Canadian Overseas Petroleum Limited

Consolidated Financial Statements

As at and for the years ended December 31, 2015 and 2014

Management's Responsibility for Consolidated Financial Statements

The information provided in these consolidated financial statements is the responsibility of management. In the preparation of the statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying consolidated financial statements.

Management maintains a system of internal controls to provide reasonable assurance that the Company's assets are safeguarded and to facilitate the preparation of relevant and timely information.

Deloitte LLP was appointed by the shareholders to serve as the Company's external auditors. They have examined the consolidated financial statements and provided their independent auditor's report. The audit committee has reviewed the consolidated financial statements with management and the auditors, and has reported to the Board of Directors. The Board of Directors has approved the consolidated financial statements as presented.

Signed "Arthur S. Millholland"
Arthur S. Millholland
President and Chief Executive Officer
March 28, 2016

Signed "Kristin Obreiter"
Kristin Obreiter
Interim Chief Financial Officer
March 28, 2016

Independent Auditor's Report

To the Shareholders of Canadian Overseas Petroleum Limited:

We have audited the accompanying consolidated financial statements of Canadian Overseas Petroleum Limited, which comprise the consolidated statements of financial position as at December 31, 2015, December 31, 2014, and January 1, 2014, and the consolidated statements of comprehensive loss, consolidated statements of changes in equity, and consolidated statements of cash flows for the years ended December 31, 2015 and December 31, 2014, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Canadian Overseas Petroleum Limited as at December 31, 2015, December 31, 2014, and January 1, 2014, and its financial performance and cash flows for the years ended December 31, 2015, and December 31, 2014, in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 to the consolidated financial statements which indicates that Canadian Overseas Petroleum Limited is pursuing exploration projects and contracts that, if successful, will require substantial additional financing. Canadian Overseas Petroleum Limited incurred a net loss of $6.7 million during the year ended December 31, 2015 (2014: $6.6 million) and had negative cash flows from operating activities of $6.3 million (2014: $7.5 million). These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty that casts significant doubt about Canadian Overseas Petroleum Limited's ability to continue as a going concern.

Signed "Deloitte LLP"

Chartered Professional Accountants, Chartered Accountants
March 28, 2016
Calgary, Alberta

Canadian Overseas Petroleum Limited
Consolidated Statements of Financial Position
(in thousands of United States dollars)

As at	**December 31, 2015**	December 31, 2014 *(note 15)*	January 1, 2014 *(note 15)*
Assets			
Current			
Cash and cash equivalents *(note 4)*	**$ 2,015**	$ 4,705	$ 2,241
Accounts receivable	**149**	134	57
Prepaid expenses	**219**	354	290
Loan receivable	**-**	10	11
	2,383	5,203	2,599
Deposits and prepayments	**51**	63	50
Loan receivable	**-**	-	12
Exploration and evaluation assets *(note 6)*	**16,455**	16,305	16,456
Office equipment	**109**	134	175
	$ 18,998	$ 21,705	$ 19,292
Liabilities			
Current			
Accounts payable and accrued liabilities *(note 7)*	**$ 1,424**	$ 1,380	$ 1,747
	1,424	1,380	1,747
Derivative liability (*note 8(a)*)	**367**	57	-
	1,791	1,437	1,747
Shareholders' Equity			
Share capital *(note 8)*	**120,730**	117,247	109,101
Warrants *(note 8(b))*	**2,612**	2,612	-
Contributed capital reserve (*note 8(c))*	**48,014**	48,014	48,014
Deficit	**(151,687)**	(145,002)	(138,449)
Accumulated other comprehensive loss	**(2,462)**	(2,603)	(1,121)
	17,207	20,268	17,545
	$ 18,998	$ 21,705	$ 19,292

Nature of operations *(note 1)*
Going concern *(note 2)*
Commitments and contractual obligations *(note 10)*

See accompanying notes to the consolidated financial statements.

Approved on behalf of the Board:

Signed "Arthur S. Millholland"
Director

Signed "John F. Cowan"
Director

Canadian Overseas Petroleum Limited
Consolidated Statements of Comprehensive Loss
(in thousands of United States dollars, except per share amounts)

For the years ended December 31	2015	2014 (note 15)
Operations		
Exploration	$ -	$ 1
Pre-license costs *(note 6)*	(114)	(551)
Derecognition of exploration and evaluation assets *(note 5)*	-	(594)
Administrative	(6,391)	(6,541)
Depreciation	(59)	(62)
	(6,564)	(7,747)
Finance income and costs		
Interest income	41	28
Derivative gain *(note 8)*	1,097	27
Foreign exchange (loss) / gain	(530)	1,138
	608	1,193
Loss before investments in joint ventures	(5,956)	(6,554)
Loss on investment in joint venture *(note 5)*	(729)	-
Net loss	(6,685)	(6,554)
Gain / (loss) on translation of foreign subsidiaries	141	(1,482)
Comprehensive loss	$ (6,544)	$ (8,036)
Loss per share (basic and diluted)	$ (0.01)	$ (0.02)
Weighted average number of shares outstanding	440,545,079	365,248,721

See accompanying notes to the consolidated financial statements.

Canadian Overseas Petroleum Limited

Consolidated Statements of Changes in Equity

(in thousands of United States dollars)

	Share Capital	Warrants	Contributed Capital Reserve	Deficit	Accumulated Other Comprehensive Loss[1]	Total Equity
Balance at January 1, 2014	**$ 109,101**	**$ -**	**$ 48,014**	**$ (138,449)**	**$ (1,121)**	**$ 17,545**
Comprehensive loss for the year	-	-	-	(6,553)	(1,482)	(8,035)
Transactions with owners, recorded directly to equity						
Issue of common shares - net of issue costs *(note 8)*	8,146	-	-	-	-	8,146
Issue of share purchase warrants *(note 8)*	-	2,612	-	-	-	2,612
Balance at December 31, 2014	**$ 117,247**	**$ 2,612**	**$ 48,014**	**$ (145,002)**	**$ (2,603)**	**$ 20,268**
Comprehensive (loss) / income for the year	**-**	**-**	**-**	**(6,685)**	**141**	**(6,544)**
Transactions with owners, recorded directly to equity						
Issue of common shares - net of issue costs *(note 8)*	**3,483**	**-**	**-**	**-**	**-**	**3,483**
Balance at December 31, 2015	**$ 120,730**	**$ 2,612**	**$ 48,014**	**$ (151,687)**	**$ (2,462)**	**$ 17,207**

[1] As at December 31, 2014 and December 31, 2015 the accumulated other comprehensive loss balance consists of unrealized foreign exchange on translation of foreign subsidiaries.

