. Significant accounting policies (continued):

(c) Financial instruments(continued) :

(*i*) Financial assets:

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 cash equivalents and receivables are classified as loans and receivables.

(*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.

(e) 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.

3. Significant accounting policies (continued):

(e) Impairment of financial and non-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.

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.

(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 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.

3. Significant accounting policies (continued):

(h) Share-based payments (continued):

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.

All non-cash equity-settled share-based payments are reflected in reserves, 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.

3. Significant accounting policies (continued):

(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:

The Company has not early adopted these standards and is currently assessing the impact these standards will have on its financial statements:

i) IFRS 9: New standard that replaced IAS 39 for classification and measurement of financial assets, effective for annual periods beginning on or after January 1, 2018.

ii) IFRS 15: On May 28, 2014 the IASB issued IFRS 15 *Revenue from Contracts with Customers*. The new standard is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The Company intends to adopt IFRS 15 in its financial statements for the annual period beginning on January 1, 2018. The Company does not expect the standard to have a material impact on the financial statements; and

iii) As of January 1, 2019, the Company will be required to adopt IFRS 16 Leases, which will replace IFRS 17 Leases. For lessees applying the new standard, a single recognition and measurement model for leases would apply, with required recognition of assets and liabilities for most leases. As of August 31, 2016 Horizon is still determining the impact that the adoption of this standard will have on its financial statements.

5. 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:

(Expressed in Canadian dollars)

5. Critical accounting estimates and judgments (continued):

(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 10.

6. Receivables

The Company's receivables are as follows:

	August 31, 2016	August 31, 2015
GST receivable	$ 23,849	$ 6,849
Interest	-	1,200
	$ 23,849	$ 8,049

7. Property investigation costs

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

(Expressed in Canadian dollars)

8. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are as follows:

		August 31, 2016		August 31, 2015
Accounts payable	$	223,003	$	13,802
Due to related parties (Note 12)		88,975		148,836
Accrued liabilities		16,000		34,500
	$	327,978	$	197,138

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, 2016, the Company:

- Issued 3,200,000 common share units for gross proceeds totaling $160,000 pursuant to the completion of a private placement. Each unit consists of one common share and one share purchase warrant, with each warrant entitling the holder to purchase an additional common share at a price of $0.075 per share for a period of two years. In conjunction with the issuance of the shares, the Company incurred total share issuance costs of $9,390, which included cash costs comprised of legal and filing fees of $750 and a finder's fee payment of $7,200, as well as a non-cash cost of $1,440 relating to the valuation of the issuance of 144,000 finders' warrants. Each finders' warrant enabled the holder to acquire one additional common share for $0.075 per share. The fair value of the warrants was determined using the Black-Scholes option- pricing model with the following assumptions: expected life two year; volatility – 84%; dividend rate – nil; risk free interest rate – 0.55%.

During the year ended August 31, 2016, the Company issued 3,040,000 common shares to three directors of the Company at a deemed price of $0.05 per share pursuant to the settlement of debt totaling $152,000.

As at August 31, 2016, there are 50,369,654 common shares issued and outstanding.

During the year ened August 31, 2015, no share transactions occurred.

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.

(Expressed in Canadian dollars)

10. Reserves (continued)

(a) Stock options (continued):

Option plan (continued):

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.

As at August 31, 2016, the Company had the following outstanding stock options:

	Number of options	Weighted average exercise price
Balance, August 31, 2014	1,664,000	$ 0.15
Forfeited	(1,092,000)	0.15
Balance, August 31, 2015	572,000	0.15
Granted	3,700,000	0.10
Balance, August 31, 2016	4,272,000	0.11
Number of options currently exercisable	572,000	$ 0.15

The weighted average remaining contractual life for the share options outstanding as at August 31, 2016 is 6.41 years (August 31, 2015 – 7.93 years).

