

Condensed Interim Consolidated Financial Statements
(Unaudited)

For the three and nine months ended November 30, 2015 and 2014

Expressed in Canadian Dollars

NOTICE OF NO AUDITOR REVIEW OF
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements have been prepared by and are the responsibility of management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of condensed interim consolidated financial statements by an entity's auditor.

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Redhill Resources Corp.
Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian Dollars - Unaudited)

	November 30, 2015	February 28, 2015
	$	$
ASSETS		
Current		
Cash	743,737	1,184,261
Receivables (Note 3)	40,758	19,826
Prepaids	28,875	78,068
	813,370	1,282,155
Equipment (Note 5)	29,564	35,750
Exploration and evaluation assets (Note 6)	1,057,659	1,023,808
Reclamation bond (Note 7)	-	5,004
Loan receivable (Note 4)	-	891,219
Financial assets (Note 8)	50,000	450,924
	1,950,593	**3,688,860**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Note 9)	19,355	56,900
Customer deposit	2,836	-
	22,191	56,900
Shareholders' equity		
Share capital (Note 10)	53,488,793	53,488,793
Reserves (Note 10)	394,846	622,939
Deficit	(51,955,237)	(50,479,772)
	1,928,402	3,631,960
	1,950,593	**3,688,860**

Nature and continuance of operations (Note 1), **Commitments** (Note 12)

Approved and authorized by the Board on January 29, 2016.

Approved on behalf of the Board of Directors:

"Graham Harris" Director

"Andrew W. Bowering" Director

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Redhill Resources Corp.
Condensed Interim Consolidated Statements of Comprehensive Loss
(Expressed in Canadian Dollars - Unaudited)

	Three Months Ended November 30,		Nine Months Ended November 30,	
	2015	2014	2015	2014
	$	$	$	$
EXPENSES				
Bad debts	-	-	-	2,905
Depreciation	2,062	3,792	6,186	14,326
Foreign exchange (gain) loss	-	(392)	(332)	(550)
Investor relations	205	11,613	1,337	17,437
Management, consulting & directors fees (Note 11)	142,500	210,606	476,012	613,618
Office and rent (Note 11)	49,929	30,287	146,454	79,113
Professional fees	22,183	42,025	33,717	73,171
Property investigation and due diligence	-	416,190	4,375	482,469
Regulatory and shareholder services	1,768	8,795	8,378	24,089
Salaries and wages	-	13,150	1,705	26,334
Share-based compensation (Note 11)	-	-	-	453,419
Travel and related	4,613	12,597	18,445	44,205
Loss before other items	(223,260)	(748,663)	(696,277)	(1,830,536)
FINANCE AND OTHER ITEMS				
Gain on sale of oil and gas interests	-	-	-	199,653
Loss on warrants held (Note 8)	(8)	(159,782)	(924)	(618,614)
Gain (loss) on debentures held (Note 4)	-	(19,246)	-	2,756
Impairment of financial assets (Note 8)	(293,959)	-	(293,959)	-
Impairment of loan receivable (Note 4)	-	-	(610,168)	-
Interest income	671	30,200	29,642	79,860
Loss on sale of financial assets (Note 8)	(224,594)	-	(315,364)	-
Recovery (write-down) of exploration and evaluation assets (Note 6)	-	380,654	183,492	(1,722,320)
	(517,890)	231,826	(1,007,281)	(2,058,665)
Net loss before income tax	(741,150)	(516,837)	(1,703,558)	(3,889,201)
Deferred income tax expense	-	83,850	-	267,150
Net loss for the period	(741,150)	(600,687)	(1,703,558)	(4,156,351)
OTHER COMPREHENSIVE LOSS				
Net change in fair value of financial assets, net of tax	31,229	(1,206,150)	(293,959)	(2,432,850)
Reclassification of impairment on financial assets	293,959	-	293,959	-
	325,188	(1,206,150)	-	(2,432,850)
Total comprehensive loss for the period	**(415,962)**	**(1,806,837)**	**(1,703,558)**	**(6,589,201)**
Basic and diluted loss per common share				
Net loss for the period	$ (0.04)	$ (0.03)	$ (0.08)	$ (0.22)
Total comprehensive loss for the period	$ (0.02)	$ (0.09)	$ (0.08)	$ (0.34)
Weighted average number of common shares outstanding	20,682,397	20,457,855	20,682,397	19,147,729

