Consolidated Financial Statements

For the Years Ended September 30, 2015 and 2014

Management's Report

Management, in accordance with International Financial Reporting Standards, has prepared the accompanying consolidated financial statements of Yoho Resources Inc. Management is responsible for the integrity of the financial information. Internal control systems are designed and maintained to provide reasonable assurance that assets are safeguarded from loss or unauthorized use and to produce reliable accounting records for financial reporting purposes.

KPMG LLP were appointed by the Yoho Resources Inc. shareholders to express an opinion on the consolidated financial statements. Their examination included such tests and procedures, as they considered necessary, to provide reasonable assurance that the consolidated financial statements are presented fairly in accordance with International Financial Reporting Standards.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board of Directors exercises the responsibility through the Audit Committee, with assistance from the Reserves Committee regarding the annual review of our petroleum and natural gas reserves. The Audit Committee meets regularly with management and the independent auditors to ensure that management's responsibilities are properly discharged, to review the consolidated financial statements and recommend that the consolidated financial statements be presented to the Board of Directors for approval. The Audit Committee also considers the independence of the external auditors, their fees and, for review by the Board of Directors and approval by the shareholders, their engagement or re-appointment. The external auditors have access to the Audit Committee without the presence of management.

signed: "Brian A. McLachlan"

Brian A. McLachlan
President and Chief Executive Officer

signed: "Wendy S. Woolsey"

Wendy S. Woolsey, CA
Vice President, Finance and Chief Financial Officer

January 13, 2016

Auditors' Report

To the Shareholders of Yoho Resources Inc.

We have audited the accompanying consolidated financial statements of Yoho Resources Inc., which comprise the consolidated statements of financial position as at September 30, 2015 and 2014, the consolidated statements of income (loss) and comprehensive income (loss), changes in shareholders' equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these 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.

Auditors' 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 our judgement, 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, we consider 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 consolidated financial position of Yoho Resources Inc. as at September 30, 2015 and 2014, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

signed: "KPMG"

Chartered Professional Accountants
Calgary, Canada
January 13, 2016

Yoho Resources Inc.
Consolidated Statements of Financial Position

		September 30, 2015		September 30, 2014
Assets				
Current assets				
Accounts receivable (note 17)	$	3,752,087	$	4,075,382
Prepaid expenses and deposits		266,616		384,713
Financial derivative contracts (note 17)		2,285		-
		4,020,988		4,460,095
Exploration and evaluation assets (notes 5 and 7)		4,294,335		11,275,459
Property, plant and equipment (notes 5 and 8)		103,865,650		149,076,940
	$	112,180,973	$	164,812,494
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities (note 17)	$	12,168,508	$	13,576,878
Bank loan (note 9)		19,830,326		6,990,265
Financial derivative contracts (note 17)		-		118,013
		31,998,834		20,685,156
Flow-through share premium liability (note 13)		378,115		-
Convertible debentures (note 10)		9,207,415		-
Decommissioning obligations (note 12)		10,956,350		9,764,530
Deferred tax liability (note 14)		-		20,252,737
Shareholders' Equity				
Share capital (note 13)		148,701,169		143,603,571
Contributed surplus (note 13)		6,771,463		5,660,465
Equity component of convertible debentures (note 10)		1,885,199		-
Deficit		(97,717,572)		(35,153,965)
		59,640,259		114,110,071
	$	112,180,973	$	164,812,494

See accompanying notes to the consolidated financial statements.
Subsequent events (notes 5, 9 and 10)

On behalf of the Board

signed: "Gary Perron"

Gary Perron
Director

signed: "Terry Svarich"

Terry Svarich
Director

Yoho Resources Inc.

Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)

	Years Ended	
	September 30, 2015	September 30, 2014
Revenue		
Petroleum and natural gas sales	$ 16,529,720	$ 26,234,952
Royalties	(761,750)	(2,665,219)
	15,767,970	23,569,733
Realized gain (loss) on derivative contracts	44,467	(944,756)
Unrealized gain (loss) on derivative contracts	120,298	(25,912)
	15,932,735	22,599,065
Expenses		
Operating	8,098,890	7,869,116
General and administrative	2,034,296	2,965,555
Stock-based compensation (note 13)	682,736	1,200,322
Depletion and depreciation (note 8)	9,132,648	9,220,139
Impairment of property, plant and equipment (notes 7 and 8)	77,061,710	5,168,150
	97,010,280	26,423,282
Loss from operating activities	(81,077,545)	(3,824,217)
(Gain) loss on sale of property, plant and equipment (note 5)	485,187	(50,814,136)
Gain on investment (note 6)	-	(4,088,832)
Finance expenses (note 11)	1,851,288	927,360
Income (loss) before taxes	(83,414,020)	50,151,391
Deferred income tax expense (reduction) (note 14)	(20,850,413)	6,997,161
Income (loss) and comprehensive income (loss)	$ (62,563,607)	$ 43,154,230
Income (loss) per share (note 15)		
Basic	$ (1.13)	$ 0.83
Diluted	$ (1.13)	$ 0.82

See accompanying notes to the consolidated financial statements.

Yoho Resources Inc.
Consolidated Statements of Changes in Shareholders' Equity

	Number of Common Shares	Share Capital	Contributed Surplus	Equity Component of Convertible Debentures	Deficit	Total Shareholders' Equity
Balance, October 1, 2013	50,458,687	$134,709,118	$ 6,905,763	-	$(16,294,234)	$125,320,647
Issued on exercise of share options	2,186,654	5,787,132	-	-	-	5,787,132
Transfer from contributed surplus on exercise of share options	-	3,107,321	(3,107,321)	-	-	-
Stock-based compensation	-	-	1,862,023	-	-	1,862,023
Shares cancelled (note13)	(2,810)	-	-	-	-	-
Distribution	-	-	-	-	(62,013,961)	(62,013,961)
Income for the period	-	-	-	-	43,154,230	43,154,230
Balance, September 30, 2014	52,642,531	$143,603,571	$ 5,660,465	-	$(35,153,965)	$114,110,071

	Number of Common Shares	Share Capital	Contributed Surplus	Equity Component of Convertible Debentures	Deficit	Total Shareholders' Equity
Balance, October 1, 2014	52,642,531	$143,603,571	$ 5,660,465	$ -	$(35,153,965)	$114,110,071
Issue of common shares	8,512,300	5,740,864	-	-	-	5,740,864
Flow-through share premium	-	(378,115)	-	-	-	(378,115)
Share issue costs net of tax of $97,822	-	(265,151)	-	-	-	(265,151)
Stock-based compensation	-	-	1,110,998	-	-	1,110,998
Equity component of convertible debentures	-	-	-	1,885,199	-	1,885,199
Loss for the period	-	-	-	-	(62,563,607)	(62,563,607)
Balance, September 30, 2015	61,154,831	$148,701,169	$ 6,771,463	$ 1,885,199	$(97,717,572)	$ 59,640,259

See accompanying notes to the consolidated financial statements.

