PEAT RESOURCES LIMITED
(An Exploration Stage Enterprise)

CONDENSED INTERIM FINANCIAL STATEMENTS
(Unaudited)

FOR THE THREE MONTH ENDED AUGUST 31, 2015 AND 2014

Notice to Reader – From Peat Resources Limited

The unaudited condensed interim financial statements of Peat Resources Limited (the "Company") including the accompanying statements of financial position as at August 31, 2015, and May 31, 2015 and the statements of comprehensive loss, changes in equity and cash flows for the three month periods ended August 31, 2015 and 2014 are the responsibility of the Company's management. The unaudited condensed interim financial statements have been prepared by management and include the selection of appropriate accounting principles, judgments and estimates necessary to prepare these financial statements in accordance with International Financial Reporting Standards for interim financial statements.

The unaudited condensed interim financial statements as at and for the three month period ended August 31, 2015 have not been reviewed by the Company's auditors.

PEAT RESOURCES LIMITED
(An Exploration Stage Enterprise)

CONDENSED INTERIM STATEMENTS FINANCIAL POSITION
(Unaudited)

ASSETS

	As at	
	August 31, 2015	May 31, 2015 (audited)
CURRENT		
Cash	$ 24,758	$ 3,165
PLANT AND EQUIPMENT (note 3)	85,000	85,000
	$ 109,758	$ 88,165

LIABILITIES

CURRENT		
Accounts payable and accrued liabilities (note 5)	$ 368,224	$ 299,745
Debentures (note 7)	679,532	612,669
	1,047,756	912,414

SHAREHOLDERS' EQUITY

CAPITAL STOCK (note 6(a))	11,495,409	11,495,409
RESERVE FOR WARRANTS (note 6(b))	72,011	70,102
RESERVE FOR SHARE BASED PAYMENTS (notes 6(b) and 6(c))	60,000	60,000
CONTRIBUTED SURPLUS	1,313,430	1,313,430
DEFICIT	(13,878,848)	(13,763,190)
TOTAL SHAREHOLDERS' EQUITY	(937,998)	(824,249)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 109,758	$ 88,165

Going concern basis (note 1)

(signed) "*Robert Wright*", Director

(signed) "*Patricia Mannard*", Director

See the accompanying notes to the financial statements
The external auditors have not reviewed these interim statements

PEAT RESOURCES LIMITED
(An Exploration Stage Enterprise)

CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited)

	Three Months ended	
	August 31, 2015	August 31, 2014
EXPENSES		
Corporate and office administration services	$ 44,830	$ 13,947
Exploration and evaluation costs (note 4)	35,299	27,211
Professional fees	6,020	13,323
Premises rent	2,250	1,500
Insurance	6,047	6,048
Shareholder communication	1,112	7,545
Accretion on debenture	20,100	5,668
Net loss before the undernoted	(115,658)	(75,242)
Gain on settlement of debt	-	165,350
	-	165,350
NET INCOME (LOSS) AND COMPREHENSIVE LOSS FOR THE PERIOD	($ 115,658)	$ 90,108
Loss per share:		
Basic and diluted loss per share (note 8)	$ (0.001)	$ (0.001)
Weighted average number of common shares outstanding	69,097,236	69,097,236

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PEAT RESOURCES LIMITED
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CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY
(Unaudited)