See accompanying notes to the consolidated financial statements.

Canadian Overseas Petroleum Limited
Consolidated Statements of Cash Flows
(in thousands of United States dollars)

For the years ended December 31	**2015**	2014
Cash Used In Operating Activities		
Net loss	**$ (6,685)**	$ (6,554)
Interest income	**(41)**	(28)
Add (deduct) non-cash items:		
Derivative gain *(note 8)*	**(1,097)**	(27)
Depreciation	**59**	62
Exploration & Evaluation write off	**-**	594
Unrealized foreign exchange loss	**593**	(1,127)
Loss on investment in joint venture *(note 5)*	**729**	-
	(6,442)	(7,080)
Net change in non-cash working capital *(note 14)*	**187**	(435)
	(6,255)	(7,515)
Financing Activities		
Issuance of common shares, net of issue costs *(note 8)*	**4,951**	10,842
	4,951	10,842
Investing Activities		
Additions to office equipment	**(40)**	(21)
Additions to exploration and evaluation assets *(note 6)*	**(150)**	(486)
Additions to investment in joint venture *(note 5)*	**(729)**	-
Interest income	**41**	28
Net change in non-cash working capital *(note 14)*	**-**	(72)
	(878)	(551)
(Decrease)/ increase in cash and cash equivalents during the year	**(2,182)**	2,776
Effect of foreign exchange on cash and cash equivalents held in foreign currencies	**(508)**	(312)
Cash and cash equivalents, beginning of year	**4,705**	2,241
Cash and cash equivalents, end of year	**$ 2,015**	$ 4,705

See accompanying notes to the consolidated financial statements.

1. NATURE OF OPERATIONS

Canadian Overseas Petroleum Limited ("COPL" or the "Company"), is a widely-held publicly traded company incorporated and domiciled in Canada. The Company's common shares are traded on the TSX Venture Exchange in Canada and the London Stock Exchange in the UK. The Company's registered office is in Calgary, Alberta at 400, 604 – 1st Street SW.

COPL and its subsidiaries are involved in the identification, acquisition, exploration and development of oil and natural gas offshore reserves. As at December 31, 2015, the Company has the following subsidiaries, all of which are wholly-owned:

- COPL Technical Services Limited, which is involved in providing technical services to the COPL group of companies;
- Canadian Overseas Petroleum (UK) Limited ("COPL UK"), which conducts the Company's operations in the United Kingdom ("UK");
- Canadian Overseas Petroleum (Bermuda Holdings) Limited and Canadian Overseas Petroleum (Bermuda) Limited ("COPL B"), which were incorporated to conduct operations in offshore Liberia; and
- Canadian Overseas Petroleum (Namibia) Limited, which was incorporated in Bermuda in October 2014.

The Company, along with an unrelated company, Shoreline Energy International Limited, incorporated Shoreline Canoverseas Petroleum Development Corporation Limited ("ShoreCan") in October 2014 in Bermuda to focus on acquisitions of upstream oil and gas exploration, development and producing assets in sub-Saharan Africa. Both partners hold a 50% interest in the joint venture.

On February 12, 2015, Canadian Overseas Petroleum (Nigeria) Limited was dissolved and removed from the Register of Companies in Bermuda, as the company ceased to carry on business, had discharged in full the liabilities to all its known creditors, and distributed its surplus assets in accordance with the Companies Act 1981 (Bermuda).

On October 5, 2015, COPL New Zealand Limited was dissolved and removed from the New Zealand Register of Companies as the company ceased to carry on business, had discharged in full the liabilities to all its known creditors, and distributed its surplus assets in accordance with its constitution and section 318(1)(d)(i) of the Companies Act 1993 (New Zealand).

2. BASIS OF PREPARATION AND GOING CONCERN

Basis of Preparation and Compliance

The Company's consolidated financial statements ("financial statements") for the years ended December 31, 2015 and 2014 have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The Company's consolidated financial statements have been prepared on an historical cost basis, except for certain financial assets and liabilities that have been measured at fair value.

These consolidated financial statements are presented in United States dollars ("$"). All financial information presented in tables has been rounded to the nearest thousand United States dollars except where otherwise indicated.

2. BASIS OF PREPARATION AND GOING CONCERN (continued)

Going Concern

These consolidated financial statements are 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.

Currently, the Company does not have material cash inflows and/or adequate financing to develop profitable operations. The Company is pursuing exploration projects and contracts that will require substantial additional financing before they are able to generate positive operating cash flows. Accordingly, the Company's continued successful operations are dependent on its ability to obtain additional financing. There is no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be obtained on terms advantageous to the Company. With no assurance such financing will be obtained in 2016, there is significant doubt the Company will be able to continue as a going concern. These financial statements do not give effect to adjustments that would be necessary to the carrying values and classifications of assets and liabilities should the Company be unable to continue as a going concern.

The consolidated financial statements were authorized for issue by the Company's Board of Directors on March 24, 2016.

3. SIGNIFICANT ACCOUNTING POLICIES

Change in functional and presentation currency

Effective January 1, 2015 the functional currency was changed from the Canadian dollar to the United States dollar for the Company. The measurement change is due to the focus of the Company in sub-Saharan Africa, for which costs are denominated in United States dollars ("USD"). As a result of the Company's focus in areas with USD functional currencies, the Company has also re-denominated the intercompany debt agreements to USD.

Effective January 1, 2015, the Company's presentation currency was changed from the Canadian dollar ("CAD") to the USD. The change in presentation currency is to better reflect the Company's business activities and to improve investors' ability to compare the Company's financial results to peers. This change has been applied retrospectively as if the new presentation currency had always been the Company's presentation currency. For comparative balances, assets and liabilities are translated at the rate prevailing at the reporting date. The statements of comprehensive loss were translated at the average exchange rates for the reporting period or at the exchange rate prevailing at the date of the transaction. Exchange differences arising on translation were taken into cumulative translation adjustment in shareholder's equity. See Note 15 for the resulting change in presentation currency on comparative figures.

Basis of consolidation

The consolidated financial statements include the financial statements of COPL and its subsidiaries.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. All intercompany transactions and balances have been eliminated on consolidation.

Cash and Cash Equivalents

Cash and cash equivalents include cash held at banks, bankers' acceptances, short-term deposits with an original maturity of three months or less, and credit card deposits.