Yoho Resources Inc.
Consolidated Statements of Cash Flows

		Years Ended
	September 30, 2015	September 30, 2014
Cash provided by (used in):		
Operating activities		
Income (loss)	$ (62,563,607)	$ 43,154,230
Items not affecting cash:		
Stock-based compensation	682,736	1,200,322
Unrealized (gain) loss on financial derivative contracts	(120,298)	25,912
Gain on investment	-	(4,088,832)
(Gain) loss on sale of property, plant and equipment	485,187	(50,814,136)
Depletion and depreciation	9,132,648	9,220,139
Impairment of property, plant and equipment	77,061,710	5,168,150
Deferred income tax expense (reduction)	(20,850,413)	6,997,161
Accretion expense and fair value adjustment of convertible debenture embedded derivative	753,170	272,816
Decommissioning expenditures	(259,014)	(367,168)
Change in non-cash working capital (note 20)	(412,393)	(441,672)
	3,909,726	10,326,922
Financing activities		
Bank loan	12,840,061	(22,272,150)
Issuance of share capital for cash, net of issue costs	5,377,891	5,787,132
Issuance of convertible debentures for cash, net of issue costs	11,290,184	-
	29,508,136	(16,485,018)
Investing activities		
Property, plant and equipment expenditures	(15,297,147)	(12,726,304)
Additions to exploration and evaluation assets	(19,242,674)	(18,995,665)
Proceeds from sale of property, plant and equipment	1,676,544	30,194,887
Change in non-cash working capital (note 20)	(554,585)	7,685,178
	(33,417,862)	6,158,096
Change in cash during the year	-	-
Cash, beginning of year	-	-
Cash, end of year	$ -	$ -

Supplemental cash flow information (note 20)
See accompanying notes to the consolidated financial statements
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1 | REPORTING ENTITY

Yoho Resources Inc. ("Yoho" or the "Company") is incorporated under the laws of the province of Alberta and is engaged in petroleum and natural gas exploration and development activities in western Canada.

Yoho's head office is located at 500, 521 – 3rd Avenue SW, Calgary, Alberta T2P 3T3 and the registered office is located at 2400, 525 – 8th Avenue SW, Calgary, Alberta, Canada T2P 1G1.

2 | BASIS OF PREPARATION

Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. The Company's significant accounting policies under IFRS are presented in note 3.

These consolidated financial statements were authorized for issue by the Board of Directors on January 13, 2016.

Basis of Measurement

The consolidated financial statements have been prepared on the historical cost basis except for derivative financial instruments, which are measured at fair value. The methods used to measure fair values are discussed in note 4.

Functional and Presentation Currency

These consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company and its subsidiaries.

Use of Estimates and Judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected. Significant estimates and judgements made by management in the preparation of these financial statements are outlined below.

i) *Critical judgements in applying accounting policies.* The following are the critical judgements, apart from those involving estimations (see below), that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in these consolidated financial statements:

   a) *Reserves.* Estimation of reported recoverable quantities of proved and probable reserves include judgemental assumptions regarding production profile, commodity prices, exchange rates, remediation costs, timing and amount of future development costs, and production, transportation and marketing costs for future cash flows. It also requires interpretation of geological and geophysical models in anticipated recoveries. The economical, geological and technical factors used to estimate reserves may change from period to period. Changes in reported reserves can impact the carrying values of the Company's petroleum and natural gas properties and equipment, the calculation of depletion and depreciation, the provision for decommissioning obligations, and the recognition of deferred tax assets due to changes in expected future cash flows. The recoverable quantities of reserves and estimated cash flows from the Company's petroleum and natural gas properties are independently evaluated by reserve engineers at least annually.

The Company's petroleum and natural gas reserves represent the estimated quantities of petroleum, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be economically recoverable in future years from known reservoirs and which are considered commercially producible. Such reserves may be considered commercially producible if management has the intention of developing and producing them and such intention is based upon: (i) a reasonable assessment of the future economics of such production; (ii) a reasonable expectation that there is a market for all or substantially all the expected petroleum and natural gas production; and (iii) evidence that necessary production, transmission and transportation facilities are available or can be made available. Reserves may only be considered proven and probable if producibility is supported by either production or conclusive formation tests. Yoho's petroleum and natural gas reserves are determined pursuant to National Instrument 51-101, Standard of Disclosures for Oil and Gas Activities.

b) *Identification of cash-generating units.* The Company's assets are aggregated for the purpose of calculating impairment into cash-generating units based on their ability to generate largely independent cash inflows. By their nature these judgements are subject to uncertainty and may impact the carrying value of the Company's assets in future periods.

c) *Impairment indicators.* Judgements are required to assess when impairment indicators, or reversal indicators, exist and impairment testing is required.

d) *Exploration and evaluation assets.* The application of the Company's accounting policy for exploration and evaluation assets requires management to make certain judgements about future events and circumstances relating to whether economic quantities of reserves have been found in assessing if economic and technical feasibility has been achieved.

ii) *Key sources of estimation uncertainty.* The following are the key assumptions concerning the sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing adjustments to the carrying amounts of assets and liabilities:

a) *Decommissioning obligations.* The Company estimates future remediation costs of production facilities, wells and pipelines. In most instances, removal of assets occurs many years into the future. This requires estimation regarding abandonment date, future environmental and regulatory legislation, the extent of reclamation activities, the engineering methodology for estimating cost, future removal technologies in determining the removal cost and liability-specific discount rates to determine the present value of these cash flows.

b) *Depletion, depreciation and amortization.* The calculation of depletion, depreciation and amortization includes estimates of oil and natural gas reserves, future development costs and useful lives.

c) *Impairment of petroleum and natural gas assets.* For the purposes of determining whether impairment of petroleum and natural gas assets has occurred, and the extent of any impairment or its reversal, the key assumptions the Company uses in estimating future cash flows are future petroleum and natural gas prices, expected production volumes and anticipated recoverable quantities of proved and probable reserves. These assumptions are subject to change as new information becomes available. Changes in economic conditions can also affect the rate used to discount future cash flow estimates. Changes in the aforementioned assumptions could affect the carrying amounts of assets, and impairment charges and reversal will affect profit or loss.

d) *Income taxes.* Tax provisions are based on enacted or substantively enacted laws. Changes in those laws could affect amounts recognized in profit or loss both in the period of change, which would include any impact on cumulative provisions, and in future periods. Deferred tax assets (if any) are recognized only to the extent it is considered probable that those assets will be recoverable. This involves an assessment of when those deferred tax assets are likely to reverse and a judgement as to whether or not there will be sufficient taxable profits available to offset the tax assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets as well as the amounts recognized in profit or loss in the period in which the change occurs.

e) *Fair value of derivative contracts.* The calculation of the fair value of the Company's financial derivative contracts incudes estimates of expected future oil and natural gas prices and the expected volatility in these prices. The calculation of the fair value of the embedded derivatives in the convertible debentures includes estimates of interest rates and probabilities associated with the expected exercise of the derivatives.

f) *Share-based payments.* All equity-settled, share-based awards issued by the Company are recorded at fair value using the Black-Scholes option pricing model. In assessing the fair value of equity-based compensation, estimates have been made regarding the expected volatility in share price, option life, dividend yield, risk-free rate and estimated forfeitures at the initial grant date.

3 | SIGNIFICANT ACCOUNTING POLICIES

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

Consolidation

The consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries 1253206 Alberta Ltd. and Basset Lake Joint Venture Ltd., and Yoho Resources Partnership, from the respective dates of acquisition of the subsidiary companies. Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity to obtain benefits from its activities. In assessing control, substantive potential voting are taken into account. Inter-company transactions and balances are eliminated upon consolidation.

