

# **FCF CAPITAL INC.**

(formerly BRILLIANT RESOURCES INC.)

Consolidated Financial Statements

For the years ended September 30, 2015 and 2014



# Independent Auditor's Report

**Grant Thornton LLP**  
1701 Scotia Place 2  
10060 Jasper Avenue NW  
Edmonton, AB  
T5J 3R8

T +1 780 422 7114  
F +1 780 426 3208 E  
Edmonton@ca.gt.com  
www.GrantThornton.ca

To the Shareholders of FCF Capital Inc. (formerly Brilliant Resources Inc.)

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

## **Management's responsibility for the financial statements**

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

## **Auditor's responsibility**

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

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

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

**Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of FCF Capital Inc. as at September 30, 2015 and 2014, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Edmonton, Canada

January 26, 2016



Chartered Professional Accountants

Chartered Accountants

FCF CAPITAL INC. (formerly Brilliant Resources Inc.)  
Consolidated Statements of Financial Position  
(Canadian dollars)

As at	September 30 2015	September 30 2014
<b>ASSETS</b>		
Current		
Cash and cash equivalents (note 4)	\$ 12,013,085	\$ 7,726,707
Trade and other receivables (note 5)	647,690	176,907
Prepayments and deposits	51,915	131,966
	<b>12,712,690</b>	<b>8,035,580</b>
Restricted cash (note 4)	100,000	100,000
Investments (note 6)	14,866,596	99,185
Equipment (note 7)	-	75,213
	<b>\$ 27,679,286</b>	<b>\$ 8,309,978</b>
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities	\$ 237,900	\$ 224,891
Deferred share unit liabilities (note 11)	-	220,000
	<b>237,900</b>	<b>444,891</b>
<b>EQUITY</b>		
Share capital (note 9)	27,026,682	48,083,836
Option, warrant and deferred share reserve	6,677,732	5,123,636
Accumulated other comprehensive income	3,382,404	12,398
Deficit	(9,645,432)	(45,354,783)
	<b>27,441,386</b>	<b>7,865,087</b>
	<b>\$ 27,679,286</b>	<b>\$ 8,309,978</b>

Approved by the Board of Directors

Director (signed by) "Courtenay Wolfe"  
Director (signed by) "Allan Bezanson"

*The accompanying notes form an integral part of these consolidated financial statements.*

FCF CAPITAL INC. (formerly Brilliant Resources Inc.)  
Consolidated Statements of Net Income (Loss) and Comprehensive Income (Loss)  
(Canadian dollars)

<b>For the years ended</b>	<b>September 30 2015</b>	September 30 2014
<b>REVENUE</b>		
Interest	\$ 187,884	\$ 99,173
<b>EXPENSES</b>		
General and administrative (note 13)	1,468,706	679,184
Project evaluation	54,196	597,036
Arbitration and enforcement (note 8)	543,251	971,675
Share-based compensation (note 9c)	253,525	-
Deferred share unit compensation (note 11)	962,071	220,000
<b>TOTAL EXPENSES</b>	<b>(3,281,749)</b>	<b>(2,467,895)</b>
<b>LOSS BEFORE OTHER ITEMS</b>	<b>(3,093,865)</b>	<b>(2,368,722)</b>
<b>OTHER ITEMS</b>		
Gain (loss) on foreign exchange	108,604	(58)
Impairment loss on equipment (note 7)	(70,784)	-
Mineral property reversal (impairment) (note 8)	17,196,763	(17,215,413)
Arbitration settlement (note 8)	22,380,189	-
Special bonus for arbitration settlement (note 8)	(1,300,000)	-
	<b>38,314,772</b>	<b>(17,215,471)</b>
<b>INCOME (LOSS) FOR THE YEAR</b>	<b>35,220,907</b>	<b>(19,584,193)</b>
<b>DEFERRED TAX RECOVERY</b> (note 10)	<b>488,444</b>	<b>-</b>
<b>NET INCOME (LOSS) FOR THE YEAR</b>	<b>35,709,351</b>	<b>(19,584,193)</b>
<b>OTHER COMPREHENSIVE INCOME</b>		
Items that will be subsequently reclassified to profit or loss:		
Unrealized gain on available for sale financial assets, net of tax (note 6)	3,370,006	12,398
<b>TOTAL OTHER COMPREHENSIVE INCOME</b>	<b>3,370,006</b>	<b>12,398</b>
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<b>\$39,079,357</b>	<b>\$(19,571,795)</b>
<b>NET INCOME (LOSS) PER COMMON SHARE</b>		
Basic	\$ 0.24	\$ (0.13)
Diluted	\$ 0.22	\$ (0.13)
<b>NUMBER OF COMMON SHARES (note 9a)</b>		
Basic weighted average number of common shares outstanding	148,182,630	149,454,769
Potential exercise of outstanding stock options	3,200,000	-
Deferred share units outstanding	8,705,480	-
Basic and diluted weighted average number of common shares outstanding	160,088,110	149,454,769