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Redhill Resources Corp.
Condensed Interim Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars - Unaudited)

	Nine Months Ended November 30,	
	2015	2014
	$	$
Cash flows used in operating activities		
Loss for the period	(1,703,558)	(4,156,351)
Items not affecting cash:		
Deferred income tax expense	-	267,150
Depreciation	6,186	14,326
Accrued interest income on loan receivable	(24,033)	(16,069)
Share-based compensation	-	453,419
Shares options issued for property investigation and due diligence	-	47,135
Write-down (recovery) of exploration and evaluation assets	(183,492)	1,722,320
Impairment of loan receivable	610,168	-
Impairment of financial assets	293,959	-
Loss on warrants held	924	618,614
Gain on debentures held	-	(2,756)
Loss on sale of financial assets	315,364	-
Gain on sale of oil and gas interest	-	(199,653)
Changes in non-cash working capital items:		
Receivables	(20,932)	(15,924)
Prepaids	49,193	(20,966)
Accounts payable and accrued liabilities	(37,545)	120,563
Customer deposits	2,836	-
	(690,930)	(1,168,192)
Cash flows from (used in) investing activities		
Reclamation bonds	5,004	20,015
Loan receivable	-	(850,000)
Exploration and evaluation asset recovery (expenditures)	149,641	(1,549,074)
Proceeds from disposal of oil and gas interest	-	2,162,405
Purchase of financial assets	(4,282)	-
Proceeds from sale of financial assets	100,043	-
	250,406	(216,654)
Cash flows from financing activity		
Proceeds from exercise of options	-	31,000
Proceeds from exercise of warrants	-	348,000
	-	379,000
Change in cash during the period	(440,524)	(1,005,846)
Cash, beginning of period	1,184,261	2,260,317
Cash, end of period	**743,737**	**1,254,471**

Supplemental non-cash disclosures (Note 16)

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Redhill Resources Corp.
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars - Unaudited)

	Number of Shares Issued	Share Capital	Reserves			Deficit	Total Shareholders' Equity
			Share Options	Unrealized Gains (Losses)	Total		
		$	$	$	$	$	$
Balance at February 28, 2014	18,307,395	53,083,877	834,189	1,787,850	2,622,039	(45,067,601)	10,638,315
Warrants exercised	2,175,002	348,000	-	-	-	-	348,000
Share options exercised	200,000	56,916	(25,916)	-	(25,916)	-	31,000
Share-based compensation	-	-	453,419	-	453,419	-	453,419
Share options issued for property investigation and due diligence	-	-	47,135	-	47,135	-	47,135
Forfeited share options	-	-	(276,240)	-	(276,240)	276,240	-
Comprehensive loss for the period	-	-	-	(2,432,850)	(2,432,850)	(4,156,351)	(6,589,201)
Balance at November 30, 2014	20,682,397	53,488,793	1,032,587	(645,000)	387,587	(48,947,712)	4,928,668
Share-based compensation	-	-	83,509	-	83,509	-	83,509
Forfeited share options	-	-	(493,157)	-	(493,157)	493,157	-
Comprehensive loss for the period	-	-	-	(645,000)	(645,000)	(2,025,217)	(1,380,217)
Balance at February 28, 2015	20,682,397	53,488,793	622,939	-	622,939	(50,479,772)	3,631,960
Forfeited share options	-	-	(228,093)	-	(228,093)	228,093	-
Comprehensive loss for the period	-	-	-	-	-	(1,703,558)	(1,703,558)
Balance at November 30, 2015	**20,682,397**	**53,488,793**	**394,846**	**-**	**394,846**	**(51,955,237)**	**1,928,402**

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

1. NATURE AND CONTINUANCE OF OPERATIONS

Redhill Resources Corp. (the "Company") was incorporated on March 7, 2005 under the laws of the Province of British Columbia. The Company's principal business is to acquire, explore and develop oil & gas resource interests.

The head office and principal address of the Company is Suite 2000, 1177 West Hastings Street, Vancouver, British Columbia, Canada, V6E 2K3. The registered and records office is located at Suite 650, 1188 West Georgia Street, Vancouver, BC, V6E 4A2.