Many of the Company's oil and natural gas activities involve jointly owned assets. The consolidated financial statements include the Company's share of these jointly owned assets and the proportionate share of the relevant revenue and related costs.

Financial Instruments

iii) *Non-derivative financial instruments.* Non-derivative financial instruments comprise cash and cash equivalents, accounts receivable and accruals, accounts payable and accruals, bank loans, and convertible debentures. Non-derivative financial instruments are recognized initially at fair value, plus, for instruments not classified as fair value through profit or loss, any directly attributable transactions costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

a) *Cash and cash equivalents.* Cash and cash equivalents comprise cash on hand, term deposits and other short-term highly liquid investments with original maturities of three months or less and are measured similar to other non-derivative financial instruments.

b) *Convertible debentures.* Convertible debentures can be converted to share capital at the option of the holder and the number of shares to be issued does not vary with changes in the fair value. The liability component of the convertible debenture is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially as the difference between the fair value of the convertible debenture as a whole and the fair value of the liability component. Any transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. Subsequent to initial recognition, the liability component of the convertible debenture is measured at amortized cost using the effective interest method. The equity component is not re-measured subsequent to initial recognition.

c) *Other.* Other non-derivative financial instruments, comprising accounts receivable and accruals, accounts payable and accruals and bank loans, are measured at amortized cost using the effective interest method, less any impairment losses. The Company nets all transaction costs incurred in relation to the acquisition of a financial asset or liability, against the related financial asset or liability. Bank loans are recorded net of issue costs and are presented net of deferred interest payments, with interest recognized in earnings on an effective interest basis.

iv) *Derivative financial instruments.* The Company has entered into certain financial derivative contracts in order to manage the exposure to market risks from fluctuations in commodity prices. These instruments are not used for trading or speculative purposes. The Company has not designated its financial derivative contracts as effective accounting hedges, and thus has not applied hedge accounting, even though the Company considers all commodity contracts to be economic hedges. As a result, all financial derivative contracts are classified as fair value through profit or loss and are recorded on the statement of financial position at fair value. Transaction costs are recognized in profit or loss when incurred.

The Company accounts for forward physical delivery sales contracts, which are entered into and held for the purpose of delivery or receipt of non-financial items, in accordance with expected sale or usage requirements as executory contracts. As such, these contracts are not considered to be derivative financial instruments and have not been recorded at fair value on the statement of financial position. Settlements on these physical sales contracts are recognized in petroleum and natural gas revenue.

The convertible debentures contain an embedded derivative. They require, subject to certain circumstances, including a change of control or the sale of the majority of the Company's Duvernay assets, that the Company offer to redeem the convertible debentures at 120% of the principal amount. Due to the redemption rate being fixed, an embedded derivative exists when compared to current market rates. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss. Changes in the fair value of separable embedded derivatives are recognized immediately in profit or loss.

v) *Share capital.* Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and stock options are recognized as a deduction from equity, net of any tax effects.

Property, Plant and Equipment and Exploration and Evaluation Assets

i) *Recognition and measurement.*

a) *Exploration and evaluation expenditures.* Pre-license costs are recognized in the statement of income and comprehensive income as incurred. Exploration and evaluation costs, including the costs of acquiring licenses, seismic, exploration drilling and directly attributable general and administrative costs, initially are capitalized as exploration and evaluation assets according to the nature of the assets acquired. The costs are accumulated in cost centres pending determination of technical feasibility and commercial viability.

The technical feasibility and commercial viability of extracting a mineral resource is considered to be determinable when proven or probable reserves are determined to exist. A review is carried out, on a quarterly basis, to ascertain whether proven or probable reserves have been discovered. Upon determination of proven or probable reserves, exploration and evaluation assets attributable to those reserves are first tested for impairment and then reclassified from exploration and evaluation assets to property, plant and equipment assets. For the purposes of impairment testing, exploration and evaluation assets are allocated to cash generating units.

b) *Development and production costs.* Items of property, plant and equipment, which include oil and gas development and production assets, are measured at cost less accumulated depletion and depreciation and accumulated impairment losses. Development and production assets are grouped into cash generating units ("CGUs") for impairment testing. The Company has grouped its development and production assets into the following CGUs: British Columbia, Peace River Arch, West Central, and Oil. When significant parts of an item of property, plant and equipment, including oil and natural gas interests, have different useful lives, they are accounted for as separate items (components).

Gains and losses on disposal of an item of property, plant and equipment, property swaps and farm-outs are determined by comparing the proceeds from disposal or the fair value of the asset received or given up with the carrying amount of property, plant and equipment and are recognized as separate line items in profit or loss.

ii) *Subsequent costs.* Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing parts of property, plant and equipment are recognized as oil and gas development and production assets only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in profit or loss as incurred. Such capitalized oil and gas development and production assets generally represent costs incurred in developing proved and/or probable reserves and bringing in or enhancing production from such reserves, and are accumulated on a field or geotechnical area basis. The carrying amount of any replaced or sold component is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

iii) *Depletion and depreciation.* The net carrying value of development or production assets is depleted using the unit of production method by reference to the ratio of production in the quarter to the related proved and probable reserves, taking into account estimated future development and decommissioning costs necessary to bring those reserves into production. Natural gas reserves are converted to barrels of oil equivalent using a conversion rate based on relative energy content of six thousand cubic feet of natural gas to one barrel of oil. These proved and probable reserve estimates are reviewed by independent reserves engineers at least annually.

For other assets such as office equipment and fixtures, depreciation is recognized in profit or loss on a declining balance rate of 20% based on their estimated useful lives. Exploration and evaluation assets are not depreciated.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted, if appropriate.

Leased Assets

Operating leases are not recognized on the Company's statement of financial position.

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Impairments

i) *Financial assets.* A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost the reversal is recognized in profit or loss.

ii) *Non-financial assets.* The carrying amounts of the Company's non-financial assets, other than exploration and evaluation assets and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

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

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash generating unit" or "CGU"). The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs to sell.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Value in use is generally computed by reference to the present value of the future cash flows expected to be derived from production of proved and probable reserves.

Fair value less cost to sell is determined as the amount that would be obtained from the sale of a CGU in an arm's length transaction between knowledgeable and willing parties. The fair value less cost to sell of oil and gas assets is generally determined as the net present value of the estimated future cash flows expected to arise from the continued use of the CGU, including any expansion prospects, and its eventual disposal, using assumptions that an independent market participant may take into account.

These cash flows are discounted by an appropriate discount rate which would be applied by such a market participant to arrive at a net present value of the CGU.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated to reduce the carrying amounts of the assets in the unit on a pro rata basis.

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

Shared-based Payments

The compensation cost associated with share options is measured at fair value. Fair values are determined using the Black-Scholes option pricing model. Measurement inputs include share price on the measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). The fair value is fixed at the measurement date being the date the options are granted. All compensation costs are recognized over the vesting period with a corresponding increase in contributed surplus. A forfeiture rate is estimated on the grant date and is adjusted (impacting the amount recognized as an expense) to reflect the actual number of options that vest.

Short-term Employee Benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under the Company's short-term incentive bonus plan as a result of service provided by employees once the obligation can be estimated reliably.

Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount (accretion) is recognized as a finance cost. Provisions are not recognized for future operating losses.

Decommissioning obligations. The Company's activities give rise to dismantling, decommissioning and site disturbance remediation activities. Provision is made for the estimated cost of site restoration and capitalized in the relevant asset category.