*The accompanying notes form an integral part of these consolidated financial statements.*

FCF CAPITAL INC. (formerly Brilliant Resources Inc.)  
Consolidated Statements of Changes In Equity  
(Canadian dollars)

	Share capital	Option, warrant and deferred share reserve	Deficit	Accumulated other comprehensive Income Fair value reserve	Total equity
<b>Balance at September 30, 2013</b>	<b>\$ 48,083,836</b>	<b>\$ 5,123,636</b>	<b>\$ (25,770,590)</b>	<b>\$ -</b>	<b>\$ 27,436,882</b>
Comprehensive income (loss)	-	-	(19,584,193)	12,398	(19,571,795)
<b>Balance at September 30, 2014</b>	<b>\$ 48,083,836</b>	<b>\$ 5,123,636</b>	<b>\$ (45,354,783)</b>	<b>\$ 12,398</b>	<b>\$ 7,865,087</b>
Exercise of stock options	1,171,500	(461,500)	-	-	710,000
Share-based compensation	-	253,525	-	-	253,525
Deferred share-based compensation (note 11(iii))	(580,000)	1,762,071	-	-	1,182,071
Return of capital distribution (note 9(a))	(21,648,654)	-	-	-	(21,648,654)
Comprehensive income	-	-	35,709,351	3,370,006	39,079,357
<b>Balance at September 30, 2015</b>	<b>\$ 27,026,682</b>	<b>\$ 6,677,732</b>	<b>\$ (9,645,432)</b>	<b>\$ 3,382,404</b>	<b>\$ 27,441,386</b>

*The accompanying notes form an integral part of these consolidated financial statements.*

FCF CAPITAL INC. (formerly Brilliant Resources Inc.)

Consolidated Statements of Cash Flow  
(Canadian dollars)

<b>For the years ended</b>	<b>September 30 2015</b>	September 30 2014
<b>Cash provided by (used in):</b>		
<b>Operating activities</b>		
Net income (loss) for the year	\$ 35,709,351	\$(19,584,193)
Items not affecting cash:		
Depreciation	4,429	10,077
Deferred share unit compensation	962,071	220,000
Share-based compensation	253,525	-
Mineral interest impairment (reversal)	(17,196,763)	17,215,413
Arbitration Settlement	(22,380,189)	-
Impairment loss on equipment	70,784	-
Deferred tax recovery	(488,444)	-
Changes in non-cash working capital		
Receivables	(470,782)	(42,089)
Accounts payable and accrued liabilities	13,009	61,252
Prepayments and deposits	80,051	66,683
Cash used in operating activities	<u>(3,442,958)</u>	<u>(2,052,857)</u>
<b>Investing activities</b>		
Mineral property expenditures	(8,650)	(15,737)
Proceeds from arbitration settlement	39,585,602	-
Investment in shares	(10,908,962)	-
Cash provided by (used in) investing activities	<u>28,667,990</u>	<u>(15,737)</u>
<b>Financing activities</b>		
Return of capital distribution	(21,648,654)	-
Proceeds from exercise of options	710,000	-
Cash used in by financing activities	<u>(20,938,654)</u>	<u>-</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>4,286,378</b>	<b>(2,068,594)</b>
Cash and cash equivalents – beginning of year	<u>7,726,707</u>	<u>9,795,301</u>
<b>Cash and cash equivalents – end of year</b>	<b>\$ 12,013,085</b>	<b>\$ 7,726,707</b>
<b>Cash and cash equivalents is composed of:</b>		
Cash on deposit with financial institutions	\$ 2,013,085	\$ 7,395,212
Short-term cash deposits	10,000,000	331,495
	<u>\$ 12,013,085</u>	<u>\$ 7,726,707</u>

The non-cash transaction described in note 7 has been excluded from the consolidated statements of cash flow.