As at August 31, 2016, the Company had outstanding stock options enabling the holders to acquire common shares as follows:

Number of options	Exercise price	Expiry date
572,000	$ 0.15	August 4, 2023
3,700,000	0.10	December 4, 2022
4,272,000		

During the year ended August 31, 2016, the Company granted 3,700,000 stock options to certain directors and officers of the Company with an exercise price of $0.10 per share, expiring December 4, 2022. These stock options vest as to 1/3 on December 4, 2016, 1/3 on December 4, 2017 and the final 1/3 on December 4, 2018.

(b) Share-based payments:

During the year ended August 31, 2016, the Company granted 3,700,000 (2015 – Nil) stock options. The fair value of the options granted during the year is $138,414 (2015 - $Nil), based on the Black-Scholes option pricing model. For the year ended August 31, 2016, the share-based payments expense recognized was $71,448 (2015 - $22,765).

(Expressed in Canadian dollars)

10. Reserves (continued)

(b) Share-based payments (continued):

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

	2016
Risk-free interest rate	1.14%
Expected life of options	7 years
Annualized volatility	153%
Dividend rate	0.00%
Forfeiture rate	0.00%

No stock option were granted during the year ended August 31, 2015.

(c) warrants:

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

	Number of warrants	Weighted average exercise price
Balance, August 31, 2014 and 2015	13,333,302	$ 0.16
Issued	3,344,000	0.075
Expired	(13,333,302)	0.16
Balance, August 31, 2016	3,344,000	$ 0.075

As at August 31, 2016, the Company had outsanding warrants enabling the holders to acquire common shares as follows:

Number of warrants	Exercise price	Expiry date
3,200,000	$ 0.075	August 2, 2018
144,000	0.075	August 2, 2018 (i)
3,344,000		

(i) finder's warrants

During the year ended August 31, 2015, the Company received TSX Venture Exchange approval to re-price certain of its outstanding share purchase warrants. There were 13,333,302 warrants outstanding exercisable at $0.45. The Company received approval to re-price 12,811,053 of those warrants to $0.15 (thus excluding 522,249 warrants held by insiders). The Warrants were also amended such that the exercise period can 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. The fair value of the re-priced warrants of $51,244 was determined using the Black-Scholes option- pricing model with the following assumptions: expected life 1.29 years; volatility – 141.9%; dividend rate – nil; risk free interest rate – 1.01%. The increase in fair value due to re-pricing was recognized within equity. During the year ended August 31, 2016, these warrants expired unexercised. As a result,the value of these re-priced warrants, being $51,244, was reallocated from warrants to reserves within shareholders' deficit.

(Expressed in Canadian dollars)

11. Supplemental disclosure with respect to cash flows

During the year ended August 31, 2016 the Company:

1) issued 3,040,000 common shares to settle debts totaling $152,000; and
2) Issued 144,000 finder's warrants valued at $1,440.

There were no non-cash investing and financing transactions during the year ended August 31, 2015.

12. Related party transactions

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

		August 31, 2016		August 31, 2015
Executive compensation (1) to (6)	$	260,000	$	371,010
Non-executive directors' fees (7)		59,165		96,526
Rent (8)		50,829		69,776
Share-based payments		71,448		13,214
	$	441,442	$	550,526

(1) Includes $Nil (2015 - $61,874) in management fees paid or accrued to the Company's former CEO (resigned November, 2014).

(2) Includes $104,000 (2015 - $100,000) in management fees paid or accrued to the Company's former interim CEO (resigned November, 2015).

(3) Includes $36,000 (2015 - $63,074) in professional fees paid or accrued to the Company's former CFOs (resigned November, 2014 and October, 2016, respectively).

(4) Includes $Nil (2015 - $18,892) in professional fees paid or accrued to the Company's former Corporate Secretary.

(5) Includes $Nil (2015 - $11,250) in director's fees paid or accrued to executive directors and former executive directors of the Company.

(6) Includes $120,000 (2015 - $99,920) in property investigation costs paid or accrued to a company controlled by the current CEO of the Company.