Office Equipment

Office furniture and equipment is stated at purchase price net of accumulated impairment losses and accumulated depreciation. Depreciation is calculated on a straight line basis over estimated useful life.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign Currency Translation
The consolidated financial statements are presented in United States dollars, which is currently the Company's functional and reporting currency.

Transactions denominated in foreign currencies are translated at the exchange rate prevailing on the transaction date. At each period end, monetary assets and liabilities denominated in a foreign currency are translated at the exchange rate prevailing at the period end date. All differences are recognized in net earnings. Non-monetary assets, liabilities and transactions denominated in a foreign currency and measured at historical cost are translated at the exchange rate in effect at the transaction date. Non-monetary items measured at fair value are translated using the exchange rates at the date when the fair value was determined.

For the purpose of consolidation, assets and liabilities of foreign subsidiaries are translated from their functional currency to United States dollars using the exchange rate prevailing at the period end date. The statements of comprehensive loss and cash flows are translated using the average exchange rates for the period. Foreign exchange differences resulting from such transactions are recorded in Shareholders' Equity as accumulated other comprehensive loss.

Revenue Recognition
The Company recognizes interest income as it is earned.

Pre-License Costs
The Company expenses amounts incurred in the evaluation and development of potential business ventures until the related business arrangements are consummated. The costs incurred prior to the award of oil and gas licenses, concessions and other exploration rights are recognized as an expense in the period incurred.

Exploration and Evaluation ("E&E")
The cost of exploring, appraising and evaluating oil and gas properties, including costs of farming into or acquiring the rights to explore, geological and geophysical studies, seismic data and modeling, exploration and/or appraisal drilling and directly related overheads are capitalized and classified as intangible E&E assets. These costs are accumulated in cost centers by field or project in anticipation of future allocation to Cash Generating Units.

The E&E phase of a particular project is completed when either the technical feasibility and commercial viability of extracting oil or gas are demonstrable for the project or there is no prospect of a positive outcome for the project. E&E assets with commercial reserves will be reclassified to development and production assets and the carrying amounts will be assessed for impairment and adjusted (if appropriate) to their estimated recoverable amounts. If commercial reserves are not discovered, the E&E asset is written off to exploration expenses in the statement of comprehensive loss.

Joint Arrangements
Certain of the Company's activities are conducted through joint arrangements in which two or more parties have joint control. A joint arrangement is classified as either a joint operation or a joint venture, depending on the rights and obligations of the parties to the arrangement.

Joint operations arise when the Company has a direct ownership interest in jointly controlled assets and obligations for liabilities. The consolidated financial statements include the Company's proportionate share of the assets, liabilities, revenues, expenses, and cash flows of this type of arrangement.

Joint ventures arise when the Company has rights to the net assets of the arrangement. For these arrangements the Company uses the equity method of accounting and recognizes initial and subsequent investments at cost, adjusting for the Company's share of the joint venture's income or loss, less dividends received thereafter.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Joint Arrangements (continued)

Under the equity method, losses from the joint venture are applied against the carrying amount of the investment and any loans to the associate that are considered part of the net investment. When the Company's share of losses in a jointly controlled entity exceeds the Company's interest, the Company discontinues recognizing its share of future losses. The Corporation does not recognize further losses unless a legal or constructive obligation exists. If the joint venture subsequently reports profits, the entity resumes recognizing its share of those profits only after its share of the profits equals the share of losses not recognized.

Joint ventures are tested for impairment whenever objective evidence indicates that the carrying amount of the investment many not be recoverable under the equity method of accounting. The impairment amount is measured as the difference between the carrying amount of the investment and the higher of its fair value less costs of disposal and its value in use. Impairment losses are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

Stock-Based Compensation

The Company issues equity-settled stock options to its employees, directors and consultants and follows the fair value method of accounting. A Black-Scholes option-pricing model is used to determine the fair value of the award at the time the options are granted. The related expense is charged to the consolidated statement of comprehensive loss with a corresponding increase in equity as contributed capital reserve over the vesting term. Consideration received on the exercise of an option is credited to share capital, along with the related stock-based compensation previously recognized in contributed capital reserve.

Leases

Rent payable for assets under operating lease is charged to the statement of comprehensive loss on a straight-line basis over the lease term.

Per Share Data

Basic net income (loss) per share is calculated using the weighted average number of shares outstanding during the year. The treasury stock method is used to calculate diluted earnings per share. This method assumes that only in-the-money stock options and warrants are exercised and that any proceeds would be used to purchase common shares at the average market price during the year.

Financial Instruments

The Company has classified each financial instrument into one of the following categories: financial assets and liabilities at Fair Value Through Profit and Loss ("FVTPL"), loans and receivables, financial assets available-for-sale, financial assets held-to-maturity and financial liabilities measured at amortized cost. All financial instruments are initially recognized at fair value on the statement of financial position, except in the case of "financial liabilities measured at amortized cost", which are initially measured at fair value net of directly attributable transaction costs. Subsequent measurement of financial instruments is based on their classification.

Financial assets and liabilities at FVTPL are subsequently measured at fair value with changes in those fair values recognized in net earnings. Financial assets "available-for-sale" are subsequently measured at fair value with changes in fair value recognized in other comprehensive income, net of tax.

Financial assets "held-to-maturity", "loans and receivables" and "financial liabilities measured at amortized cost" are subsequently measured at amortized cost using the effective interest method.

The Company determines the classification of its financial instruments at initial recognition and where allowed and appropriate, re–evaluates this designation at each financial year end.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Income Tax

The Company uses the liability method of accounting for income taxes, whereby deferred income tax assets and liabilities are recognized based on temporary differences between the tax basis of assets and liabilities and their carrying amount in the consolidated financial statements, and for unused tax loss carry-forwards.

Deferred tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted at the statement of financial position date.

Deferred income tax assets are recognized only to the extent it is probable that taxable profit will be available to utilize the associated tax deductions.

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

Significant accounting judgments and estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions and to use judgment that affects the reported amounts of assets, liabilities, revenues and expenses. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accordingly, actual results may differ from those estimated amounts and differences may be material.