During the year ended February 28, 2015, the Company dissolved its wholly owned subsidiary, ATW Gold Corp. Australia Pty Ltd., and refocused on oil & gas exploration and development.

The Company's oil and gas interests are at the exploration stage and are without a known body of hydrocarbon reserves. The business of exploring for oil and gas and minerals involves a high degree of risk. Few properties that are explored are ultimately developed into producing reservoirs. Major expenses may be required to establish oil and gas reserves, to acquire construction and operating permits and to construct oil and gas production and processing facilities. The amounts shown as oil and gas interests and exploration and evaluation assets represent acquisition, holding and exploration and evaluation costs and do not necessarily represent present or future recoverable values. The recoverability of the amounts shown for oil and gas interests and exploration and evaluation assets is dependent upon the Company obtaining the necessary financing to complete the exploration and development of the properties, the discovery of economically recoverable reserves and future profitable operations.

These condensed interim consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at November 30, 2015, the Company had written off the value of its mineral properties and is not able to finance day to day activities through operations. The Company's continuation as a going concern is dependent upon the successful acquisition of resource properties and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. These material uncertainties may cast significant doubt about the Company's ability to continue as a going concern. Management intends to finance operating costs over the next twelve months with current working capital, proceeds from exercise of options and warrants, the potential sale of High North common shares, and further private placements.

These condensed interim consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance
These condensed interim financial statements, including comparatives, have been prepared in accordance with International Accounts Standards ("IAS") 34, "Condensed Interim Financial Reporting" using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

This condensed interim financial report does not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that this financial report be read in conjunction with the audited annual financial statements of the Company for the year ended February 28, 2015.

The condensed interim consolidated financial statements of the Company for the three and nine months ended November 30, 2015 were approved and authorized for issue by the Board of Directors on January 29, 2016.

Basis of presentation
The condensed interim consolidated financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The consolidated financial statements are presented in Canadian dollars unless otherwise noted.

Basis of consolidation
These condensed interim consolidated financial statements include the accounts of the Company and its formerly wholly owned subsidiary, ATW Gold Corp. Australia Pty Ltd., up to the date of dissolution. All significant intercompany accounts and transactions between the Company and its subsidiary have been eliminated upon consolidation.

Use of estimates
The preparation of financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported revenues and expenses during the period.

Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

The most significant accounts that require estimates as the basis for determining the stated amounts include the recoverability of exploration and evaluation assets including oil and gas interests, valuation of share-based compensation and other equity based payments, and the recoverability and measurement of deferred tax assets and liabilities.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates (continued)

Critical judgment exercised in applying accounting policies that have the most significant effect on the amounts recognized in the condensed interim consolidated financial statements is as follows:

Economic recoverability and probability of future economic benefits of exploration and evaluation assets
Management has determined that exploration, evaluation, and related costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including, geologic and other technical information, a history of conversion of hydrocarbon deposits with similar characteristics to its own properties to proven and probable hydrocarbon reserves, a history of conversion of oil and gas reserves with similar characteristics to its own properties to proven and probable hydrocarbon reserves, the quality and capacity of existing infrastructure facilities, evaluation of permitting and environmental issues and local support for the project.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments are as follows:

Valuation of share-based compensation, investment in warrants, and convertible features
The Company uses the Black-Scholes Option Pricing Model for valuation of share-based compensation and other equity based payments, as well as its investment in warrants of High North and the conversion feature of the loan receivable. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

Income taxes
In assessing the probability of realizing income tax assets, management makes estimates related to expectation of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

Accounting pronouncements not yet adopted
A number of new standards, amendments to standards and interpretations applicable to the Company are not yet effective for the nine months ended November 30, 2015 and have not been applied in preparing these condensed interim consolidated financial statements. Management does not expect the new and revised standards to have an effect on the Company's reported financial position or results of operations:

a) IFRS 9 – Financial Instruments: Classification and Measurement applies to classification and measurement of financial assets and liabilities as defined in IAS 39. It is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted.