Decommissioning obligations are measured at the present value of management's best estimate of the expenditures required to settle the present obligation at the statement of financial position date. Subsequent to the initial measurement, the obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as finance costs whereas increases/decreases due to changes in the estimated future cash flows are capitalized. Actual costs incurred upon settlement of the decommissioning obligation are charged against the provision to the extent the provision was established.

Revenue

Revenue from the sale of oil and natural gas is recorded when the significant risks and rewards of ownership of the product is transferred to the buyer which is usually when legal title passes to the external party. This is generally at the time the product enters the pipeline. Revenue is presented both before and after royalties payable to the Crown and other parties.

Transportation costs are netted from revenue where title transfers prior to transport on applicable sales pipelines and the transportation is held by and charged by the purchaser. Other transportation and processing fees are included in operating expenses.

Royalty income is recognized as it accrues in accordance with the terms of the overriding royalty agreements.

Finance Income and Expenses

Finance expense consists of interest expense and miscellaneous fees on credit facility borrowings and convertible debentures; accretion of the discount on provisions and convertible debentures; and impairment losses recognized on financial assets.

Finance income comprises interest income and is recognized as it accrues in profit or loss, using the effective interest rate.

Income Tax

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

In determining the amount of current and deferred tax the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can by utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Earnings Per Share

Basic earnings per share is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of dilutive instruments such as options granted to employees and the convertible debentures.

Flow-through Shares

The Company, from time to time, issues flow-through shares to finance a portion of its capital expenditure program. Pursuant to the terms of the flow-through share agreements, the tax deductions associated with the expenditures are renounced to the subscribers. The difference between the value ascribed to flow-through shares issued and the value that would have been received for common shares at the date of issuance of the flow-through shares is initially recognized as a liability on the statement of financial position. When the expenditures are incurred, the liability is drawn down, a deferred tax liability is recorded equal to the estimated amount of deferred income tax payable by the Company as a result of the renunciation, and the difference is recognized in profit or loss.

New Standards and Interpretations Not Yet Adopted

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective and determined that the following may have an impact on the Company's financial statements:

IFRS 9 Financial Instruments. On July 24, 2014 the IASB issued IFRS 9 which replaces the guidance in IAS 39 *Financial Instruments: Recognition and Measurement*, on the classification and measurement of financial assets. The Standard eliminates the existing IAS 39 categories of held-to-maturity, available-for-sale and loans and receivable. Under IFRS 9 financial assets will be classified into one of two categories on initial recognition: financial assets measured at amortized cost; or financial assets measured at fair value. The Standard also includes new hedge accounting guidance which replaces strict quantitative tests of effectiveness with less restrictive assessments of how well the hedging instrument accomplishes the Company's risk management objectives for financial and non-financial risk exposures. IFRS 9 is effective for years beginning on or after January 1, 2018. Early adoption is permitted. We are currently evaluating the impact, if any, that the adoption of this standard will have on the consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers. IFRS 15 establishes a comprehensive frame work for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 *Revenue*. IFRS 15 is effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted.

4 | DETERMINATION OF FAIR VALUES

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Property, Plant and Equipment and Exploration and Evaluation Assets

The fair value of property, plant and equipment recognized in an acquisition is based on market values. The market value of property, plant and equipment is the estimated amount for which property, plant and equipment could be exchanged on the acquisition date between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of oil and gas development and production assets is estimated with reference to the discounted cash flows expected to be derived from oil and natural gas production based on externally prepared reserve reports and available market information, including executed arm's length transactions. The risk-adjusted discount rate is specific to the asset with reference to general market conditions.

The market value of other items of property, plant and equipment is based on the quoted market prices for similar items.

The fair value of exploration and evaluation assets is based upon management's review of the values indicated by the metrics of recent market transactions of similar assets.

Cash and Cash Equivalents, Accounts Receivable, Bank Loans, and Accounts Payable

The fair value of cash and cash equivalents, accounts receivable, bank loans and accounts payable are estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. At September 30, 2015 and 2014, the fair value of these balances approximated their carrying value due to their short term to maturity. Bank loans bear a floating rate of interest and the margins charged by the lender are indicative of current credit spreads and therefore carrying value approximates fair value.

Derivatives

The fair value of forward contracts and swaps is determined by discounting the difference between the contracted prices and published forward price curves as at the statement of financial position date, using the remaining contracted volumes and a credit adjusted interest rate. The fair value of options is based on option models that use published information with respect to volatility, prices and interest rates. The fair value of the convertible debenture embedded derivative is based on inputs including quoted prices, time value and volatility factors, and broker quotes.

Share Options

The fair value of employee share options is measured using a Black Scholes option pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government yield curves).

5 | ASSET EXCHANGES AND DISPOSALS

In December 2015, subsequent to the Company's fiscal year ended September 30, 2015, the Company sold certain of its Duvernay working interests related to exploration and evaluation assets and property, plant and equipment in the Kaybob area of Alberta (the "Kaybob Disposition") for cash consideration of $50 million prior to adjustments. The proceeds of the disposition were used to repay the Company's then outstanding bank credit facilities and in January 2016, an offer was made to holders of the Company's outstanding secured subordinated convertible debentures to purchase those debentures in accordance with their terms.

In August, 2015, the Company completed the disposition certain of its Duvernay interests in the Kaybob area of Alberta for gross proceeds of $1.5 million. The Company also closed the dispositions of other minor properties in October 2014 and March 2015. As a result of these transactions the Company has recognized a loss of $0.5 million.

On January 31, 2014 the Company closed the disposition of its Montney acreage in the Nig area of Northeast British Columbia for total consideration of approximately $86.9 million. The total consideration received was comprised of 13,629,442 common shares of Storm Resources Ltd. (“Storm”) having an aggregate deemed value of approximately $57.9 million, based on the closing price for Storm's common shares on the TSX Venture Exchange on January 30, 2014 of $4.25 per common share, and $29.0 million in cash, net of transaction costs. The Company also closed the dispositions of other minor properties in February and June 2014. As a result of these transactions the Company has recognized a gain of $50.8 million.

6 | PLAN OF ARRANGEMENT

On March 20, 2014, the Company completed a plan of arrangement under the provisions of the Business Corporations Act (Alberta) among Yoho, Yoho Resources Partnership and the shareholders of Yoho. Pursuant to the arrangement, each common share in the capital of Yoho was exchanged for one new common share in the capital of Yoho and 0.2591 of a common share (“Storm Share”) in the capital of Storm Resources Ltd. The Storm Share amount represents the pro-rata entitlement per Yoho share to the 13,629,442 Storm Shares received by Yoho as consideration for the disposition of its Nig assets to Storm (note 5). The Company has recognized a gain of $4,088,832 on the Storm Shares representing the increase in fair value of the Storm Shares from January 31, 2014 when they were acquired to March 20, 2014 when the Storm Shares were distributed to the Yoho shareholders. The value of the Storm Shares totalling $62.0 million has been shown as a distribution and included in the deficit as part of shareholders' equity.