In particular, significant areas of estimation uncertainty considered by management in preparing the consolidated financial statements are:

- Stock-based compensation, warrants and derivative liability – the amounts recorded in respect of stock options granted, share purchase warrants granted and the derivative liability for warrants issued are based on the Company's estimation of their fair value, calculated using assumptions regarding the life of the option or warrant, interest rates and volatility. By their nature, these estimates and assumptions are subject to uncertainty, and the actual fair value of options or warrants may differ at any time;
- Impairment of assets – E&E assets and office equipment are assessed for impairment annually and when circumstances suggest that the carrying amount might exceed the recoverable amount. These calculations require the use of estimates and assumptions and are subject to change as new information becomes available. Specifically for E&E assets, these estimates include future commodity prices, quantity of reserves and discount rates, as well as future development and operating expenses;
- Impairment of investment in joint venture – After application of the equity method, the net investment in joint venture is assessed for impairment annually and when circumstances suggest that the carrying amount might exceed the recoverable amount. The Company assesses whether it is necessary to recognize any additional impairment loss with respect to its net investment in the joint venture or any other amount that does not constitute part of the net investment. These estimates include the market, economic, legal and political environment in which the joint venture operates, as well as changes in the joint venture's financial condition. Any reversal of impairment losses is recognized to the extent that the recoverable amount of the investment subsequently increases;
- Deferred income tax – management assesses the likelihood that deferred income tax assets will be realized from future taxable earnings, and the amount of which is subject to measurement uncertainty; and
- Provisions, commitments and contingent liabilities – amounts recorded as provisions and amounts disclosed as commitments and contingent liabilities are estimated based on the terms of the related contracts and management's best knowledge at the time of issuing the consolidated financial statements. The actual results ultimately may differ from those estimates as future confirming events occur.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgments and estimates (continued)
Significant judgments are involved in the determination of the functional currency of the subsidiaries and the time when exploration and evaluation projects are complete and the technical feasibility and commercial viability of extracting oil or gas are demonstrable for the project or there is no prospect of a positive outcome for the project. Determining the type of joint arrangement as either a joint operation or a joint venture is based on management's determination of whether it has joint control over another entity and considerations include assessment of contractual agreements for unanimous consent of the parties on decision making of relevant activities. Once classified as a joint arrangement, management assesses whether it is structured through a separate vehicle and whether the legal form and contractual arrangements give the entity the direct right to the assets and obligations for the liabilities within the normal course of business, as well as the entity's rights to the economic benefit of assets and its involvement and responsibility for settling liabilities associated with the arrangement.

Future Accounting Standards
IFRS 9 – "Financial Instruments"
Since November 2009, the IASB has been in the process of completing a three-phase project to replace IAS 39, "Financial Instruments: Recognition and Measurement" with IFRS 9, which includes requirements for hedge accounting, accounting for financial assets and liabilities and impairment of financial instruments. As of July 2014, the IASB completed the final elements of IFRS 9, setting the mandatory effective date to January 1, 2018. The Company will assess the effect of this future pronouncement on its financial statements.

IFRS 15 – "Revenue from Contracts with Customers"
In May 2014, the IASB and FASB jointly issued IFRS 15 "Revenue from Contracts with Customers," which replaces IAS 18 "Revenue," IAS 11 "Construction Contracts," and other revenue related interpretations. In July 2015, the IASB deferred the mandatory effective date to January 1, 2018 with early adoption permitted. The Company will assess the effect of this future pronouncement on its financial statements.

IFRS 16 – Leases
In January 2016, the IASB issued IFRS 16 "Leases", which replaces IAS 17 Leases. IFRS 16 applies to lessees, requiring the recognition of assets and liabilities for most leases and eliminates the distinction between operating and financing leases. The standard is effective for annual period beginning on or after January 1, 2019, with early adoption permitted if IFRS 15 has also been applied. The Company will assess the effect of this future pronouncement on its financial statements.

4. CASH AND CASH EQUIVALENTS

($ 000's)	**December 31, 2015**	December 31, 2014	January 1, 2014
Cash	**$ 1,928**	$ 4,601	$ 1,987
Credit card deposits	**87**	104	254
	$ 2,015	$ 4,705	$ 2,241

Cash balances earn interest, whenever possible, at floating rates based on daily bank deposit rates.

Credit card deposits are bank deposits that cover the maximum credit limit available for corporate credit cards.

The fair value of cash and cash equivalents was $2.0 million as at December 31, 2015 ($4.7 million as at December 31, 2014 and $2.2 million as at January 1, 2014). The Company deposits its cash with reputable Canadian and Bermuda banks. The Company did not have any overdraft facilities in place as at December 31, 2015, December 31, 2014 and January 1, 2014.

5. INVESTMENT IN JOINT VENTURE

The Company currently holds a 50% interest in a jointly controlled entity, ShoreCan, focusing on acquisitions of upstream oil and gas exploration, development and producing assets in sub-Saharan Africa. The determination of ShoreCan as a joint venture was based on ShoreCan's structure through a separate legal entity whereby neither the legal form nor the contractual arrangement give the owners rights to the assets and obligations for the liabilities within the normal course of business, nor does it give the rights to the economic benefits of the assets or responsibility for settling liabilities associated with the arrangement.

The Company and its joint venture partner signed a funding agreement, effective October 24, 2014 (the "Funding Agreement") providing financial support as needed in proportion to its interest (50% each) in ShoreCan for ShoreCan's expenses and obligations. Amounts advanced to ShoreCan under the terms of the Funding Agreement are unsecured and payable on or before October 24, 2017 contingent upon ShoreCan generating its own cashflows. Interest is charged monthly at an annual rate of 3.0% above USD one month LIBOR.

On February 20, 2015, ShoreCan entered into a commercial acquisition, ratified by the Ministry of Energy in Namibia, of an 80% interest in three blocks offshore Namibia. The blocks are defined as 1708, 1709 and 1808.

On August 17, 2015 ShoreCan agreed to an acquisition in Nigeria subject to the approvals of the Nigerian regulatory authorities whereby ShoreCan acquires 80% of the issued share capital of a company with 100% of the equity and titled interest of an oil appraisal and development project offering near term oil production. The transaction also provides that ShoreCan will take over management and operatorship of the asset. Should the transaction not complete, there is no financial penalty to the Company and any obligations under the transaction agreements will terminate.

Summarized statement of comprehensive loss for investment in joint venture under equity accounting:

For the years ended December 31 ($ 000's)	**2015**	2014
Revenues	**$ -**	$ -
Expenses		-
Pre-licence costs	**(564)**	-
General and administration	**(5,527)**	-
	(6,091)	-
Finance income		
Foreign exchange gain	**2**	-
Interest expense	**(32)**	-
	(30)	
Net Loss	**(6,121)**	-
Share of equity investment (percent)	**50%**	50%
Company's share of net income	**$ (3,061)**	$ -

Included in ShoreCan's expenses for the year ended December 31, 2015, is $2.6 million (2014 - $nil) of management and technical services and $16,000 (2014 - $nil) of interest expense charged by the Company and its subsidiaries.