During the year ended September 30, 2015, the Company received interest totaling \$187,884 (2014 – \$99,173) relating to operating activities.

*The accompanying notes form an integral part of these consolidated financial statements.*

**1. Nature of operations**

FCF Capital Inc. (“FCF Capital” or the “Company”) is listed on the TSX Venture Exchange (the “Exchange”) as a Tier 2 investment company and is a reporting issuer in the provinces of Alberta, British Columbia and Ontario (effective June 25, 2015). The Company’s name was changed from Brilliant Resources Inc. to FCF Capital Inc. on June 25, 2015, and effective June 29, 2015, the Company commenced trading under the symbol “FCF”. The head office of the Company is located at Suite 3500, 2 Bloor Street East, Toronto, Ontario, M4W 1A8, Canada. The Company was incorporated under the *Business Corporations Act* (Alberta) on October 1, 1998.

FCF Capital was previously a junior resource company in the business of acquiring mineral rights. Following a review of its strategic objectives, the Company's Board of Directors determined that the Company’s primary focus would be to seek superior returns by making investments in equity, debt or other securities of publicly traded companies or private businesses. The change of business of the Company from a junior resource company to an investment company was submitted to the Exchange for approval on April 30, 2015 and approved by the Exchange and the shareholders of the Company on June 25, 2015.

In conjunction with the change of business approved by the Exchange and shareholders of the Company on June 25, 2015, the Company made an application to the Ontario Securities Commission to become a reporting issuer in Ontario. On July 17, 2015, the Company was deemed to be a reporting issuer of Ontario for the purposes of Ontario securities law.

**2. Basis of presentation**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

These consolidated financial statements were authorized for issue by the Audit Committee and the Board of Directors of the Company on January 26, 2016.

These consolidated financial statements have been prepared on an historical cost basis with the exception of investments which are measured at fair value.

**3. Significant accounting policies**

**a. Basis of consolidation**

These consolidated financial statements are presented in Canadian Dollars, and the use of the symbol “\$” herein is in reference to Canadian Dollars. Disclosures for amounts denominated in currencies other than Canadian Dollars use the International Standards Organization (“ISO”) 3-letter symbol for such foreign currency.

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary Ivory Resources Inc. (“Ivory”) and Ivory’s wholly owned subsidiaries Equatorial Resources Inc., Bissau Phosphate Inc. and Bissau Resources Inc. (the “Ivory Subsidiaries”).

All intercompany balances and transactions have been eliminated on consolidation

**b. Management estimates and judgments**

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the amounts reported and disclosed in these consolidated financial statements and related notes. Those include estimates that, by their nature, are uncertain and actual results could



differ materially from those estimates. The impacts of such estimates may require accounting adjustments based on future results. Revisions to accounting estimates are recognized in the period in which the estimate is revised.

The areas which require management to make significant estimates, judgments and assumptions in determining carrying values include:

#### Estimates and assumptions

i) Deferred share unit and share-based compensation

The fair value of deferred share unit and share-based compensation is determined using the Black-Scholes Option Pricing Model based on estimated fair values at the date of grant. The Black-Scholes Option Pricing Model utilizes subjective assumptions such as expected price volatility and expected life of the award. Changes in these assumptions can significantly affect the fair value estimate.

ii) Deferred taxes

The Company recognizes the deferred tax benefit related to deferred tax assets to the amount that is probable to be realized. Assessing the recoverability of deferred tax assets requires management to make significant estimates of future taxable profit. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions from deferred tax assets.

iii) Impairment of assets

Mineral property expenditures: Recognition of mineral property expenditures requires judgment from management in determining whether it is likely that future economic benefits are likely either from future exploitation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. Management is required to make certain estimates and assumptions about future events or circumstances, in particular, whether an economically viable extraction operation can be established, and takes into consideration variables such as long-term commodity prices, exploration potential and extraction costs. Estimates and assumptions made may change if new information becomes available. If, after expenditures are capitalized, information becomes available suggesting that the recovery of expenditures is unlikely, the amounts capitalized are written off in profit or loss in the period when the new information becomes available.