3. RECEIVABLES

	November 30, 2015	February 28, 2015
	$	$
Sales tax receivable	8,061	6,701
Other receivables	32,697	13,125
	40,758	**19,826**

4. LOAN RECEIVABLE

In April 2014, the Company purchased 850 12% one year convertible subordinated debentures at a subscription price of $1,000 per debenture for a total cost of $850,000. The debentures bear interest at a rate of 12% per annum (calculated annually) which is payable semi-annually on October 3, 2014 (received) and April 4, 2015. Each debenture is convertible at the holder's option into common shares of High North Resources Ltd. ("High North") for a period of one year at $0.85 per common share.

The fair value attributable to the conversion feature, which is being accounted for as a derivative, is re-valued at each reporting period. On the date of initial recognition and as at February 28, 2015, the conversion feature was calculated with a value of $125,788 and $nil, respectively.

The loan receivable balance is comprised of the following:

	November 30, 2015	February 28, 2015
	$	$
Principal portion	-	850,000
Accrued interest	-	41,219
	-	**891,219**

In early 2015, the Company was informed by High North that they were not able to repay the principal and remaining interest payment of the debenture that matured on April 4, 2015. In March 2015, the Company elected to waive the event of default by High North and agreed to participate in a Plan of Arrangement ("Plan") to modify or convert the debentures in early June 2015. Under the Plan, the Company had the option to:

a) Convert their principal and interest into common shares of High North at $0.06 per share;
b) Extend their debenture until October 2016 at a reduced interest rate of 6%; or
c) A combination of both a) and b).

In July 2015, the Company finalized the election under the Plan to convert its entire principal and remaining interest balance into common shares of High North which resulted in the receipt of 15,254,203 High North common shares (Note 8) to fully satisfy its debenture and interest receivable balance.

During the nine months ended November 30, 2015, the Company impaired its loan receivable by $610,168.

5. EQUIPMENT

	Computer equipment	Leasehold improvement	Other equipment	Total
	$	$	$	$
Cost:				
At February 28, 2014 and 2015 and November 30, 2015	78,775	80,039	79,920	238,734
Depreciation:				
At February 28, 2014	58,858	73,660	52,347	184,865
Additions	4,703	6,379	7,037	18,119
At February 28, 2015	63,561	80,039	59,384	202,984
Additions	2,469	-	3,717	6,186
At November 30, 2015	66,030	80,039	63,101	209,170
Net book value:				
At February 28, 2015	15,214	-	20,536	35,750
At November 30, 2015	**12,745**	**-**	**16,819**	**29,564**

6. EXPLORATION AND EVALUATION ASSETS

The Company's current exploration and evaluation assets are comprised of oil and gas properties as follows:

	Mineral Properties (Canada)	Oil & Gas Properties (Canada)	Total
	$		$
Balance, February 28, 2014	**1,573,752**	**1,962,752**	**3,536,504**
Acquisition costs	-	1,008,640	1,008,640
Exploration expenditures (recoveries):			
Geochemistry	575	-	575
Drilling and metallurgical	485,338	-	485,338
Geological and engineering contractors	125,729	7,375	133,104
Lease rentals	-	7,168	7,168
Professional fees	-	625	625
Mining tax credit	(463,074)	-	(463,074)
Subtotal	148,568	1,023,808	1,172,376
Write-down of exploration and evaluation assets	(1,722,320)	-	(1,722,320)
Disposal of property	-	(1,962,752)	(1,962,752)
	(1,573,752)	(938,944)	(2,512,696)
Balance, February 28, 2015	**-**	**1,023,808**	**1,023,808**
Exploration expenditures (recoveries):			
Geological and engineering contractors	-	26,683	26,683
Lease rentals	-	7,168	7,168
Mining tax credit	(183,492)	-	(183,492)
Subtotal	(183,492)	33,851	(149,641)
Recovery of exploration and evaluation assets	183,492	-	183,492
	-	33,851	33,851
Balance, November 30, 2015	**-**	**1,057,659**	**1,057,659**

6. EXPLORATION AND EVALUATION ASSETS (continued)

MINERAL PROPERTIES

a) Canada

The Company previously had mineral exploration option agreements on three different properties in Canada: Aspen, Yellow Chris, and Stikine Terrane. During the year ended February 28, 2015, the Company incurred mineral exploration costs of $611,642 and received mineral tax credits of $463,074. After receiving the preliminary results of the mineral exploration work conducted at Stikine Terrane in the summer of 2014, the Company terminated all of its remaining Canadian mineral exploration agreements and, therefore, wrote down exploration and evaluation assets by $1,722,320 during the year ended February 28, 2015.