5. INVESTMENT IN JOINT VENTURE (continued)

Carrying value of investment in joint venture under equity accounting:

Statement of financial position ($ 000's)	**December 31, 2015**	As at January 1, 2014 and December 31, 2014
Assets		
Non-current Assets	**$ 250**	$ -
Exploration and evaluation assets	**495**	-
	$ 745	$ -
Liabilities		
Current liabilities	**(151)**	-
Non-current liabilities	**(6,719)**	-
	$ (6,870)	$ -
Net Liabilities	**(6,125)**	-
Share of net liabilities (percent)	**50%**	50%
Company's share of total investment	**$ (3,063)**	$ -
Loan to joint venture included as net investment	**729**	-
Carrying amount of joint venture	**$ -**	$ -

Included in ShoreCan's non-current liabilities is $3.4 million due to the Company under the terms of the Funding Agreement for the year ended December 31, 2015 (December 31, 2014 and January 1, 2014 - $nil).

As at December 31, 2015, the Company's share of losses of $3.1 million (December 31, 2014 and January 1, 2014 - $nil) in ShoreCan exceed the Company's Net Investment of $0.7 million (December 31, 2014 and January 1, 2014 - $nil) in the jointly controlled entity. Accordingly, under the equity method, the Company did not recognize losses $2.4 million for the period ended December 31, 2015 (December 31, 2014 - $nil). Unrecognized accumulated losses on the investment as of December 31, 2015 are $2.4 million (December 31, 2014 - $nil)

As at December 31, 2015, ShoreCan has commitments of $0.2 million for annual license fees due in the fourth quarter of 2016 and $7.0 million which relate to a minimum work programme to be carried out by the second quarter of 2017, under its exploration license in Namibia. In the event that the acquisition of seismic data does not occur in accordance with the work programme, there is no financial penalty to ShoreCan and the license is subject to forfeiture after that date. ShoreCan is currently exploring alternatives for raising sufficient capital to complete the minimum work programme, and plans to proceed under the terms of the exploration license. ShoreCan has capitalized costs in Namibia of $0.5 million as at December 31, 2015 (December 31, 2014 and January 1, 2014 - $nil).

6. EXPLORATION AND EVALUATION ASSETS

($ 000's)	Liberia	New Zealand	TOTAL
As at January 1, 2014	**$ 15,844**	**$ 612**	**$ 16,456**
Additions	461	98	559
Recovery	-	(73)	(73)
Net effect of foreign exchange	-	(43)	(43)
Derecognition	-	(594)	(594)
As at December 31, 2014	$ 16,305	$ -	$ 16,305
Additions	**150**	**-**	**150**
As at December 31, 2015	**$ 16,455**	**$ -**	**$ 16,455**

Liberia
The Company holds a 17% working interest in Block LB-13 offshore Liberia, with the remaining 83% being held by ExxonMobil Exploration and Production Liberia Limited, who is the operator under this license.

At December 31, 2015, the $16.5 million recognized as exploration and evaluation assets consists mainly of 3D seismic and capitalized geological evaluation work conducted on Block LB-13.

New Zealand
During 2014, the Company had commitments of $1.5 million related to a minimum work program to be carried out by October 31, 2014, under a 50% exploration license in New Zealand and acted as a guarantor of its partner's commitments (the remaining 50%) in this New Zealand license. On November 1, 2014, the minimum work commitments on the exploration asset had not been met by the Company or its partner. The Company and its partner entered into a settlement agreement effective August 29, 2014 whereby any and all claims the partner may or may not have arising from the failure of the Company to finance its share of the work programme were settled. There are no further financial penalties or commitments relative to this asset and payables of $73,000 previously recognized and due to the Company's partner were written off. Thus, the balance of previously capitalized evaluation and exploration assets of $594,000 were derecognized.

Pre-license costs
During the year ended December 31, 2015, the Company incurred approximately $0.1 million of pre-license costs related to areas in sub-Saharan Africa (during the year ended December 31, 2014 - $0.6 million, of which $0.3 million related to Liberia and $0.3 million related to other areas in West Africa).

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

($ 000's)	**December 31, 2015**	December 31, 2014	January 1, 2014
Trade payables	**$ 765**	$ 940	$ 1,228
Joint interest payables	**174**	184	275
Accrued liabilities	**473**	238	223
Other	**12**	18	21
Total	**$ 1,424**	$ 1,380	$ 1,747

8. SHARE CAPITAL

a) Authorized and Issued Common Shares

Authorized
An unlimited number of common voting shares (the “Common Shares”) without nominal or par value and an unlimited number of preferred shares, issuable in series.

Issued
The issued share capital is as follows:

	Number of Common Shares	Amount
Balance, January 1, 2014	**333,717,720**	**$ 109,101**
Issued pursuant to public offering on April 3rd (i)	17,777,777	4,110
Issued pursuant to public offering on August 21st (ii)	50,555,000	9,235
Warrants issued from the offering on April 3rd	-	(120)
Warrants issued from the offering on August 21st	-	(2,612)
Share issue costs	-	(2,467)
Balance, December 31, 2014	**402,050,497**	**$ 117,247**
Issued pursuant to public offering on July 9th (iii)	80,288,699	5,677
Warrants issued from the offering	-	(1,372)
Share issue costs	-	(822)
Balance, December 31, 2015	**482,339,196**	**$ 120,730**

(i) On April 3, 2014, the Company closed a prospectus offering relating to its admission to the standard listing segment of the Official List, and to trading on the main market for listed securities of the London Stock Exchange. The Company issued 17,777,777 Common Shares at a price of Great British Pounds (“GBP”) 0.135 ($0.224) for gross proceeds of GBP 2.4 million ($4.1 million). The agents were paid cash commission and fees of GBP 0.3 million ($0.4 million) representing 5.0% of the gross proceeds of the public offering. Other expenses related to the public offering amounted to approximately $1.1 million.