Equipment: The carrying value of equipment is reviewed each reporting period to determine if there is any indication of impairment. Where an indicator of impairment exists, the asset is impaired to the higher of the fair value less costs of disposal to sell and value in use. The assessment of fair values requires the use of estimates and assumptions by management such as discount rates, operating costs, future capital requirements, and operating performance. Changes in any of the assumptions or estimates used in determining the fair value of assets could impact the impairment analysis.

Investments: At each reporting period, management assesses whether there is objective evidence that an investment has been impaired, such as a significant or prolonged decline in the value of the investment. Should such evidence cause management to estimate that an impairment has arisen, an impairment loss is written off in profit or loss.

## Judgments

### iv) Impairment of exploration and evaluation assets

The application of the Company's accounting policy for determining whether it is likely that costs incurred on exploration and evaluation assets will be recovered through successful exploration and development also requires significant judgment. Management evaluates impairment with consideration of the economic and political environments and current mining code of the countries where they perform exploration.

### c. Cash and cash equivalents

Cash and cash equivalents is comprised of: cash on hand; cash on deposit with the Company's financial institutions on which it earns variable amounts of interest, and; highly liquid investments with original maturity dates of less than ninety days from purchase. Restricted cash, when applicable, is presented as a non-current asset.

### d. Financial instruments

Financial instruments are classified into one of five categories and, depending on the category, will either be measured at amortized cost using the effective interest method or fair value. Held to maturity investments, loans and receivables, and other financial liabilities are measured at amortized cost. Financial assets and liabilities classified as fair value through profit and loss and available for sale financial assets are carried on the consolidated statement of financial position at their fair values. Changes in the fair value of fair value through profit and loss financial instruments are recognized in net income (loss) in the period in which they occur, and changes in the fair value of available for sale financial assets are recognized as a component of other comprehensive income (loss) until the related financial assets are derecognized or impaired at which time accumulated changes in fair value in accumulated other comprehensive income (loss) are recognized in net income (loss). Cash and cash equivalents, restricted cash, and receivables are classified as loans and receivables. Investments in marketable securities are classified as available for sale financial assets. Accounts payable and accrued liabilities are classified as other financial liabilities.

The Company accounts for financial assets on the trade date, being the date on which the Company commits to buy or sell the financial asset. Transaction costs related to financial assets or financial liabilities classified as other than fair value through profit and loss will be added to the initial carrying value of the financial asset or liability. Transaction costs related to financial assets or financial liabilities classified as fair value through profit and loss are recognized immediately in net loss. Where transaction costs relate to available for sale financial assets they will be charged to other comprehensive income immediately after capitalization as available for sale assets are measured at fair value.

The Company assesses at each reporting date whether there is evidence that a financial asset or a group of financial assets is impaired. Evidence of impairment may include indications that the debtor or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and when indicators suggest that there are measurable decreases in the estimated future cash flows.

### e. Foreign currency

The Canadian dollar is the functional and presentation currency of the Company and each of the Company's subsidiaries. Transactions in foreign currencies are translated into the functional currency at exchange rates in effect on the transaction date. Monetary assets and liabilities denominated in currencies other than the functional currency are translated into the functional currency at exchange rates in effect on the date of the consolidated statement of financial position. Non-monetary items are translated at historical exchange rates, except where such items are carried at fair value, in which case they are translated at the exchange rate in effect at the date when the

fair value is determined. The resulting foreign exchange gains or losses are recognized in net income (loss) in the periods in which they occur, except for foreign currency gains and losses arising from fluctuations in currency exchange rates on the net investment of the Company in its foreign operations, which is reported as a component of other comprehensive income until the Company's net investment in foreign operations changes, at which time the associated accumulated amount of foreign exchange gains and losses are reclassified from accumulated other comprehensive income to net income (loss).