In September 2015, the Company received a mining tax credit of $183,970 (which included interest of $478) relating to a previously written-down property. As such, the Company recorded a recovery of exploration and evaluation assets of $183,492 during the nine months ended November 30, 2015.

OIL AND GAS PROPERTIES

Montney Project

In September 2014, the Company acquired a 100% interest in a total of eight sections of crown petroleum and natural gas leases (the "Montney Leases") from the Government of Alberta's September 17, 2014 public offering of Crown land rights for total consideration of $1,008,640. The Montney Leases cover 2,048 hectares in North Western Alberta, have a four year exploration term, and require annual lease rentals of $7,168. The acquired rights are in the exploration and pre-production phase and as such, the Company has capitalized all related exploration expenditures incurred.

All work related to evaluating these Montney Leases prior to obtaining the land rights on September 17, 2014 public offering were expensed as property investigation and due diligence costs in the consolidated statement of comprehensive loss.

GORR Lands

In December 2013, the Company acquired a 100% interest in seven crown petroleum and natural gas leases (the "Leases") from the Government of Alberta public offering of Crown land rights for $1,962,752 (the "Bid Amount"). The Leases are located in North Western Alberta.

The Company entered into a binding memorandum of understanding with High North Resources Ltd. whereby High North was granted the option to purchase the leases by paying to the Company the Bid Amount plus a premium of 10%.

In May 2014, High North exercised its option to acquire the Leases by paying the Company $2,162,405 which resulted in the Company recording a gain on the sale of the oil and gas interests of $199,653.

The Company retained a 2.5% gross overriding royalty in any production for the Leases. As at November 30, 2015, there is no production from these leases.

7. RECLAMATION BOND

As at February 28, 2015, the Company held one safekeeping agreement relating to the written-off Aspen mineral property that was secured by a $5,000 deposit which earned interest at prime less 1.95% and matured on February 1, 2016. In September 2015, the safekeeping agreement was released as the Company no longer holds an interest in the property.

8. FINANCIAL ASSETS

In July 2013, the Company sold its 30% interest in Valleyview to High North for 3,000,000 shares of High North valued at $975,000. The High North shares are subject to a pooling agreement and released as per the following schedule: (1) 10% on July 22, 2013 (2) 20% on January 22, 2014 (3) 20% on July 22, 2014 (4) 20% on January 22, 2015 and (5) 30% on July 22, 2015. At November 30, 2015, no (February 28, 2015 – 900,000) shares were held in escrow.

In October 2013, the Company subscribed to 3,000,000 units of High North (the "High North Unit") at a price of $0.35 per unit for $1,050,000. Each High North Unit consists of one common share and one-half share purchase warrant which is exercisable for two years at an exercise price of $0.50 per whole warrant. No value was allocated to the warrants on initial recognition.

During the year ended February 28, 2015, the Company recognized a permanent impairment on its financial assets of $1,575,000.

In July 2015, the Company received 15,254,203 common shares of High North valued at $0.02 per share as a result of the Company's election to fully convert its debenture and remaining interest payment (Note 4).

During the nine months ended November 30, 2015, the Company acquired an additional 424,000 common shares of High North for $0.01 per share and sold 11,678,203 common shares of High North for proceeds of $100,043 which resulted in a loss on sale of financial assets of $315,364.

At November 30, 2015, the Company held 10,000,000 (February 28, 2015 – 6,000,000) High North shares which had a fair value of $50,000 (February 28, 2015 – $450,000). The net change in fair value of these financial assets, net of tax, resulted in a loss of $293,959 (nine months ended November 30, 2014 – $2,432,850) which was recorded to the statement of profit or loss as management determined the investment in High North was permanently impaired.

Warrants:

In October 2015, the 1,500,000 warrants held in High North expired unexercised. As a result, the Company recorded a loss on warrants held of $924 (nine months ended November 30, 2014 – $618,614) during the nine months ended November 30, 2015.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	November 30, 2015	February 28, 2015
	$	$
Accounts payable	12,289	11,900
Accrued liabilities	2,500	45,000
Payroll liabilities	4,566	-
	19,355	**56,900**

10. SHARE CAPITAL AND RESERVES

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

No shares were issued during the nine months ended November 30, 2015.