The Company also issued 888,889 Common Share purchase warrants (“Warrants”) to its agent as compensation warrants in an amount equal to 5.0% of the aggregate number of Common Shares issued pursuant to the offering. Each Warrant entitles the holder to purchase one Common Share of the Company for the period until April 4, 2016, at an exercise price of GBP 0.135 ($0.224). The fair value of the Warrants issued estimated at $0.1 million was recognized as share issue costs and liability using a Black-Scholes option pricing model with the following assumptions:

	2014
Risk-free interest rate	1.1%
Weighted average life (years)	2.0
Expected volatility	81%
Expected dividend yield	0%

On April 3, 2014 a derivative liability of $0.1 million was also recognized in relation to the Warrants issued. The Warrants’ exercise price is in GBP, and the Company’s functional currency is in USD. As there is variability in these exchange rates, the Warrants are classified as a derivative financial instrument. As at December 31, 2015, the derivative liability was $nil and a derivative gain of $57,000 on the derivative liability was recognized, using a Black-Scholes option pricing model with the following assumptions:

8. SHARE CAPITAL (continued)

a) Authorized and Issued Common Shares (continued)

	2015
Risk-free interest rate	0.52%
Weighted average life (years)	0.5
Expected volatility	85%
Expected dividend yield	0%

(ii) On August 21, 2014, the Company closed a short form prospectus in connection with a marketed offering of units of the Company ("2014 Offering"). A unit ("Unit") consisted of one Common Share in the capital of the Company and one share purchase warrant. Each share purchase warrant of the 2014 Offering ("2014 Offering Warrant") entitles the holder thereof to purchase one Common Share at an exercise price of CAD $0.40 ($0.37) per Common Share on or before August 21, 2017. The Company issued 50,555,000 Units at a price of CAD $0.20 ($0.18) per Unit, for aggregate proceeds of approximately $9.2 million pursuant to the 2014 Offering. The agents were paid a cash commission of $0.2 million as well as $0.5 million representing 5.0% of the gross proceeds. Other expenses related to the 2014 Offering of Units amounted to approximately $0.3 million.

The fair value of the 2014 Offering Warrants issued was netted against proceeds from share capital and estimated at $2.6 million using a Black-Scholes option pricing model with the following assumptions:

	2014
Risk-free interest rate	1.1%
Weighted average life (years)	3.0
Expected volatility	70%
Expected dividend yield	0%

(iii) On July 9, 2015, the Company closed a short form prospectus in connection with a marketed offering of Units of the Company ("2015 Offering"). Each Unit consisted of one Common Share in the capital of the Company and one share purchase warrant. Each share purchase warrant ("2015 Offering Warrant") entitles the holder thereof to purchase one Common Share at an exercise price of CAD $0.12 ($0.09) per Common Share on or before the date that is 24 months following the closing date.

The Company issued 80,288,699 Units at a price of CAD $0.09 ($0.07) for gross proceeds of CAD $7.2 million ($5.7 million). The agents were paid a cash commission of CAD $0.4 million ($0.3 million) representing 6.0% of the gross proceeds of the 2015 Offering. Other expenses related to the 2015 Offering of Units amounted to approximately CAD $0.5 million ($0.4 million).

The fair value of the 2015 Offering Warrants issued was netted against proceeds from share capital and estimated at $1.4 million using a Black-Scholes option pricing model with the following assumptions:

8. SHARE CAPITAL (continued)

a) Authorized and Issued Common Shares (continued)

	2015
Risk-free interest rate	0.39%
Weighted average life (years)	2.0
Expected volatility	85%
Expected dividend yield	0%

On July 9, 2015 a derivative liability of $1.4 million was also recognized in relation to the 2015 Offering Warrants issued. The 2015 Offering Warrants' exercise price is in CAD, and the Company's functional currency is in USD. As there is variability in these exchange rates, the 2015 Offering Warrants are classified as a derivative financial instrument. As at December 31, 2015, the derivative liability was revalued and a derivative gain of $1 million on the derivative liability was recognized. The estimated derivative liability as at December 31, 2015, is valued at $0.3 million, using a Black-Scholes option pricing model with the following assumptions:

	2015
Risk-free interest rate	0.41%
Weighted average life (years)	1.50
Expected volatility	90%
Expected dividend yield	0%

The Company also issued 4,548,380 share purchase warrants ("2015 Offering Agent Warrants") to its agents as compensation warrants in an amount equal to 6.0% of 75,806,333 of the Common Shares issued pursuant to the 2015 Offering. Each 2015 Offering Agent Warrant entitles the holder to purchase one Common Share of the Company that is 24 months following the closing date, at an exercise price of CAD $0.09 ($0.07). The fair value of the 2015 Offering Agent Warrants issued was recognized as share issue costs and estimated at $0.1 million using a Black-Scholes option pricing model with the following assumptions:

	2015
Risk-free interest rate	0.39%
Weighted average life (years)	2.0
Expected volatility	85%
Expected dividend yield	0%

8. SHARE CAPITAL (continued)

a) Authorized and Issued Common Shares (continued)

On July 9, 2015 a derivative liability of $0.1 million was also recognized in relation to the 2015 Offering Agent Warrants issued. The 2015 Offering Agent Warrants' exercise price is in CAD, and the Company's functional currency is in USD. As there is variability in these exchange rates, the 2015 Offering Agent Warrants are classified as a derivative financial instrument. As at December 31, 2015, the derivative liability was revalued and a derivative gain of $65,000 on the derivative liability was recognized. The estimated derivative liability as at December 31, 2015, is valued at $27,000, using a Black-Scholes option pricing model with the following assumptions:

	2015
Risk-free interest rate	0.41%
Weighted average life (years)	1.50
Expected volatility	90%
Expected dividend yield	0%

b) Warrants

A summary of the Company's share purchase warrants outstanding at December 31, 2015 is as follows:

($ 000's)	Number of Warrants	Weighted Avg. Exercise Price	Fair Value of Warrants
Balance, January 1, 2014	**-**	**$ -**	**$ -**
Issued pursuant to public offering (note 8 (a) (i))	888,889	0.22	-
Issued pursuant to public offering (note 8 (a)(ii))	50,555,000	0.37	2,612
Balance, December 31, 2014	**51,443,889**	**$ 0.36**	**$ 2,612**
Issued pursuant to public offering (note 8 (a)(iii))	80,288,699	0.09	-
Issued pursuant to public offering (note 8 (a)(iii))	4,548,380	0.07	-
Balance, December 31, 2015	**136,280,968**	**$ 0.19**	**$ 2,612**

c) Incentive Stock Options

The Company has a stock option plan where the number of Common Shares reserved under the plan shall not exceed 10% of the issued and outstanding Common Shares and the number reserved for any one individual may not exceed 5% of the issued and outstanding shares. Exercise prices for stock options granted are determined by the closing market price on the day before the date of grant.