FOR THE THREE MONTHS ENDED AUGUST 31, 2015 AND 2014

	Common stock		Reserves for				
	Shares	Amount	Warrants	Share based payments	Contributed surplus	Accumulated deficit	Total
Balance, May 31, 2015	69,097,236	$11,495,409	$ 70,102	$ 60,000	$ 1,313,430	($ 13,763,190)	($ 824,249)
Fair value of broker warrants issued in debenture (note 6(b))	-	-	1,909	-	-	-	1,909
Net loss	-	-	-	-	-	(115,658)	(115,658)
Balance, August 31, 2015	69,097,236	$11,495,409	$ 72,011	$ 60,000	$ 1,313,430	($ 13,878,848)	($ 937,998)
Balance, May 31, 2014	69,097,236	$11,495,409	$ 63,429	$ 689,550	$ 623,880	($ 12,346,314)	$ 525,954
Fair value of broker warrants issued in debenture (note 6(b))	-	-	3,925	-	-	-	3,925
Fair value of options expired	-	-	-	(73,880)	73,880	-	-
Net income	-	-	-	-	-	90,108	90,108
Balance, August 31, 2014	69,097,236	$11,495,409	$ 67,354	$ 615,676	$ 697,760	($ 12,256,206)	$ 619,987

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PEAT RESOURCES LIMITED
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CONDENSED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited)

	Three months ended	
	August 31, 2015	August 31, 2014
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Net income (loss) for the period	($ 115,658)	$ 90,108
Add: items not affecting cash		
Accretion of debenture	-	5,668
Gain on settlement of debt (note 6a)		(165,350)
Net changes in non-cash working capital balances:	-	
Increase in tax credit receivable	-	(6,940)
Increase (decrease) in accounts payable and accrued liabilities	68,479	(83,653)
Cash used in operations	(27,079)	(160,167)
CASH PROVIDED BY FINANCING ACTIVITIES:		
Issuance of debentures	110,000	170,000
Debenture interest paid	(50,400)	-
Deferred debenture issue costs	(10,928)	(15,300)
Cash Provided by financing activities	48,672	154,700
INCREASE (DECREASE) IN CASH POSITION	21,593	11,003
CASH POSITION AT BEGINNING OF PERIOD	3,165	58,735
CASH AT END OF PERIOD	$ 24,758	$ 69,738

See the accompanying notes to the financial statements
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PEAT RESOURCES LIMITED
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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
AUGUST 31, 2015 AND 2014
(Unaudited)

1. NATURE OF OPERATIONS AND GOING CONCERN CONSIDERATIONS:

Peat Resources Limited (the "Company") was incorporated under the laws of the Province of Ontario and established for the purpose of the exploration and development of peat properties as well as the development, production and marketing of peat fuel. The Company is engaged in the exploration and development of peat properties in Newfoundland and Labrador ("Newfoundland"), Ontario and Quebec. Management has determined that the Company is in the exploration stage as the Company is evaluating the properties to assess the quality of the peat fuel and economic viability of extraction. Therefore, commercial operations have not yet commenced. Also to date, the Company has not earned significant revenue.

The Company's shares are listed on the TSX Venture Exchange. The registered head office of the Company is located at 15 Toronto Street, Suite 200, Toronto, Ontario, M5C 2E3.

As at August 31, 2015, the Company has a working capital deficiency of $1,022,998 compared to $909,250 at May 31, 2014 (August 31, 2014 - $529,582) and an accumulated deficit of $13,878,848 (May 31, 2015 - $13,763,190). Management is currently pursuing several financing alternatives to raise additional capital. It is not possible to determine with any certainty, the success or adequacy of these initiatives.

The financial statements of the Company have been prepared on the basis that the Company will continue as a going concern, which presumes that it will be able to realize its assets and discharge its liabilities in the normal course of business. The financial statements do not include any adjustments that might be necessary and would be significant if the Company is unable to continue as a going concern.

2. BASIS OF PRESENTATION:

Basis of Preparation

The unaudited condensed interim financial statements have been prepared on the historical cost basis except for certain assets, liabilities and financial instruments which are measured at their fair values, as explained in the relevant accounting policies (see note 3 to the audited financial statements for the year ended May 31, 2015).

These interim financial statements are presented in Canadian dollars, which is the functional currency of the Company.

Statement of Compliance

These unaudited condensed interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting ("IAS 34") and do not include all the information required for full annual financial statements and accordingly, they should be read in conjunction with the Company's annual financial statements for the year ended May 31, 2015.

The policies applied to these unaudited condensed interim financial statements are consistent with the policies disclosed in Notes 2 and 3 of the annual financial statements for the year ended May 31, 2015.