7 | EXPLORATION AND EVALUATION ASSETS

Cost:

Balance, September 30, 2013	$	20,023,513
Additions		19,188,308
Dispositions		(11,730,048)
Transfers to property, plant and equipment		(15,110,022)
Expensed		(1,096,292)
Balance, September 30, 2014		11,275,459
Additions		19,350,416
Dispositions		(928,456)
Transfers to property, plant and equipment		(21,921,500)
Expensed		(3,481,584)
Balance, September 30, 2015	$	4,294,335

Exploration and evaluation assets consist of the Company's exploration projects that are pending the determination of proved or probable reserves. Additions represent the Company's share of costs incurred on exploration and evaluation assets during the period. Amounts expensed relate to undeveloped land and well interests forfeited in the period.

8 | PROPERTY, PLANT AND EQUIPMENT

Cost or deemed cost:

Balance, September 30, 2013	$	209,397,040
Additions		15,588,670
Dispositions		(27,874,485)
Transfers from exploration and evaluation assets		15,110,022
Balance, September 30, 2014		212,221,247
Additions		16,890,239
Dispositions		(2,117,979)
Transfers from exploration and evaluation assets		21,921,500
Balance, September 30, 2015	$	248,915,007

Accumulated depletion, depreciation and impairment losses:

Balance, September 30, 2013	$	51,828,821
Dispositions		(1,976,511)
Depletion and depreciation		9,220,139
Impairment loss		4,071,858
Balance, September 30, 2014		63,144,307
Dispositions		(807,724)
Depletion and depreciation		9,132,648
Impairment loss		73,580,126
Balance, September 30, 2015	$	145,049,357

Carrying values:

At September 30, 2014	$	149,076,940
At September 30, 2015	$	103,865,650

The calculation of depletion and depreciation for the year ended September 30, 2015 included an estimated $597.3 million (September 30, 2014 - $404.5 million) for future development costs associated with proved plus probable undeveloped reserves. Excluded from the calculation were $9.7 million (September 30, 2014 - $9.0 million) for the estimated salvage value of production equipment and facilities. During the year ended September 30, 2015 corporate expenses of $0.4 million (September 30, 2014 - $0.4 million) relating to exploration activities and $0.6 million (September 30, 2014 - $1.4 million) relating to development activities were capitalized.

The Company's development and production assets are grouped into four CGUs for impairment testing. As a result of the steep decline and ongoing weakness in forecast prices for petroleum and natural gas in fiscal 2015 the Company reviewed each of its cash generating units ("CGU") for impairment. As a result the Company recognized the following impairments in fiscal 2015:

	Impairment Expense	Recoverable Amount
West Central CGU	57,562,401	71,530,933
Peace River Arch CGU	5,320,396	1,129,154
Oil CGU	6,493,455	3,135,652
British Columbia CGU	4,203,874	16,425,456

The impairments were based on the difference between the period end book value of each CGU and the recoverable amount. The recoverable amount was determined using fair value less cost to sell based on the agreed terms of the Kaybob Disposition (note 5) plus the discounted cash flows of remaining proved plus probable reserves using forecast prices and a discount rates of between 10% and 20%.

The Company determined that the disposition of the Nig assets in fiscal 2014, given the significance of the Nig assets to the Company's British Columbia CGU, represented an indicator of possible impairment for the remaining assets in the British Columbia CGU at the time of the disposition. As a result an impairment test was performed at January 31, 2014, and an impairment of $1.9 million was recognized relating to the British Columbia CGU. As at September 30, 2014 the Company also recognized a $2.1 million impairment relating to the Company's Oil CGU as a result of a decrease in the value of proved plus probable reserves assigned to the CGU. The impairments were based on the difference between the period end book value and the recoverable amount. The recoverable amount was determined using fair value less cost to sell based on discounted cash flows of proved plus probable reserves using forecast prices and discount rates of 10% - 12%.

The following estimates were used in determining whether an impairment to the carrying values of the CGUs existed:

2015 Price Deck:

Calendar Year	2015 Q4	2016	2017	2018	2019	2020	2021	2022	2023	2024
Edmonton ($Cdn/bbl)	56.00	61.33	64.52	68.75	72.73	76.47	82.35	88.24	94.12	98.41
Heavy crude (12API) at Hardisty ($Cdn/bbl)	36.69	42.30	46.23	50.22	54.13	57.96	63.56	69.32	75.24	78.71
Alberta Plant Gate ($Cdn/mmbtu)	2.74	3.20	3.38	3.48	3.57	3.66	3.86	4.06	4.26	4.53
British Columbia Plant Gate ($Cdn/mmbtu)	1.99	2.84	3.23	3.33	3.42	3.51	3.71	3.91	4.10	4.38

Prices thereafter escalate at 2% per year.

2014 Price Deck:

Calendar Year	2014 Q4	2015	2016	2017	2018	2019	2020	2021	2022	2023
Edmonton ($Cdn/bbl)	97.22	97.22	100.00	102.78	105.56	105.56	106.37	108.49	110.66	112.87
Heavy crude (12API) at Hardisty ($Cdn/bbl)	79.89	73.96	76.10	78.24	80.38	80.38	81.01	82.64	84.30	85.98
Alberta Plant Gate ($Cdn/mmbtu)	3.99	4.02	4.02	4.26	4.51	4.76	5.01	5.22	5.32	5.43
British Columbia Plant Gate ($Cdn/mmbtu)	3.92	3.90	3.90	4.15	4.40	4.65	4.89	5.10	5.20	5.31

Prices thereafter escalate at 2% per year.

9 | BANK CREDIT FACILITIES

As at September 30, 2015, the Company had in place credit facilities that included a revolving operating demand loan with a defined borrowing limit of $38 million per the lending agreement; however, the maximum allowable advances that may be borrowed by the Company were restricted to $30 million by the lender. The credit facilities also included a $10 million acquisition and development demand loan, and a $1.5 million risk management facility. Subsequent to the Kaybob Disposition (note 5), the bank has reviewed the Company's lending base and has revised the available borrowing limit under the revolving operating demand loan to $5 million. The acquisition and development demand loan has also been voluntarily eliminated to reduce the Company's stand by fees. The advances are due on demand and bear interest at the bank's prime lending rate or bankers' acceptance rates plus a margin based upon the Company's prior quarter debt to cash-flow ratio. The average effective interest rate for the year ended September 30, 2015 was 5.2% (September 30, 2014 – 4.0%). The credit facilities are secured by a $75 million debenture with a floating charge over all assets and a negative pledge and undertaking to provide fixed charges on the Company's major producing petroleum and natural gas reserves. The available lending limits under the bank facilities are subject to periodic review and are based on the bank's interpretation of the Company's reserves and future commodity prices. The next review is to be on or before February 1, 2016. There can be no assurance that the amount or terms of the available facilities will not be reduced at the next review. The credit facility is subject to a financial covenant requiring the maintenance of an adjusted working capital ratio greater than 1 to 1. The working capital ratio is defined under the terms of the credit facilities as current assets, including the undrawn portion of the revolving operating demand loan, to current liabilities, excluding any current bank indebtedness. At September 30, 2015, the Company was in compliance with all covenants stipulated in the credit facility. At September 30, 2015, $19.8 million (September 30, 2014 - $7.0 million) was outstanding under the Company's bank credit facilities. The proceeds of the Kaybob Disposition have been used to repay the outstanding amounts under the Company's bank credit facility.