($ 000's)	Number of Options	Weighted Avg. Exercise Price*	Contributed Capital Reserve
Balance, January 1, 2014	**31,320,000**	**$ 0.51**	**$ 48,014**
Forfeited	(3,255,000)	0.66	-
Balance and exercisable December 31, 2014	**28,065,000**	**$ 0.49**	**$ 48,014**
Expired	(6,950,000)	0.63	-
Forfeited	(1,800,000)	0.33	-
Balance and exercisable December 31, 2015	**19,315,000**	**$ 0.46**	**$ 48,014**

*The weighted average exercise price has been converted in USD based on the foreign exchange rate in effect at the date of issuance

8. SHARE CAPITAL (continued)

c) Incentive Stock Options (continued)

During the year ended December 31, 2015, 6,950,000 stock options expired unexercised and 1,800,000 stock options forfeited. No stock options were exercised during the years ended December 31, 2015 and 2014.

As at December 31, 2015, a total of 19,315,000 stock options to purchase Common Shares are outstanding, having a weighted average exercise price of $0.46 (per share with a remaining weighted average contractual life of 1.49 years).

9. DEFERRED INCOME TAX

The tax effects of the temporary differences on deferred income tax assets (liabilities) are as follows:

($ 000's)	**December 31, 2015**	December 31, 2014	January 1, 2014
Non-capital income tax losses	**$ 7,286**	$ 6,716	$ 5,863
Pre-trading expenses – UK	**1,700**	2,055	2,526
Capital losses	**493**	544	594
Share issue costs	**542**	834	855
Exploration and Evaluation assets	**14,541**	18,434	20,300
Office equipment	**25**	22	72
	24,587	28,605	30,210
Unrecognized tax benefits	**(24,587)**	(28,605)	(30,210)
Deferred income tax assets (liabilities)	**$ -**	$ -	$ -

The Company did not recognize a deferred tax asset as at December 31, 2015 or 2014 or January 1, 2014, as currently, it is not expected that the assets will be recoverable in the foreseeable future.

The temporary differences associated with investments in subsidiaries, for which a deferred tax liability was not recognized amounted to $20.6 million as at December 31, 2015 (December 31, 2014 $22.7 million, January 1, 2014 - $24.8 million).

9. DEFERRED INCOME TAX (continued)

The provision for income taxes (recoveries) differs from the expected amounts using statutory income tax rates as follows:

($ 000's)		**2015**		2014
Net loss before investment in joint venture	**$**	**(5,956)**	$	(6,554)
Income tax rates		**26.0%**		25.0%
Provision at statutory rates		**(1,549)**		(1,639)
Tax rate differential (UK and Bermuda)		**563**		225
Non-deductible items:				
Depreciation in excess of capital allowance		**24**		27
Other		**(810)**		53
Share issue costs		**(379)**		(536)
Effect of tax rates changes (Canada and UK)		**-**		8
Change in previously estimated tax pools		**1,162**		382
Change in unrecognized tax benefits		**-**		854
Effect of foreign exchange		**989**		626
Deferred income tax provision (recovery)	**$**	**-**	$	-

As at December 31, 2015, the Company had approximately $27.0 million (December 31, 2014 - $26.9 million) of non-capital losses, which can be applied against taxable income earned in Canada with the following expiry dates:

- $3,000 on December 31, 2025
- $172,000 on December 31, 2026
- $183,000 on December 31, 2027
- $94,000 on December 31, 2028
- $2,282,000 on December 31, 2029
- $4,126,000 on December 31, 2030
- $3,355,000 on December 31, 2031
- $3,519,000 on December 31, 2032
- $4,285,000 on December 31, 2033
- $4,507,000 on December 31, 2034; and
- $4,458,000 on December 31, 2035.

As at December 31, 2015, the Company also had capital losses of approximately $3.7 million (December, 31, 2014 - $4.4 million), which will carry forward indefinitely to reduce capital gains taxed in Canada.

In addition, the Company had cumulative pre-trading expenses in the UK as at December 31, 2015 of approximately $2.9 million or GBP 1.9 million (2014 - $3.1 million or GBP 1.9 million). These amounts will become non-capital losses within the next seven years if the Company obtains trading status in the UK, and these losses can be carried forward indefinitely against future income earned in the UK. If the Company does not obtain trading status the amounts will expire after seven years.

10. COMMITMENTS AND CONTRACTUAL OBLIGATIONS

As at December 31, 2015, the Company has the following commitments:

($ 000's)	**Total**	**Less than One Year**	**One to Three Years**	**Four to Five Years**	**After Five Years**
Office lease	**$ 1,868**	477	954	437	-

The Company is committed under operating lease agreements for the rental of office space in Calgary, Canada. The approximate total lease payments are $1.9 million and are payable over the next four years.

11. RELATED PARTY TRANSACTIONS

a) Related Parties

Related parties include subsidiaries, joint arrangements, key management personnel, the directors, immediate family members of key management personnel and directors, and entities which are, directly or indirectly, controlled by, jointly controlled by or significantly influenced by key management personnel, directors or their close family members.

b) Transactions with Directors and Officers

As at December 31, 2015, accounts due from related parties amounted to $21,000 (December 31, 2014 - $64,000, January 1, 2014 - $33,000), which represented travel advances, with $2,000 payable to related parties (December 31, 2014 - $nil, January 1, 2014 - $3,000) for outstanding travel expenses.

c) Remuneration of Directors and Other Key Management Personnel

The key management personnel of the Company are comprised of executives of the Company and members of its board of directors. The remuneration accrued to directors and key management personnel are as follows:

($ 000's)	**December 31, 2015**	December 31, 2014	January 1, 2014
Short-term benefits	**$ 1,859**	$ 1,798	$ 1,774
	$ 1,859	$ 1,798	$ 1,774

Short-term benefits include annual salaries, directors' fees and health and other taxable benefits.

d) Loan to Key Management Personnel

The Company has provided a non-recourse interest bearing loan to a member of key management personnel. The balance receivable is as follows:

($ 000's)	**December 31, 2015**	December 31, 2014	January 1, 2014
Loan receivable	**$ -**	$ 11	$23

The loan receivable is payable in twenty four equal monthly instalments bearing interest at the prescribed Canada Revenue Agency rates, which ranged from 1% to 2% during the year ended December 31, 2015. The loan was repaid in December 2015.

11. RELATED PARTY TRANSACTIONS (continued)

e) Transactions with Jointly Controlled Entity

In the normal course of operations, the Company enters into transactions on market terms with its jointly controlled entity ShoreCan, which have been measured at exchange value and are recognized in the consolidated financial statements, including, but not limited to: management fees, technical services and interest-bearing loans. The balances included in the jointly controlled entity are disclosed in Note 5.

12. FINANCIAL INSTRUMENTS

The Company has classified its cash and cash equivalents, other deposits and derivative liability as financial assets and liabilities at fair value through profit and loss and has measured them at fair value. Accounts receivable and loan receivable are classified as loans and receivables; accounts payable and accrued liabilities are classified as other liabilities; these items are measured at amortized cost.