The unaudited condensed interim financial statements were authorized for issue by the Board of Directors on October 30, 2015.

PEAT RESOURCES LIMITED
(An Exploration Stage Enterprise)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
AUGUST 31, 2015 AND 2014
(Unaudited)

2. BASIS OF PRESENTATION (continued):

Use of Estimates and Judgement

The preparation of interim financial statements in conformity with IFRS requires that management make estimates and assumptions about future events that affect the amounts reported in the interim financial statements and related notes to the financial statements. Actual results may differ from those estimates.

In preparing these unaudited condensed interim financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty are expected to be the same as those applied in the first annual IFRS financial statements.

Significant estimates used in the preparation of these interim financial statements include, but are not limited to, the valuation of share-based compensation, warrants and deferred income taxes, the recording of liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of income and expenditures during the reporting period. Actual results could differ from management's best estimates.

Future Accounting Changes

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods beginning on or after January 1, 2015. Those pronouncements that are not applicable or do not have a significant impact to the Company have been excluded from the table below. The following have not yet been adopted and are being evaluated to determine the resultant impact on the Company.

IAS 1 *Presentation of Financial Statements* was amended by the IASB in December 2014. The amendments are designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgement in determining where and in what order information is presented in the financial disclosures. The amendments are effective for annual periods beginning on or after January 1, 2016. Earlier application is permitted.

IFRS 9 *Financial Instruments* was issued in final form in July 2014 by the IASB and will replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 also includes requirements relating to a new hedge accounting model, which represents a substantial overhaul of hedge accounting which will allow entities to better reflect their risk management activities in the financial statements. The most significant improvements apply to those that hedge non-financial risk, and so these improvements are expected to be of particular interest to non-financial institutions. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
AUGUST 31, 2015 AND 2014
(Unaudited)

3. PROPERTY, PLANT AND EQUIPMENT:

	Exploration Equipment	Plant	Total
Cost			
As at May 31, 2014	$ 1,080,047	$ 69,522	$ 1,149,569
Additions	-	-	-
Disposals	-	-	-
Write off	(1,064,569)		
As at May 31, 2015	$ 15,478	$ 69,522	($ 1,064,569)
Additions	-	-	-
Disposals	-	-	-
As at August 31, 2015	$ 15,478	$ 69,522	$ 85,000
Accumulated depreciation			
As at May 31, 2014	$ -	$ -	$ -
Depreciation expense	-	-	-
As at May 31, 2015	$ -	$ -	$ -
Depreciation expense	-	-	-
As at August 31, 2015	$ -	$ -	$ -
Net book value			
As at May 31, 2014	$ 1,080,047	$ 69,522	$ 1,149,569
As at May 31, 2015	$ 15,478	$ 69,522	$ 85,000
As at August 31, 2015	$ 15,478	$ 69,522	$ 85,000

Currently, the plant and processing equipment are used for process development and product marketing and are in Newfoundland and Nova Scotia. In the year ended May 31, 2015, the equipment was written down to the estimated recoverable amount based on the fair value less cost of disposal. The estimated fair value was measured through an external offer for the plant and equipment.

PEAT RESOURCES LIMITED
(An Exploration Stage Enterprise)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
AUGUST, 2015 AND 2014
(Unaudited)

4. EXPLORATION AND EVALUATION PROPERTY COSTS:

Exploration and evaluation project costs were incurred as follows for the three months ended August 31, 2015:

	Newfoundland	Quebec	Total
Consultants	$ 2,000	$ -	$ 2,000
Project management	-	17,500	17,500
Licenses and permits	4,150	-	4,150
Site work and sample analysis	2,457	10,192	12,649
	$ 8,607	$ 27,692	$ 35,299

Exploration and evaluation project costs were incurred as follows for the three months ended August 31, 2014:

	Newfoundland	Ontario	Total
Consultants	$ 3,000	$ -	$ 3,000
Project management	15,500	-	15,500
Licenses and permits	4,000	-	4,000
Site work and sample analysis	4,711	-	4,711
	$ 27,211	$ -	$ 27,211

The Company has exploration licences on 41,500 hectares of peatlands and applications pending on two previously held quarry permits at two hectares each in Newfoundland. Exploration and evaluation project costs include expenditures incurred in evaluating the properties potential to host economic quantities of fuel-grade peat.