**f. Deferred taxes**

The Company uses the liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on differences between the financial statement carrying values of existing assets and liabilities and their respective income tax values (temporary differences) and loss carry forwards. Deferred tax assets and liabilities are measured using the tax rates expected to be in effect when temporary differences are likely to reverse. The effect on deferred tax assets and liabilities of a change in tax rates is included in profit or loss in the period in which the change is substantively enacted. The amount of deferred tax assets recognized is limited to the amount of the benefit that is considered probable.

**g. Revenue recognition**

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company; the amount of revenue can be measured reliably; and the costs incurred or to be incurred in respect of the transaction can be measured. The Company's interest revenue relates to its cash on deposit with the Company's financial institutions and is recognized as earned.

**h. Equipment**

Equipment is recorded at cost less accumulated depreciation and impairment losses. The Company provides for depreciation as cost less residual value over the life of the asset. Material residual values and estimates of useful life are reviewed and updated as required and at least annually. Rates and basis of depreciation applied to write-off the cost of equipment over the estimated useful lives are as follows:

Camp and field equipment	20%	Declining balance
Mobile equipment	30%	Declining balance
Office equipment	20%	Declining balance

**i. Mineral properties**

Mineral property acquisition costs and exploration costs directly related to specific properties were deferred, commencing on the date that the Company acquired the legal rights to explore a mineral property, until technical and economic feasibility of extracting a mineral resource was demonstrable, or until the properties was sold or abandoned. Exploration costs included costs such as materials used, surveying costs, drilling costs, payments made to contractors, analysing historical exploration data, geophysical studies, and depreciation on equipment used during the exploration stage. All other costs, including administrative overhead were expensed as incurred.

If the properties were put into commercial production, the acquisition and exploration expenditures were depleted using the units of production basis based upon the proven reserves available. If the properties were sold or abandoned, these expenditures were written off.

Where the Company's exploration commitments for an area of interest were performed under option agreements with a third party, the proceeds of any option payments under such agreements were applied to the area of interest to the extent of costs incurred. The excess, if any, was credited to profit or loss.

Mineral properties were reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may exceed the recoverable amount. Where there was evidence of impairment, the net carrying amount of the asset was written down to its recoverable amount.

Title to resource properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance history characteristic of many resource properties.

**j. Comprehensive income (loss) and equity**

Comprehensive income (loss) consists of net income (loss) and other comprehensive income (loss) ("OCI"). OCI represents changes in shareholders' equity during a period arising from transactions and other events with non-owner sources. When applicable, components of OCI are recorded net of related income taxes. Cumulative changes in OCI are included in accumulated other comprehensive income ("AOCI"), which is presented as a category of equity in the consolidated statements of changes in equity.

**k. Income (loss) per share**

Income (loss) per share is computed by dividing the net income (loss) by the weighted average number of common shares outstanding during the period. In computing diluted earnings per share, an adjustment is made for the dilutive effect of outstanding share options, warrants and other convertible instruments. In the periods when the Company reports a net loss, the effect of potential issuances of shares under share options and other convertible instruments is anti-dilutive. When diluted earnings per share is calculated, only those share options and other convertible instruments with exercise prices below the average trading price of the Company's common shares for the period will be dilutive.

During the year ended September 30, 2014 all the outstanding share options and warrants were anti-dilutive as the Company reported a net loss.

**l. Share-based compensation**

i) Stock options:

Share-based compensation related to the issuance of stock options to employees, consultants, directors, and officers pursuant to the Company's stock option plan is accounted for using the fair value method whereby compensation expense related to these programs is recorded in the statement of income (loss) with a corresponding increase to option and warrant reserve in equity. Share-based compensation related to compensation warrants and options issued pursuant to private placements to non-employees are recorded at the fair value of the goods or services received and is recorded as share issue costs with a corresponding increase to option and warrant reserve. When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured using the Black-Scholes Option Pricing Model. Consideration paid on the exercise of stock options and warrants is credited to share capital. Upon the exercise of the stock options or compensation warrants, consideration received together with the amount previously recognized in option and warrant reserve is recorded as an increase to share capital. The Company incorporates an estimated forfeiture rate for stock options and agents' warrants that may not vest.

ii) Deferred share units:

The Company's deferred share unit ("DSU") plan ("DSU Plan") provides for an annual grant of DSUs to each non-employee director as a long-term incentive component of their compensation. On June 25, 2015, shareholders of the Company approved an amended and restated DSU Plan pursuant to which the board may elect to pay out the DSUs in either cash or common shares of the Company when a participant ceased to be a director of the Company. The Company intends to settle all DSU grants in common shares of the Company, with the fair value of the DSU

grant being measured using the Black-Scholes Option Pricing Model. Upon issuing the grant, the Company records an expense with a corresponding increase to contributed surplus.