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments depending on the observability of the inputs employed in the measurement:

Level 1: fair value measurements are based on unadjusted quoted prices in active markets for identical assets or liabilities. An active market for an asset or liability is considered to be a market where transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis. At December 31, 2015, cash and cash equivalents, are valued using Level 1 inputs.

Level 2: fair value measurements are based on valuation models and techniques where the significant inputs are derived from quoted indices. Level 2 valuations are based on inputs including quoted forward prices, time value, volatility factors and broker quotes that can be observed or corroborated in the market for the entire duration of the derivative instrument. At December 31, 2015, the derivative liability is valued using Level 2 inputs.

Level 3: fair value measurements are based on unobservable information or where the observable data does not support a significant portion of the instrument's fair value. At December 31, 2015 the Company did not have any financial assets or liabilities valued using Level 3, and there were no transfers in and out of Level 3 during the year

a) Fair values

As at December 31, 2015 and 2014 as well as January 1, 2014, the fair values of all financial instruments not carried at fair value approximated their carrying values due to their short-term maturity.

(b) Foreign exchange risk

To mitigate a portion of its exposure and to the extent it is feasible, the Company keeps its funds in currencies applicable to its known short-term obligations.

Cash and cash equivalents includes amounts denominated in the following foreign currencies:

	December 31, 2015	December 31, 2014	January 1, 2014
Great British Pounds	**42**	43	188
Canadian Dollars	**2,649**	5,062	2,019

12. FINANCIAL INSTRUMENTS (continued)

(c) Credit risk

The Company's accounts receivable are mainly due from the government (Goods and Services Tax in Canada and Value Added Tax in UK) or from its employees in respect of travel advances. The Company believes there is no unusual exposure associated with these receivables. No amounts are considered to be past due and no allowance for doubtful accounts has been recorded in the accounts. As at December 31, 2015, the Company holds $2.0 million of cash and cash equivalents with Canadian and Bermuda chartered banks and as at December 31, 2014, the Company held $4.7 million of cash and cash equivalents with Canadian and UK chartered banks ($2.2 million as at January 1, 2014). Management has assessed the associated credit risk as relatively low.

(d) Interest rate risk

The Company's policy is to keep its cash, whenever possible, in interest bearing accounts with its banking institutions. The Company periodically monitors the interest rates offered and is satisfied with the credit ratings of its banks.

13. CAPITAL MANAGEMENT

The Company's objectives when managing capital are:

- to safeguard the Company's ability to continue as a going concern;
- to maintain statement of financial position strength and optimal capital structure, while ensuring the Company's strategic objectives are met; and
- to provide an appropriate return to shareholders relative to the risk of the Company's underlying assets.

In the management of capital, the Company includes shareholders' equity and interest bearing debt defined as long-term loans and current portion of long-term loans, if any. Shareholders' equity includes share capital, warrants, contributed capital reserve and deficit.

The Company maintains and adjusts its capital structure based on changes in economic conditions and the Company's planned requirements. The Company may adjust its capital structure by issuing new equity and/or debt, selling and/or acquiring assets, and controlling the capital expenditure program.

The Company is not subject to any external capital requirements. There were no changes in the Company's capital management policies during the year ended December 31, 2015.

14. NET CHANGE IN NON-CASH WORKING CAPITAL

	December 31, 2015	December 31, 2014
Increase in accounts receivable	**$ (15)**	$ (76)
Decrease / (increase) in prepaid expenses	**135**	(64)
Decrease / (increase) in deposits and prepayments	**13**	(13)
Decrease in loan receivable	**11**	12
Increase / (decrease) in operating accounts payable and accrued liabilities	**43**	(294)
Net change in operating non-cash working capital	**$ 187**	$ (435)
Decrease in accounts payable related to exploration assets	**$ -**	$ (72)
Net change in investing non-cash working capital	**$ -**	$ (72)

15. ADJUSTMENT OF PREVIOUSLY REPORTED FINANCIAL INFORMATION DUE TO CHANGE IN PRESENTATION CURRENCY

For comparative purposes, the consolidated statement of financial position as at December 31, 2014 and January 1, 2014 includes adjustments to reflect the change in accounting policy resulting from the change in presentation currency to USD. The amounts previously reported in CAD as shown below have been translated into USD at the December 31, 2014 and January 1, 2014 exchange rate. The effect of the translation is as follows:

As at January 1, 2014 ($ 000's)	**As previously reported CAD**	**As translated into USD**
Current assets	$ 2,762	**$ 2,599**
Non-current assets	17,753	**16,693**
TOTAL ASSETS	$ 20,515	**$ 19,292**
Current liabilities	1,859	**1,747**
Non-current liabilities	-	**-**
TOTAL LIABILITIES	$ 1,859	**$ 1,747**
As at December 31, 2014		
Current assets	$ 6,035	**$ 5,203**
Non-current assets	19 ,137	**16,502**
TOTAL ASSETS	$ 25,172	**$ 21,705**
Current liabilities	1,601	**1,380**
Non-current liabilities	66	**57**
TOTAL LIABILITIES	$ 1,667	**$ 1,437**

15. ADJUSTMENT OF PREVIOUSLY REPORTED FINANCIAL INFORMATION DUE TO CHANGE IN PRESENTATION CURRENCY (continued)

For comparative purposes, the consolidated statements of comprehensive loss for the year ended December 31, 2014 includes adjustments to reflect the change in accounting policy resulting from the change in presentation currency to USD. The amounts previously reported in CAD as shown below have been translated into USD at the 2014 average exchange rate or the rate in effect at the date of the transaction. The effect of the translation is as follows:

For the year ended December 31, 2014 ($ 000's)	**As previously reported CAD**	**As translated into USD**
Exploration	$ 2	**$ 1**
Pre-license costs	(607)	**(551)**
Derecognition of exploration & evaluation assets	(665)	**(594)**
Administrative	(7,180)	**(6,541)**
Depreciation	(68)	**(62)**
Interest income	32	**28**
Derivative gain	30	**27**
Foreign exchange gain	1,308	**1,138**
Net loss	(7,148)	**(6,554)**
Gain (loss) due to presentation currency	211	**(1,482)**
Comprehensive loss for the period	$ (6,937)	**$ (8,036)**
Loss per share (basic and diluted)	$ (0.02)	**$ (0.02)**
Comprehensive loss per share (basic and diluted)	$ (0.02)	**$ (0.02)**