5. RELATED PARTY TRANSACTIONS:

During the three month period ended August 31, 2015, executive management fees amounting to $31,248 (2014 - $nil) were charged by the interim CEO and director of the Company. In addition, there were $2,000 in reimbursable corporate expenses incurred (2014 - $1,590). There were $6,020 in legal fees accrued in the three-months ended August 31, 2015. In the same period in 2014, there were $19,300 in executive management and legal fees paid to the interim CEO and director of the Company.

Corporate maintenance and accounting management fees amounting to $13,000 (2014 - $7,500) were charged by a director and officer. In addition, there were $2,732 in reimbursable corporate expenses incurred ($nil in 2014).

Key management of the Company includes its directors and interim CEO. Compensation paid to key management includes share-based payments.

5. RELATED PARTY TRANSACTIONS (continued):

Total compensation paid to key management during the three-month period ended August 31, 2015 is made up of short term benefits in the amount of $nil (2014 - $36,300). There was no share-based compensation paid to key management in the three-month periods. As at August 31, 2015, accounts payable includes $81,882 (2014 - $5,650) due to the related parties mentioned above.

Management believes these transactions are in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the parties being fair market value in the circumstances.

6. CAPITAL STOCK:

a) Common shares

The Company's authorised share capital consists of an unlimited number of common shares.

On May 24, 2013, the Company closed a brokered private placement for proceeds of $110,000. The placement consisted of 2,750,000 units at $0.04 per unit. Each unit consists of one common share and one share purchase warrant. Each warrant is exercisable for one year from the closing date at an exercise price of $0.05 per common share and for an additional three years at $0.10 per common share. The value ascribed to the common shares and warrants issued as part of this private placement was $65,868 and $44,132, respectively. There was a cash commission of ten per cent of the amount raised from Canadian sources (ten per cent of $110,000, or $11,000 plus disbursements for a total of $14,106). The commission has been split between capital stock and warrants. In addition there were 275,000 broker warrants issued in connection with this private placement exercisable at $0.05 per warrant for a period of one year and $0.10 for an additional three years, which have been valued at $7,382 and have been charged to capital stock. The fair value of the services associated with the broker warrants could not be reasonably estimated, therefore the broker warrants have been recorded at the value determined by using the Black-Scholes option pricing model.

On July 8, 2013, the Company closed a brokered private placement for proceeds of $40,000. The placement consisted of 1,000,000 units at $0.04 per unit. Each unit consists of one common share and one share purchase warrant. Each warrant is exercisable for one year from the closing date at an exercise price of $0.05 per common share and for an additional three years at $0.10 per common share. The value ascribed to the common shares and warrants issued as part of this private placement was $23,981 and $16,019 respectively, based on their relative fair values. There was a cash disbursement for issue fees of $1,500 which has been split between capital stock and warrants based on their relative fair values.

On May 9, 2014, the Company issued 2,000,000 shares and $70,220 to extinguish debt (in the form of accounts payable) in the amount of $610,870. On the date of issuance, the fair value of the shares was $30,000 and, as a result, the Company recognised a gain of $510,650 in the statement of comprehensive loss and income at May 31, 2014. On June 18, 2014, the Company negotiated a settlement of accounts payable in the amount of $205,350 in exchange for $40,000 cash resulting in a gain of $165,350 in the statement of comprehensive loss and income for the period ended August 31, 2014.