(7)Includes $59,165 (2015 - $96,526) in directors' fees paid or accrued to non-executive directors and former non-executive directors of the Company.

(8) Includes $50,829 (2015 - $69,776) in rent paid or accrued to a company with two directors of the Company in common.

Included in accounts payable and accrued liabilities at August 31, 2016 is $88,975 (2015 - $148,836) owing to related parties, all in respect of the above transactions. All related party transactions were conducted on arm's length terms.

13. Loans payable

Promissory notes payable

During the year ended August 31, 2016, the Company received $137,636 from the issuance of promissory notes to four related parties. The promissory notes bear interest at 10% per annum with maturity dates between July 28, 2016 and December 6, 2016. The Notes have all matured and have not been repaid. As at August 31, 2016, the Company has accrued interest totalling $6,095 (August 31, 2015 - $Nil).

Loan payable

During May 2016, the Company received $25,000 pursuant to a loan payable. The loan bears interest at the rate of 10% per annum and has no stated terms of repayment. This loan was repaid in full during the year ended August 31, 2016.

14. 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; and
- 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).

The Company does not have any financial instruments recognized at fair value. The carrying values of cash and cash equivalents, receivables, accounts payable and accrued liabilities and promissory notes 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 and 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 and receivables 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 and cash equivalents and promissory notes payable, which bear interest at fixed or variable rates. The Company is not exposed to material interest rate risk.

14. Financial instruments and risk management (continued)

Foreign currency

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

The exposure of the Company's cash and cash equivalents does not have significant exposure to changes in exchange rates.

The exposure of the Company's accounts payable and accrued liabilities is as follows:

	May 31, 2016			August 31, 2015		
	Amount in foreign currency		Amount in CAD dollars	Amount in foreign currency		Amount in CAD dollars
United States dollars:						
Accounts payable and accrued liabilities	3,500	$	4,615	88,212	$	116,442
Great British Pounds:						
Accounts payable and accrued liabilities	30,043		51,607	5,257		10,712
Total financial liabilities		$	56,222		$	127,154

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, 2016, the Company had cash and equivalents of $5,853 to settle current liabilities of $465,614. The Company will require further financings to cover its expected cash requirements for the next twelve months. (See note 1 to these financial statements).

15. 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 exporation 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 these financial statements, the Company expects to continue to raise funds, from time to time, to continue meeting its capital management objectives.

(Expressed in Canadian dollars)

16. 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:

		2016		2015
Loss year before taxes	$	(868,430)	$	(816,807)
Statutory tax rate		27%		0.00%
Expected income tax recovery	$	(234,476)	$	-
Change in unrecognized deferred tax assets		69,978		-
Share-based payments		12,573		-
Change in tax rate due to operating jurisdiction and Other		151,925		-
Total income taxes	$	-	$	-

The combined federal and provincial statutory tax rate increase to 27% in fiscal 2016 from 0.00% in fiscal 2015 was due to the Company changing jurisdictions from Jersey, Channel Isles to Alberta, Canada.

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:

Share issuance costs	$	10,046	$	-
Non-capital losses		261,690		-

Non-capital losses of $261,690 will expire in 2036.

17. Significant transaction

During April, 2016, the Company entered into an arrangement agreement (the "Arrangement Agreement") with privately-held, Calgary-based Iskander Energy Corporation ("Iskander"), pursuant to which the Company would, subject to certain conditions, acquire all of the issued and outstanding common shares of IEC ("IEC Shares") in exchange for 55,373,072 pre-consolidated shares of the Company at a deemed value of $0.05 per share (the "Transaction") by way of a plan of arrangement ("Plan of Arrangement") under the *Business Corporations Act* (Alberta) ("ABCA").

However, subsequent to August 31, 2016, as a result of prevailing market conditions and other factors, the Company cancelled the proposed private placement and the plan of arrangement with Iskander.