Share Options

The Company has a share option plan (the "Plan") whereby the Company can grant share options to directors, officers, employees and consultants enabling them to acquire up to 10% of the issued common shares of the Company. Options granted can have a maximum term of ten years and the board of directors can determine the vesting requirements.

During the nine months ended November 30, 2015, 565,000 stock options were forfeited. As a result, $228,093 was transferred from reserves to deficit.

A summary of the share options outstanding and exercisable at November 30, 2015 is as follows:

Number of Share Options	Exercise Price	Expiry Date
	$	
300,000	0.155	February 3, 2019
765,000	0.40	August 11, 2019
100,000	0.50	September 25, 2019
1,165,000		

The weighted average life of options outstanding at November 30, 2015 was 3.66 years.

10. SHARE CAPITAL AND RESERVES (continued)

Share Options (continued)

Share options transactions are summarized as follows:

	Number of Share Options	Weighted Average Exercise Price
		$
Balance, February 28, 2014	1,317,000	0.71
Granted	1,430,000	0.41
Exercised	(200,000)	0.155
Forfeited	(817,000)	1.04
Balance, February 28, 2015	1,730,000	0.36
Forfeited	(565,000)	0.40
Balance, November 30, 2015	**1,165,000**	0.34

The following weighted average assumptions were used in the Black-Scholes option pricing model for the valuation of the share options granted:

	November 30, 2015	February 28, 2015
Risk-free interest rate	N/A	1.53%
Dividend yield	N/A	Nil
Expected life	N/A	5 years
Volatility	N/A	126%

Warrants

A summary of the share purchase warrants outstanding and exercisable at November 30, 2015 is as follows:

Number of Warrants	Exercise Price	Expiry Date
	$	
2,824,998	0.16	February 18, 2016

The weighted average life of warrants outstanding at November 30, 2015 was 0.30 years.

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
		$
Balance, February 28, 2014	5,000,000	0.16
Exercised	(2,175,002)	0.16
Balance February 28, 2015 and November 30, 2015	**2,824,998**	**0.16**

11. RELATED PARTY TRANSACTIONS

During the nine months ended November 30, 2015, the Company entered into the following transactions with related parties, not disclosed elsewhere in these condensed interim consolidated financial statements:

a) Rent recoveries of $18,800 (November 30, 2014 - $41,193), office recoveries of $16,200 (November 30, 2014 - $19,600), and payroll recoveries of $4,000 (November 30, 2014 - $47,600) were received from companies related by way of common directors and officers; and

b) Incurred exploration expenditures for geochemistry, drilling, and geological and engineering contractors of $nil (November 30, 2014 - $526,983) to a company controlled by two directors of the Company.

On August 11, 2014 the Company signed two Executive Employment Agreements, one with the President, COO, and director of the Company and the other with the CEO and director of the Company. Each agreement states that the executive will earn an annual salary of $180,000 plus bonuses (monthly salary of $15,000) and is entitled to termination payments of one years' salary plus 10% of the salary for the loss of group benefits plus 50% of the total bonuses paid over the previous two calendar years.

In July 2015, the CEO resigned and agreed to settle $60,000 of deferred salary for $30,000 ("settlement amount") which resulted in a salary recovery of $30,000. The employee will have no further claims against the Company for additional salary or other employment compensation.

In November 2015, the Company and the current executives and officers agreed to reduce their monthly salary to $4,000 effective January 2016 as part of cost cutting initiatives.

As at November 30, 2015, the Company owed $1,195 (February 28, 2015 - $2,744) to various directors and officers of the Company for reimbursement of expenses which is included in accounts payable and accrued liabilities.

As at November 30, 2015, the Company had a loan receivable of $nil (February 28, 2015 - $891,219) owing by High North and financial assets valued at $50,000 (February 28, 2015 - $450,924) in High North which is related by way of a common director.

As at November 30, 2015, the Company had a receivable of $147 (February 28, 2015 - $nil) owing by a company related by way of a director whom acts in capacity as an officer of this company.