10 | CONVERTIBLE DEBENTURES

On June 16, 2015, the Company issued $11.8 million principal amount of convertible secured second lien debentures ("Debentures") of the Company at a price of $1,000 per Debenture for net proceeds after transaction costs of $11.3 million. Certain officers and directors of the Company acquired $1,575,000 of the Debentures. The Debentures bear interest at a rate of 8.25% per annum, payable semi-annually on the last day of June and December commencing with the initial interest payment on December 31, 2015 and have a maturity date of June 30, 2020. The Debentures are convertible at the option of the holder to common shares at a conversion price of $0.78 per common share. The Company has the option to redeem the Debentures on or after June 30, 2018 and at any time prior to June 30, 2020 at a redemption price equal to 100% of their principal amount plus accrued and unpaid interest provided that the weighted average trading price of the Common Shares on the TSX Venture Exchange during the 20 consecutive trading days ending on the fifth trading day preceding the date on which the notice of redemption is given is not less than 125% of $0.78.

The Debentures also require, subject to certain circumstances, including a change of control or the sale of the majority of the Company's Duvernay assets, that the Company offer to redeem the Debentures at 120% of the principal amount. Due to the redemption rate being fixed, an embedded derivative exists when compared to current market rates. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss. Changes in the fair value of separable embedded derivatives are recognized immediately in profit or loss. The fair value of the embedded derivative has been determined using level 2 inputs that can include quoted prices, time value, volatility factors and broker quotes that can be observed or corroborated in the marketplace. In January, 2016, subsequent to the Kaybob Disposition (note 5) and in accordance with the terms of the Debentures, the Company made an offer to purchase any and all of the outstanding Debentures.

Upon issuance of the Debentures, the liability component of the Debentures was recognized initially at the fair value of a similar liability that does not have an equity conversion option. The market interest rate of 15% was used for the estimation of the liability component. The discount on the Debentures is being accreted such that the liability at maturity will equal the face value of the Debentures of $11.8 million. The directly attributable transaction costs were allocated pro-rata to the liability and equity components of the Debentures. The embedded derivative was then removed from the liability component.

The components of the Debentures are as follows:

	Face Value	Liability Component	Embedded Derivative	Equity Component
Issued for cash	$ 11,835,000	$ 8,136,684	$ 993,086	$ 2,705,230
Transaction costs	(544,816)	(420,283)	-	(124,533)
Deferred tax	-	-	-	(695,498)
Change in fair value	-	-	340,985	-
Accretion	-	156,943	-	-
	$ 11,290,184	$ 7,873,344	$ 1,334,071	$ 1,885,199

The liability component and the embedded derivative aggregate to $9.2 million and have been shown under Convertible Debentures on the Statement of Financial Position.

11 | FINANCE EXPENSES

	Years Ended	
	September 30, 2015	September 30, 2014
Interest and financing costs on bank loans	$ 814,670	$ 654,544
Interest on convertible debentures	283,448	-
Change in fair value of convertible debenture embedded derivative	340,985	-
Accretion of convertible debentures	156,943	-
Accretion on decommissioning obligations	255,242	272,816
Finance expenses	$ 1,851,288	$ 927,360

12 | DECOMMISSIONING OBLIGATIONS

	September 30, 2015	September 30, 2014
Balance, beginning of year	$ 9,764,530	$ 7,787,716
Liabilities incurred	250,929	313,572
Liabilities settled	(259,014)	(367,168)
Liabilities acquired	-	50,448
Liabilities disposed	(76,980)	(322,142)
Change in estimate	1,021,643	2,029,288
Accretion	255,242	272,816
Balance, end of year	$ 10,956,350	$ 9,764,530

The Company's decommissioning obligations are based on the Company's net ownership in wells and facilities. Management estimates the costs to abandon and reclaim the wells and the facilities and the estimated time period during which these costs will be incurred in the future. The majority of these costs are expected to be incurred over the next 15 years. The undiscounted amount of estimated costs required to settle the retirement obligations at September 30, 2015 is $11.1 million (September 30, 2014 - $10.9 million). The inflation rate used in the calculation was two percent for 2015 and 2014. The estimated costs have been discounted at a risk free rate of 2.0% for the year ended September 30, 2015 (September 30, 2014 – 3.0%). The change in estimate for the year ended September 30, 2015 is primarily the result of the change in discount rate used in the calculation of the decommissioning obligation for the year ended September 30, 2015. Changes in estimated future abandonment costs based on available information, including industry guidance, was responsible for the change in estimate for the year ended September 30, 2014.

13 | SHARE CAPITAL

Authorized

An unlimited number of common shares.

Issued and Outstanding

Pursuant to the plan of arrangement between Yoho Resources Inc. and VoiceIQ Inc. effective December 23, 2004 any certificate formerly representing shares of VoiceIQ Inc. not surrendered on or before the sixth anniversary of the effective date of the plan of arrangement shall cease to represent a right or claim of any kind or nature. Subject to this clause 2,810 common shares were cancelled.

On June 16, 2015, the Company issued 950,000 common shares at a price of $0.63 per share for total gross proceeds of $598,500 and 7,562,300 flow-through common shares at a price of $0.68 per share for total gross proceeds $5,142,364. Certain directors and officers acquired 3,441,500 flow-through shares under this issue. It is expected that the flow-through expenditures will be renounced to the flow-through investors effective December 31, 2015. As of September 2015, the Company has not incurred any of the eligible Canadian Development Expenses required under the flow-through share agreements.

Employee Stock Savings Plan

Under the Employee Stock Savings Plan, employees may contribute up to 5% of their base salaries towards the purchase of Company shares and the Company matches these contributions. The Company's matching contribution for the year ended September 30, 2015 was $65,367 (September 30, 2014 - $80,024) and is included in general and administrative expense.

Share Option Plan

Under the Company's Share Option Plan, a committee appointed by the Board of Directors may from time to time designate bona fide directors, employees and consultants of the Company and its subsidiaries to whom options to purchase voting common shares of the Company may be granted and the number of voting common shares to be optioned to each. Under the plan, the number of shares reserved for issuance pursuant to the exercise of all options may not exceed 10% of the issued and outstanding shares on a non-diluted basis at any time. The options granted have a term of five years from date of grant and vest as to one-third on each of the first, second, and third anniversaries of the date of grant. The exercise price of all options granted is equal to the closing price of the Company's common shares on the day prior the grant.

Share Options	Number of options	Weighted average exercise price
Balance, September 30, 2013	4,501,000	$ 2.85
Granted	1,815,000	$ 2.78
Expired	(40,000)	$ 3.70
Exercised	(2,186,654)	$ 2.65
Forfeited	(123,334)	$ 2.23
Balance, September 30, 2014	3,966,012	$ 2.10
Expired	(95,000)	$ 1.48
Forfeited	(6,667)	$ 2.32
Balance, September 30, 2015	3,864,345	$ 2.12
Options Exercisable at:		
September 30, 2014	1,340,996	$ 1.98
September 30, 2015	2,432,670	$ 2.07

The weighted average trading price of the Company's common shares at the date of exercise for share options exercised during the year ended September 30, 2014 was $3.41. There were no share options exercised during the year ended September 30, 2015.

The following table summarizes share options outstanding and exercisable under the plan at September 30, 2015.