The previous DSU Plan required that DSUs were paid out in cash when a participant ceased to be a director of the Company.

DSUs vest immediately upon grant and as the Company has the option and intent to settle the DSUs in common shares when a participant ceases to be a director of the Company, upon the grant of DSU the Company records an expense with a corresponding increase to contributed surplus.

#### **m. Provisions**

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that a future outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. A provision is a liability of uncertain timing or amount. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to the passage of time is recognized as a financing expense.

#### **n. Impairment of assets**

The Company assesses the impairment of assets, which, for the Company, consists primarily of mineral properties and equipment, whenever events or changes in circumstances indicate that the carrying value of an asset may exceed the recoverable amount. Recoverable amount is the higher of fair value less costs of disposal and value in use. If such assets are considered to be impaired, the amount of the impairment is measured by the amount by which the carrying amount of the asset exceeds its recoverable amount. The amount of the impairment is charged to profit or loss in the period when the impairment is determined. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimated recoverable amount and the carrying amount that would have been recorded had no impairment loss been recognized previously.

#### **o. Accounting standards, interpretations and amendments adopted**

The Company has adopted the following new and amended standards without any significant effect on its financial statements. The nature and impact of each new standard is described below:

*IFRIC 21 – Levies*, an interpretation of *IAS 37 – Provisions, Contingent Liabilities and Contingent Assets*, sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (“obligating event”). *IFRIC 21* clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The adoption of the interpretation had no effect on these consolidated financial statements.

*IAS 32 - Financial Instruments: Presentation* In December 2011, the IASB amended *IAS 32* to clarify the meaning of when an entity has a current legally enforceable right of set-off. The amendments were effective for annual periods beginning on or after January 1, 2014 and were required to be applied retrospectively. The amendment did not have a significant impact on the Company’s consolidated financial statements.

*IAS 36 - Impairment of Assets* The IASB has issued amendments to *IAS 36, Impairment of Assets*. The amendments require recoverable amounts to be disclosed only when an impairment loss has been recognized or reversed. The amendments became effective January 1, 2014. The amendments impact certain disclosure requirements only, and did not have a significant impact on the consolidated financial statements.

IFRS 2 “Share-based Payment” is applied prospectively to share-based payment transactions with a grant date on or after July 1, 2014. The standard was amended to change the definitions of “vesting condition” and “market condition” and to add definitions for “performance condition” and “service condition” which were previously included in the definition of “vesting condition”. The adoption of the standard had no effect on these consolidated financial statements.

**p. Accounting standards issued but not yet effective**

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company does not anticipate any material changes to the financial statements upon adoption of these new revised accounting pronouncements.

IFRS 9 - *Financial Instruments* replaces the current standard IAS 39 - *Financial Instruments: Recognition and Measurement*, replacing the current classification and measurement criteria for financial assets and liabilities with only two classification categories: amortized cost and fair value. The new standard introduces extensive changes to IAS 39’s guidance on the classification and measurement of financial assets and introduces a new ‘expected credit loss’ model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

Management has started to assess the impact of IFRS 9 but is not yet in a position to provide quantified information.

At this stage the main areas of expected impact are as follows:

- i) The classification and measurement of the Company’s financial assets will need to be reviewed based on the new criteria that considers the assets’ contractual cash flows and the business model in which they are managed
- ii) It will no longer be possible to measure equity investments at cost less impairment and all such investments will instead be measured at fair value. Changes in fair value will be presented in profit or loss unless the Group makes an irrevocable designation to present them in other comprehensive income.

The amended standard is effective for annual periods beginning on or after January 1, 2018.

**4. Cash and cash equivalents**

Cash consists of cash on demand deposits with accredited financial institutions in Canada and the Cayman Islands.

