HORIZON PETROLEUM PLC

Financial Statements
(Expressed in Canadian dollars)

For the years ended August 31, 2015 and 2014

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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, 2015 and August 31, 2014, 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, 2015 and August 31, 2014, 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 Professional Accountants

December 16, 2015
Calgary, Canada

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

		August 31, 2015		August 31, 2014
Assets				
Current assets:				
Cash and equivalents	$	243,273	$	1,008,699
Receivables (note 6)		8,049		24,749
Prepaid expenses		8,734		7,591
	$	260,056	$	1,041,039
Liabilities and Shareholders' Equity				
Current liabilities:				
Accounts payable and accrued liabilities (notes 9 & 13)	$	197,138	$	184,079
Shareholders' equity:				
Share capital (note 10)		13,927,594		13,978,838
Reserves (note 11)		451,619		428,854
Warrants (note 11)		51,244		-
Deficit		(14,367,539)		(13,550,732)
		62,918		856,960
	$	260,056	$	1,041,039

Corporate information and going concern (note 1)
Subsequent event (note 17)

See accompanying notes to the financial statements.

Approved by the Board:

"Yogeshwar Sharma"
Director – Yogeshwar Sharma

"David Winter"
Director - David Winter

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

	2015	2014
Expenses:		
Consulting fees	$ 17,509	$ 230,246
Directors' fees	107,776	159,048
Foreign exchange (gain) loss	5,511	13,307
Management fees	161,874	152,599
Office	39,664	43,379
Professional fees	149,587	286,782
Property investigation costs (note 7)	183,318	253,517
Rent	69,776	-
Shareholder communications	700	89,153
Share-based payments (note 11)	22,765	153,501
Transfer agent and regulatory fees	45,523	43,678
Travel and related costs	18,424	56,287
Impairment of exploration and evaluation asset (note 8)	-	1
	(822,427)	(1,481,498)
Other item:		
Interest income	5,620	9,405
Loss and comprehensive loss for the year	$ (816,807)	$ (1,472,093)
Basic and diluted loss per common share	$ (0.02)	$ (0.04)
Basic and diluted weighted average number of common shares outstanding	44,129,654	37,554,311

See accompanying notes to the financial statements.

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

	2015	2014
Cash provided by (used in):		
Operating activities:		
Loss for the year	$ (816,807)	$ (1,472,093)
Items not affecting cash:		
Share-based payments	22,765	153,501
Impairment of exploration and evaluation asset	-	1
	(794,042)	(1,318,591)
Changes in non-cash working capital items:		
Receivables	16,700	(18,729)
Prepaid expenses	(1,143)	3,476
Accounts payable and accrued liabilities	13,059	(18,761)
	(765,426)	(1,352,605)
Financing activities:		
Shares issued for cash	-	2,000,000
Share issuance costs	-	(142,163)
	-	1,857,837
Change in cash during the year	(765,426)	505,232
Cash and equivalents, beginning of year	1,008,699	503,467
Cash and equivalents, end of year	$ 243,273	$ 1,008,699

Supplemental disclosure with respect to cash flows (note 12)

See accompanying notes to the financial statements.

HORIZON PETROLEUM PLC
Statements of Changes in Equity (Deficit)
(Expressed in Canadian dollars)
Years ended August 31, 2015 and 2014

	Number of shares	Share capital	Warrants	Reserves	Deficit	Total
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
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

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.

The Company is currently in the process of changing its domicile from Jersey, Chanel Islands to Alberta, Canada. This Continuation was approved by the Company's shareholders at its AGM held May 5, 2015.

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, 2015, the Company used cash from operating activities of $765,426 (2014 - $1,352,605). At August 31, 2015, the Company's cash balance was $243,273 (2014 - $1,008,699) and working capital position was $62,918 (2014 – $856,960).

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.

The Company continues to evaluate several oil and gas exploration and development opportunities in Africa (Note 17).

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 16, 2015.

(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. 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.

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.

(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.

(*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.

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.

(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.

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 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.

(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:

On September 1, 2014, the Company adopted the "Amendment to IAS 32 Financial Instruments: Presentation" and IFRIC 21 - Levies. There were no adjustments required on the adoption of this amendment.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

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

i) IFRS 7 (Amendment): Standard amended to clarity requirements for mandatory effective dates and transition disclosures, effective for annual periods beginning on or after January 1, 2015; and

ii) 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.

iii) IFRS 11: On May 6, 2014 the IASB issued *Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11).* The amendments apply prospectively for annual periods beginning on or after January 1, 2016. Earlier application is permitted. The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitute a business. The Company intends to adopt the amendments to IFRS 11 in its financial statements for the annual period beginning on January 1, 2016. The extent of the impact of adoption of the amendments has not yet been determined.

iv) 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.

(Expressed in Canadian dollars)

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:

(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, 2015	August 31, 2014
GST receivable	$ 6,849	$ 4,423
Interest	1,200	7,266
Other	-	13,060
	$ 8,049	$ 24,749

7. 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)

8. 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 cash payments totaling $90,000 and to incur exploration expenditures totaling $500,000.