	Options outstanding			Options exercisable	
Exercise price	Number outstanding at period end	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable at period end	Weighted average exercise price
$0.68	10,000	2.0 years	$ 0.68	5,000	$ 0.68
$1.72 to $1.92	1,202,678	1.4 years	$ 1.80	922,669	$ 1.83
$2.17 to $2.32	2,651,667	2.8 years	$ 2.27	1,505,001	$ 2.23
	3,864,345	2.3 years	$ 2.12	2,432,670	$ 2.07

The Company has recorded stock-based compensation for all share options granted.

The stock-based compensation expense includes a forfeiture rate of nil and is recognized over the vesting period of the share options. During the year ended September 30, 2015, $682,736 (September 30, 2014 - $1,200,322) was recognized as stock-based compensation expense, and $107,742 (September 30, 2014 – $192,644) of stock-based compensation relating to exploration activities and $320,520 (September 30, 2014 - $469,057) of stock-based compensation relating to development activities was capitalized, each with a corresponding increase to contributed surplus.

On April 2, 2014 the Company issued share options, exercisable at a price of $2.32 per share, to purchase a total of 1,815,000 common shares of the Company to certain of its directors, senior officers and employees in accordance with the share option plan. For these options the weighted average values used in the Black-Scholes model were; volatility of 47.3%, risk free interest rate of 1.6%, expected life of 5 years, and expected future dividends of nil. The weighted average fair value calculated was $0.99 per option. There were no share options issued in the year ended September 30, 2015.

On April 2, 2014 the Company also amended the terms of all issued and outstanding share options (the “Existing Options”), other than the 1,815,000 share options issued April 2, 2014, to reduce their respective exercise prices, as permitted pursuant to the terms of the share option plan. The amendment has been carried out in connection with the distribution to the Company’s shareholders of the Storm Shares (note 6). The share option plan permits an appropriate and proportionate adjustment to the exercise price of outstanding stock options in the event that the Company carries out a distribution to its shareholders of securities or other property or assets. As a result the exercise prices of the Existing Options have been reduced by $1.08 per share, which is equal to the reduction in the fair value of Yoho common shares as a result of the distribution of the Storm Shares as measured based on the closing prices for Yoho common shares on the TSX Venture Exchange on the trading days immediately prior to the effective time of the plan of arrangement ($3.62 per share) and immediately following the effective time of the plan of arrangement ($2.54 per share). In calculating the change in fair value from immediately prior to immediately after the exercise price reduction the weighted average values used in the Black-Scholes model were; volatility of 45.3%, risk free interest rate of 1.1%, expected life of 2.8 years, and expected future dividends of nil. The weighted average increase in fair value calculated was $0.36 per option. For options that were fully vested on April 2, 2014 the increase in fair value has been recognized as stock-based compensation immediately. For the unvested options the stock-based compensation will be recognized over the remaining vesting period.

14 | TAXES

The provision for tax differs from the result which would be obtained by applying the combined Canadian federal and provincial statutory income tax rate as follows:

	Years Ended	
	September 30, 2015	September 30, 2014
Income (loss) before taxes	$ (83,414,020)	$ 50,151,391
Expected income taxes (reduction) at the statutory rate of 25.56% (2014 – 25.14%)	$ (21,320,624)	$ 12,608,059
Increase (decrease) in taxes resulting from:		
Stock-based compensation and other non-deductible expenses	183,440	317,153
Change in unrecognized deferred income tax asset	43,924	-
Gain on distribution of Storm shares	-	(5,124,911)
Capital losses	-	(709,671)
Effect of change in tax rate and other	242,847	(93,469)
Provision for (recovery of) tax	$ (20,850,413)	$ 6,997,161

The Alberta corporate income tax rate was increased from 10% to 12% effective July 1, 2015.

The components of the deferred income tax assets and liabilities are as follows:

	September 30, 2015	September 30, 2014
Scientific research and experimental development	$ 633,456	$ 588,360
Share issue costs	261,322	207,552
Petroleum and natural gas properties	(3,344,916)	(23,611,157)
Decommissioning obligations	2,911,004	2,446,015
Financial derivative contracts	(612)	29,586
Convertible debentures	(706,031)	-
Other	245,777	86,907
Net deferred income tax liability	$ -	$ (20,252,737)

During the year ended September 30, 2014 the Company utilized capital losses of $2.8 million to reduce the taxable capital gain incurred on the distribution of the Storm shares acquired as part of the Nig property disposition.

The following tables provide a continuity of the deferred income tax assets (liabilities):

	Sep 30, 2014	Recognized in profit or loss	Recognized in equity	Sep. 30, 2015
Scientific research and experimental development	$ 588,360	$ 45,096	$ -	$ 633,456
Share issue costs	207,552	(44,052)	97,822	261,322
Petroleum and natural gas properties	(23,611,157)	20,266,241	-	(3,344,916)
Decommissioning obligations	2,446,015	464,989	-	2,911,004
Financial derivative contracts	29,586	(30,198)	-	(612)
Convertible debentures	-	(10,533)	(695,498)	(706,031)
Other	86,907	158,870	-	245,777
	$ (20,252,737)	$ 20,850,413	$ (597,676)	$ -

	Sep. 30, 2013	Recognized in profit or loss	Recognized in equity	Sep. 30, 2014
Non-capital losses	$ 317,547	$ (317,547)	$ -	$ -
Scientific research and experimental development	591,883	(3,523)	-	588,360
Share issue costs	408,056	(200,504)	-	207,552
Petroleum and natural gas properties	(16,648,418)	(6,962,739)	-	(23,611,157)
Decommissioning obligations	1,962,504	483,511	-	2,446,015
Financial derivative contracts	23,209	6,377	-	29,586
Other	89,643	(2,736)	-	86,907
	$ (13,255,576)	$ (6,997,161)	$ -	$ (20,252,737)

The Company's unrecognized deductible temporary differences are as follows:

	September 30, 2015	September 30, 2014
Decommissioning obligations	$ 162,862	$ -

Deferred income tax assets have not been recognized in respect of these items as it is not probable that future taxable profit will be available against which the Company can utilize the benefit.

15 | INCOME PER SHARE

Basic and diluted income per share was calculated as follows:

	Years Ended	
	September 30, 2015	September 30, 2014
Issued common shares, beginning of period	52,642,531	50,458,687
Effects of shares issued	2,495,387	1,244,548
Weighted average number of common shares (basic)	55,137,918	51,703,235
Effects of dilution	-	1,004,948
Weighted average number of common shares (diluted)	55,137,918	52,708,183

The average market value of the Company's shares for the purposes of calculating the dilutive effect of stock options was based on quoted market prices for the period that the options were outstanding. For the year ended September 30, 2015, the convertible debentures and 3,864,345 (September 30, 2014 – 1,725,000) options were not included in the diluted share calculation because they were anti-dilutive.

16 | CAPITAL MANAGEMENT

Yoho's capital management policy is to maintain a strong, but flexible, capital structure that optimizes the cost of capital and maintains investor, creditor and market confidence while sustaining future development of the business.

The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying petroleum and natural gas assets. The Company considers its capital structure to include bank debt and shareholders' equity.

In order to facilitate the management of its capital the Company prepares annual capital expenditure budgets which are updated as necessary depending on varying factors including: the current economic conditions, the risk characteristics of the Company's petroleum and natural gas assets, Yoho's inventory of investment opportunities, current and forecasted net debt levels, current and forecasted commodity prices, and other factors that influence commodity prices and funds from operations, such as quality and basis differentials, royalties and operating costs. The Company will continually evaluate available sources of funds to finance its capital expenditures and may from time to time issue new equity if available on favourable terms or seek additional debt financing at levels consistent with its policy of optimizing the cost of capital.