6. CAPITAL STOCK (continued):

b) Warrants:

The warrants consist of regular warrants and broker warrants. The following table summarizes warrants that have been issued, exercised or have expired during the year ended May 31, 2015 and for the three months ended August 31, 2015:

	Number of warrants	Exercise price	Expiry date
Outstanding, May 31, 2014	4,525,000		
Warrants issued as part of Broker's fees	220,000	$0.05	June 25, 2016
Warrants issued as part of Broker's fees	120,000	$0.05	July 31, 2016
Warrants issued as part of Broker's fees	180,000	$0.05	September 4, 2016
Warrants issued as part of Broker's fees	100,000	$0.05	February 5,2019
Outstanding, May 31, 2015	5,145,000		
Warrants issued as part of Broker's fees	220,000	$0.05	July 15, 2020
Outstanding at August 31, 2015	5,365,000		

At August 31, 2015 the following warrants were outstanding. The warrants entitle the holders to purchase the stated number of common shares at the exercise price stated on or before the expiry date:

Number of warrants	Exercise price	Expiry date
2,750,000	$0.10	May 24, 2017
275,000	$0.10	May 24, 2017
1,000,000	$0.10	July 8, 2017
500,000	$0.05	May 8, 2016
220,000	$0.05	June 25, 2016
120,000	$0.05	July 31, 2016
180,000	$0.05	September 4, 2016
100,000	$0.05	February 5, 2019
220,000	$0.05	July 15, 2020
5,365,000		

There were broker warrants issued on June 25, July 31 and September 4, 2014 that are exercisable at $0.05 for two years. Broker warrants issued on February 5, 2015 are exercisable at $0.05 for four years (also see note 7). Warrants issued on May 24 and July 8, 2013 have an exercise price of $0.05 for one year and an exercise price of $0.10 for an additional three years.

There were 220,000 warrants issued in the three month period ended August 31, 2015 (340,000 in 2014). The weighted-average fair value of the warrants issued on July 15, 2015 was estimated at $1,909 using the Black-Scholes option-pricing model with the following assumptions:

6. CAPITAL STOCK (continued):

	July 15, 2015
Risk-free interest rate	0.83%
Expected life	5 years
Estimated volatility in the market price of the common shares	165.4%
Dividend yield	nil
Forfeiture rate	nil

c) Stock option plan:

Under the Company's Incentive Stock Option Plan ("the Plan"), the Company has granted options to its directors, officers and consultants. The Company maintains the plan for the benefit of directors, officers, consultants and other services providers in order to assist the Company in attracting, retaining, and motivating such persons by providing them with the opportunity, through stock options to acquire an increased proprietary interest in the Company.

Under the plan, options are non-assignable and may be granted for a term not exceeding five years. The total number of common shares that may be reserved for issuance may not exceed 10% of outstanding common shares and may not exceed 5% for any one person. The exercise price of an option may not be lower than the discounted market price of the common shares on the TSX Venture Exchange. The options are non-transferable. Outstanding options may be adjusted by the Board in certain events, as to exercise price and number of common shares, to prevent dilution or enlargement. At the interim period end, the Company has reserved 6,909,723 stock options to be granted under the Plan.

The following summarizes the directors', officers' and consultants' stock options that have been granted, exercised, expired or cancelled during the year ended May 31, 2015 and for the period ended August 31, 2015. The options are exercisable up to March 11, 2020.

	Number	Weighted average price	
Balance, May 31, 2014	2,800,000	$	0.20
Granted	6,900,000		0.05
Expired or cancelled	(2,800,000)		0.20
Exercised	-		-
Balance, May 31, 2015	6,900,000	$	0.05
Granted	-		-
Expired or cancelled	-		0.05
Exercised	-		-
Balance, August 31, 2015	6,900,000	$	0.05

There were 2,800,000 options valued at $689,550 that expired on January 19, 2015 and 6,900,000 options granted on March 11, 2015 (nil in 2014). The aggregate stock-based compensation expensed to loss during the year was $60,000 (nil in 2014) with a corresponding charge to reserve for share-based payments in shareholders' equity. There were no options granted in the three month period ended August 31, 2015.