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.

9. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are as follows:

		August 31, 2015		August 31, 2014
Accounts payable	$	13,802	$	29,332
Due to related parties (Note 13)		148,836		100,272
Accrued liabilities		34,500		54,475
	$	197,138	$	184,079

10. 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%.

(Expressed in Canadian dollars)

11. 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.

As at August 31, 2015, the Company had the following outstanding stock options:

	Number of options	Weighted average exercise price
Balance, August 31, 2013	1,714,000	$ 0.15
Forfeited	(50,000)	0.15
Balance, August 31, 2014	1,664,000	0.15
Forfeited	(1,092,000)	0.15
Balance, August 31, 2014 and 2015	572,000	$ 0.15
Number of options currently exercisable	572,000	$ 0.15

The weighted average remaining contractual life for the share options outstanding as at August 31, 2015 is 7.93 years (2014 – 8.93 years).

As at August 31, 2015, 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

Subsequent to August 31, 2015, 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:

No stock options were granted during the years ended August 31, 2015 and 2014.

(Expressed in Canadian dollars)

11. 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, 2013	13,333,302	$ 0.16
Issued	674,230	0.16
Expired	(674,230)	0.16
Balance, August 31, 2014 and 2015	13,333,302	$ 0.16

As at August 31, 2015, the Company had outstanding warrants enabling the holders to acquire common shares as follows:

Number of warrants	Exercise price	Expiry date
12,811,053	$ 0.15	March 16, 2016
522,249	0.45	March 16, 2016
13,333,302		

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 have also been 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.

12. Supplemental disclosure with respect to cash flows

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

During the year ended August 31, 2014 the Company incurred $137,432 of share issuance costs relating to the valuation of warrants issued during the year.

(Expressed in Canadian dollars)

13. Related party transactions

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

		August 31, 2015		August 31, 2014
Executive compensation (1) to (8)	$	371,010	$	431,225
Non-executive directors' fees (9)		96,526		108,445
Rent (10)		69,776		-
Share-based payments		13,214		114,153
	$	550,526	$	653,823

(1) Includes $61,874 (2014 - $145,099) in management fees paid or accrued to the Company's former CEO (resigned November, 2014).

(2) Includes $100,000 (2014 - $Nil) in management fees paid or accrued to the Company's former interim CEO (resigned November, 2015).

(3) Includes $33,074 (2014 - $110,921) in professional fees paid or accrued to the Company's former CFO.

(4) Includes $30,000 (2014 - $Nil) in professional fees paid or accrued to the Company's current CFO.

(5) Includes $18,892 (2014 - $37,705) in professional fees and $Nil (2014 - $13,453) in share issuance costs paid or accrued to the Company's current Corporate Secretary.

(6) Includes $11,250 (2014 - $26,457) in directors' fees paid or accrued to executive directors and former executive directors of the Company.

(7) Includes $99,920 (2014 - $Nil) in property investigation costs paid or accrued to a director of the Company.

(8) Includes $16,000 (2014 - $65,944) in consulting fees paid or accrued to a the current CEO of the Company (appointed November, 2015).

(9) Includes $96,526 (2014 - $132,591) in directors' fees paid or accrued to non-executive directors and former non-executive directors of the Company.

(10) Includes $69,776 (2014 - $Nil) 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, 2015 is $148,836 (2014 - $100,272) owing to related parties, all in respect of the above transactions. All related party transactions were conducted on arm's length terms.

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.
- 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).

14. 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, 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, 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 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 is as follows:

	August 31, 2015		August 31, 2014	
	Amount in Foreign currency	Amount in CAD dollars	Amount in foreign currency	Amount in CAD dollars
United States dollars:				
Cash and cash equivalents	3,072	$ 4,065	6,167	$ 6,707
Total financial assets		$ 4,065		$ 6,707

(Expressed in Canadian dollars)

14. Financial instruments and risk management (continued)

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

	August 31, 2015		August 31, 2014	
	Amount in foreign currency	Amount in CAD dollars	Amount in foreign currency	Amount in CAD dollars
United States dollars:				
Accounts payable and accrued liabilities	88,212	$ 116,442	75,545	$ 82,163
Great British Pounds:				
Accounts payable and accrued liabilities	5,257	10,712	2,395	4,323
Total financial liabilities		$ 127,154		$ 86,486

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, 2015, the Company had cash and equivalents of $243,273 to settle current liabilities of $197,138. Based on current year expenditures, the Company will require further financings to cover its expected cash requirements for the next twelve months.

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 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.

16. Income taxes

The Company is domiciled in Jersey, Channel Islands which has an effective tax rate of 0% for the years ended August 31, 2015 and 2014. The Company does not hold any assets outside of Jersey, Channel Islands.

17. Subsequent event

Subsequent to August 31, 2015, the Company has entered into a letter agreement with a significant international resource company to farm in to an offshore exploration block in West Africa. Under the agreement, the Company and the partner have agreed to the primary terms under which the Company can earn a 50% working interest in the block, and which will be contained within a definitive agreement to be entered into between the Company and the partner.