The Company's share capital is not subject to external restrictions; however, the Company's bank facility is determined by the lenders and based on the lenders' borrowing base models which are based on the Company's petroleum and natural gas reserves.

17 | FINANCIAL INSTRUMENTS

Credit risk
Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from petroleum and natural gas marketers and jointly owned asset partners.

The Company's petroleum and natural gas production is marketed under standard industry terms. The Company's policy to mitigate credit risk associated with the marketing of its petroleum and natural gas production is to establish marketing relationships with large credit worthy purchasers and to sell through multiple purchasers. The Company has not experienced any collection issues with its petroleum and natural gas marketers.

The Company's jointly owned asset receivables are from participants in the petroleum and natural gas sector, and the collection of outstanding balances can be impacted by industry factors such as commodity price fluctuations, escalating costs and disagreements with partners. The Company attempts to mitigate the risks associated with its jointly owned asset receivables by obtaining partner approval of significant capital expenditures and will cash call partners for their share of significant capital expenditures prior to incurring the expenditure. The Company also has the ability in most cases to withhold production from jointly owned asset partners in the event of non-payment.

As at September 30, 2015 the carrying value of accounts receivable represents the maximum credit exposure. The Company does not have an allowance for doubtful accounts. The Company was not required to write-off any receivables during the year ended September 30, 2015 (September 30, 2014 – nil).

Accounts receivable consist of the following:

	September 30, 2015	September 30, 2014
Receivable from petroleum and natural gas marketers	$ 1,613,817	$ 2,289,976
Receivable from joint venture partners	2,096,538	1,722,888
Other receivables	41,732	62,518
Total	$ 3,752,087	$ 4,075,382
Not past due (less than 120 days)	$ 3,496,586	$ 3,831,685
Past due (greater than 120 days)	$ 255,501	$ 243,697

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with the financial liabilities. The Company's financial liabilities consist of accounts payable, bank debt and convertible debentures. All of the Company's financial liabilities, except the convertible debentures, have contractual maturities of less than one year and all invoices are processed within a normal payment period. The Company prepares annual operating and capital expenditure budgets, which are regularly monitored and updated as considered necessary. Occasionally the Company will further manage liquidity risk through the use of risk management contracts on a portion of its production to protect cash flow in the event of commodity price declines. Management believes that future cash flow from operations and funds available under existing banking arrangements will be adequate to support these financial liabilities.

Accounts payable consist of the following:

	September 30, 2015	September 30, 2014
Trade payable	$ 7,438,427	$ 3,913,867
Accrued liabilities	4,730,081	9,663,011
Total	$ 12,168,508	$ 13,576,878

Market risks

Market risk is the risk that changes in market conditions, such as commodity prices, interest rates, and foreign exchange rates, will affect the Company's net income or the value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns.

(a) Commodity price risk

From time to time the Company will use financial derivative contracts to manage its exposure to fluctuations in commodity prices. The use of financial derivative contracts exposes the Company to the risk that fluctuations in commodity prices can give rise to large changes in the fair value of these contracts resulting in correspondingly large impacts to net income. The Company uses financial derivative contracts to protect cash flow for use on operating and capital expenditures and views the risk to changes in fair value as an acceptable trade off. All such transactions are conducted in accordance with the Company's risk management policy that has been approved by the Board of Directors.

At September 30, 2015 the Company held the following derivative contracts:

Contract	Notional	Reference	Strike	Remaining Term	Fair Value
Natural Gas Swap	1,000 GJ / day	AECO 5A in CAD per GJ	$2.65	October 1, 2015 to October 31, 2015	$2,285

For the year ended September 30, 2015, a 10% change to the expected future market price per GJ of natural gas would result in a corresponding change to net income of $6,188.

(b) Interest rate risk

The Company is exposed to interest rate risk to the extent that the bank debt is based on a floating rate of interest. The interest charged is based upon the bank prime rate plus a fixed premium. Assuming average outstanding balances for the year ended September 30, 2015 of $13.4 million for the bank debt, a 0.5% change in bank prime rates would change net income by $50,289.

Fair value of financial instruments

The fair values of cash, accounts receivable, and accounts payable and accrued liabilities approximate their carrying values due to their short term to maturity. The Company's bank debt bears interest at a floating market rate and the margins charged by the lender are indicative of current credit spreads and accordingly the fair market value approximates the carrying value.

The fair value of the convertible debenture embedded derivative has been determined using level 2 inputs that can include quoted prices, time value, volatility factors and broker quotes that can be observed or corroborated in the marketplace.

The fair values of the financial derivative contracts is determined by discounting the difference between the contracted price and the published forward price curves as at the balance sheet date using the remaining contracted natural gas and crude oil volumes. The fair value of the financial derivative contracts has been measured using level 2 inputs. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace. As at September 30, 2015, the fair value of commodity contracts was determined using a forward price curve with a range of $2.70 to $2.75 per GJ of natural gas.

18 | RELATED PARTY TRANSACTIONS

The Company enters into various transactions with related parties. These transactions are entered into in the normal course of business and are measured at the exchange amount established and agreed to by the related parties. During the year ended September 30, 2015, the Company had the following related party transactions:

A total of $885 (September 30, 2014 - $2,413) was incurred to a company controlled by an officer and director in payment of a gross overriding royalty on certain Company lands. Of the gross overriding royalty incurred, $167 (September 30, 2014 - $238) was included in accounts payable at September 30, 2015.

19 | PERSONNEL EXPENSES

The aggregate payroll expense of employees and executive management was as follows:

	Years Ended	
	September 30, 2015	September 30, 2014
Salaries, wages and bonus	$ 1,154,206	$ 2,291,553
Benefits and other personnel costs	280,023	314,312
Stock-based compensation	1,110,998	1,862,023
	$ 2,545,227	$ 4,467,888
Capitalized portion of total remuneration	(962,636)	(1,792,529)
	$ 1,582,591	$ 2,675,359

The Company has determined that key management personnel consists of its officers and directors. The aggregate payroll expense of key management personnel was as follows:

	Years Ended	
	September 30, 2015	September 30, 2014
Salaries and benefits	$ 795,036	$ 1,571,986
Stock-based compensation	986,299	1,503,675
	$ 1,781,335	$ 3,075,661
Capitalized portion of total remuneration	(857,457)	(1,314,485)
	$ 923,878	$ 1,761,176

20 | SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash working capital:

	Years Ended	
	September 30, 2015	September 30, 2014
Accounts receivable	$ 323,295	$ (882,776)
Prepaid expenses and deposits	118,097	53,272
Accounts payable and accrued liabilities	(1,408,370)	8,073,010
	$ (966,978)	$ 7,243,506
Operating activities	$ (412,393)	$ (441,672)
Investing activities	(554,585)	7,685,178
	$ (966,978)	$ 7,243,506

During the period the Company made the following cash outlays in respect of interest expense.

	Years Ended	
	September 30, 2015	September 30, 2014
Interest paid	$ 824,920	$ 607,278

21 | COMMITMENTS

At September 30, 2015, the Company is committed to future payments for operating leases and gas transportation agreements for fiscal years as detailed below:

	2016	2017	2018
Office lease	116,160	-	-
Gas transportation agreements	1,151,178	1,370,721	114,820