7. DEBENTURE PAYABLE:

	Aug. 31, 2015	May 31, 2015	Aug. 31, 2014
Current portion of debenture payable	670,000	560,000	170,000
Less: Debenture issue costs	(75,487)	(62,650)	(19,225)
Less: Interest paid	(50,400)		
Add: Accretion	135,419	115,319	5,668
Balance at end of period	$ 679,532	$ 612,669	$ 156,443

On May 8, 2014, the Company closed a $250,000 loan transaction with the following terms: payable in one year with 12% annual interest, an agent's fee of 9% and 500,000 broker warrants. The debenture issued by the Company is secured by all plant and equipment held by the Company. They rank senior to all the Company's indebtedness. The effective interest rate on the debenture is 26.2%. Each broker warrant allows the holder to acquire one common share at a price of $0.05 for two years. The warrants have been valued at $5,577 and have been charged to capital stock. The fair value of the services associated with the broker warrants could not be reasonably estimated, therefore the broker warrants have been recorded at the value determined by using the Black-Scholes option pricing model (note 6(b)).

On June 25, 2014, the Company closed an unsecured debenture loan of $110,000. The loan is payable in one year with a 12% annual interest rate. An agent's fee of 9% in cash was paid and 220,000 broker warrants were issued. The effective interest rate on the debenture is 26.3%. Each broker warrant allows the holder to acquire one common share at a price of $0.05 for up to 24 months from the closing date. The warrants have been valued at $2,574 and have been charged to capital stock.

On July 31, 2014 the Company closed the first tranche of $60,000 of an unsecured debenture loan, and on September 4, 2014, the Company closed the second tranche of $90,000, for a total of $150,000. The loan is payable in one year with a 12% annual interest rate. An agent's fee of 9% in cash was paid and 300,000 broker warrants were issued. The effective interest rate on the debenture is 26.2%. Each broker warrant allows the holder to acquire one common share at a price of $0.05 for up to 24 months from the closing dates. The warrants have been valued at $3,364 and have been charged to capital stock.

On February 5, 2015, the Company closed an unsecured debenture loan of $50,000. The loan is payable in one year or earlier with a 12% annual interest rate. An agent's fee of $4,500 in cash was paid and 100,000 broker warrants were issued. The effective interest rate on the debenture is 25.1%. Each broker warrant allows the holder to acquire one common share at a price of $0.05 for up to 48 months from the closing date. The warrants have been valued at $735 and added to capital stock.

On July 15, 2015, the Company closed an unsecured debenture loan of $110,000. The loan is payable in one year or earlier with a 12% annual interest rate. An agent's fee of $9,900 in cash was paid and 220,000 broker warrants were issued. The effective interest rate on the debenture is 26.3%. Each broker warrant allows the holder to acquire one common share at a price of $0.05 for up to 60 months from the closing date. The warrants have been valued at $1,909 and added to capital stock as described above.

Debenture issue costs of $12,837 have been incurred during the three-month period ended August 31, 2015, of which $10,928 was paid in cash and $1,909 was the assigned value of the 220,000 broker warrants issued. The total balance of debenture issue costs of $75,487 were netted off the face value of the debenture. There was $50,400 paid in interest during the period and $20,100 in interest accrued.

8. BASIC AND DILUTED LOSS PER SHARE:

Basic loss per share has been calculated by dividing the net loss per financial statements by the weighted average number of shares outstanding during the period. The fully diluted loss per share would be calculated using a common share balance increased by the number of common shares that could be issued on the exercise of outstanding warrants and options of the Company. As the Company is in a loss position for the three months ended August 31, 2015 and 2014, the inclusion of options and warrants would be anti-dilutive.

9. COMMITMENTS AND CONTRACTUAL OBLIGATIONS:

The Company entered into a consulting contract, whereby the consultant is to provide a minimum of 100 days of work by December 31, 2016 for a total of $50,000. A $50,000 retainer was paid to the consultant on June 26, 2014. The consultant completed the commitment of 100 days of work in the three-month period ended August 31, 2015.