Summary of key management personnel compensation:

	For the nine months ended November 30,	
	2015	**2014**
	$	**$**
Director's fees	5,000	43,333
Management fees	466,500	495,424
Share-based compensation	-	392,864
	471,500	**931,621**

12. COMMITMENTS

a) Commencing June 1, 2009, the Company entered into a three-year term lease agreement for office space in Vancouver, British Columbia. The Company receives recoveries on a month to month basis from various sub-tenants. On January 4, 2012, the Company signed a lease amending agreement extending the lease for an additional five years. The remaining minimum future lease payments, excluding operating costs are as follows:

December 1, 2015 to February 28, 2016	$ 26,768
March 1, 2016 to February 28, 2017	$ 107,070
March 1, 2017 to May 31, 2017	$ 26,768

b) In accordance with the Definitive Agreement signed with Petrel in October 2014, the Company may be required to issue 300,000 common shares of the Company to Petrel conditional upon certain land acquisition thresholds.

13. CAPITAL DISCLOSURE AND MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of oil and gas properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. In the management of capital, the Company includes shareholders equity and long term obligations as capital.

In order to carry out planned exploration and development activities and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. In addition, the Company is dependent upon external financings to fund activities. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to any externally imposed capital restrictions.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The Company's financial instruments consist of cash, receivables, loan receivable, financial assets, reclamation bond, and accounts payable and accrued liabilities. The fair value of receivables and accounts payables and accrued liabilities approximates their carrying values. Cash, reclamation bond, and financial assets are measured at fair value using level 1 inputs. The Company's investment in the High North warrants and the convertible portion of the High North debentures were measured using level 3 inputs to the Black Scholes valuation as disclosed in Notes 4 and 8. The principal portion of the High North debenture was measured using level 2 inputs.

The Company is exposed to a variety of financial risks by virtue of its activities including currency, credit, interest rate, liquidity, commodity price and market price risk.

a) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's functional currency is the Canadian dollar and it currently has one property which is located in Canada. The Company is incurring all expenditures in Canadian dollars; as such, there is no foreign currency risk related to its oil and gas property.

However, the Company is subject to risk in fluctuations in the exchange rate of the United States dollar as it holds a bank account denominated in United States dollars with a balance of (US$35) as at November 30, 2015 (February 28, 2015 - US$17,563). Each 1% change in the Canadian dollar versus the United States dollar will result in a minimal gain/loss.

a) Credit risk

Credit risk is risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's cash is held in large Canadian financial institutions and its receivables consist of amounts due from the Canadian government and various businesses. The Company is not exposed to significant credit risk on its balance due from the Canadian government; however, there is credit risk related to the balances due from the various businesses as there is no guarantee those receivables will be fully collected.

b) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. There is minimal interest rate risk as the Company's previously held loan receivable had a fixed interest rate of 12% per annum and the Company does not have any interest-bearing debt.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they come due. The Company's ability to continue as a going concern is dependent on management's ability to raise the required capital through future equity or debt issuances. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning, and approval of significant expenditures and commitments.

d) Commodity price risk

The Company is subject to price risk for fluctuations in the market price of oil and gas through its investment in High North and its other oil and gas resource properties. Oil and gas prices are affected by numerous factors beyond the Company's control, including central bank sales, producer hedging activities, the relative exchange rate of the US with other major currencies, global and regional demand and political and economic conditions. Worldwide oil and gas production levels also affect oil and gas prices, and the price of oil and gas are occasionally subject to rapid short-term changes due to speculative activities. The Company does not actively manage its exposure to oil or gas price risk.

e) Market price risk

Market price risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The financial asset held by the Company is quoted on public stock exchange and as such, the Company is subject to market risk. For every $0.01 change in the price of High North shares, the Company will realize a $100,000 net change in fair value, before taxes, on its investment in the shares.

15. SEGMENTED INFORMATION

The Company has one operating segment, being the exploration of oil and gas properties. As at November 30, 2015 and February 28, 2015, the Company's operations were fully located in Canada.

16. SUPPLEMENTAL NON-CASH DISCLOSURES

	Nine months ended November 30,	
	2015	2014
	$	$
Change in fair market value of financial assets	-	2,700,000
Conversion of loan receivable into financial assets	305,084	-
Exploration and evaluation assets expenditures included in receivables	-	384,073
Reallocation of reserves on forfeited options	228,093	276,240
Reallocation of value of options of exercise	-	25,916