The Company has provided \$100,000 (2014 - \$100,000) of cash as security to one of the Company’s financial institutions for corporate credit card liabilities. This item has been classified as non-current restricted cash on the statement of financial position. Included in cash and cash equivalents is \$10,000,000 (2014 – \$331,495) invested in short-term cash deposits.

**5. Trade and other receivables**

As at	<b>September 30 2015</b>	September 30 2014
Other accounts receivable	\$ -	\$ 117,860
Related party accounts receivable (note 14)	-	12,000
Distributions recoverable	537,037	-
Accrued interest income	542	-
Sales tax credits receivable	110,111	47,047
	<b>\$ 647,690</b>	<b>\$ 176,907</b>

As part of the return of capital distribution in July 2015, the Company paid \$537,037 to a brokerage firm as security for the 3,703,704 common shares that were cancelled in February 2015. Upon confirming to the trustee for the brokerage that the shares were cancelled, the funds were returned to the Company in November 2015.

The Company's related party and other accounts receivable related to office rental, reimbursed expenses, and operating costs shared between several companies in prior years. The Company paid the total costs and billed each company for its share of the costs.

## 6. Investments

As at	September 30 2015	September 30 2014
Auryn Resources Inc. (common shares) (i) (formerly North Country Gold Corp.)	\$ 273,996	\$ 99,185
Polaris Infrastructures Inc. (common shares) (ii) (formerly Ram Power, Corp.)	14,592,600	-
Available for sale financial assets	<b>\$ 14,866,596</b>	<b>\$ 99,185</b>

The Company holds securities of publicly traded companies which it has classified as available for sale financial assets, carried at fair value, with unrealized gains and losses held as a component of accumulated other comprehensive income in equity, net of deferred taxes. For the year ended September 30, 2015, the Company recorded an unrealized gain of \$3,370,006 (2014 – \$12,398) as a component of accumulated other comprehensive income net of \$488,444 in deferred taxes.

- (i) On September 30, 2015, North Country Gold Corp. ("NCG") entered into a letter agreement with Auryn Resources Inc. ("Auryn"), pursuant to which Auryn acquired NCG under a plan of arrangement. Under the proposed arrangement, the Company received one share of Auryn for each ten NCG shares. The Company owned 2,479,600 common shares of NCG, and now holds 247,960 shares of Auryn.
- (ii) In May 2015 the Company completed an investment in Polaris Infrastructure Inc. ("Polaris"), formerly Ram Power, Corp. ("Ram"), a renewable energy company based in Reno, Nevada, focused on the development, production and sale of electricity from geothermal energy in Latin America, the United States and Canada listed on the Toronto Stock Exchange. The Company acquired 1,250,000 common shares at a purchase price of \$8 per share for total of \$10 million. The Company subsequently purchased 90,000 common shares in the open market, and the Company owns 1,340,000 common shares of Polaris at September 30, 2015.

## 7. Equipment

	Camp and field equipment	Mobile equipment	Office equipment	Total
<b>Cost</b>				
Balance, September 30, 2013 and 2014	\$ 86,788	\$ 49,800	\$ 77,157	\$ 213,745
Impairment	(44,852)	(17,493)	(8,439)	(70,784)
Disposition	(41,936)	(32,307)	(68,718)	(142,961)
<b>Balance, September 30, 2015</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Accumulated Depreciation</b>				
Balance, September 30, 2013	(27,772)	(22,783)	(64,402)	(114,957)
Depreciation	(11,803)	(8,104)	(3,668)	(23,575)
Balance, September 30, 2014	(39,575)	(30,887)	(68,070)	(138,532)
Depreciation	(2,361)	(1,420)	(648)	(4,429)
Disposition	41,936	32,307	68,718	142,961
<b>Balance, September 30, 2015</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Net book value:</b>				
Balance, September 30, 2014	\$ 47,213	\$ 18,913	\$ 9,087	\$ 75,213
<b>Balance, September 30, 2015</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

During the year ended September 30, 2015, the Company capitalized \$nil (2014 – \$13,498) in depreciation to mineral properties and expensed \$4,429 (2014 – \$10,077) in depreciation to general and administrative expenses.

During the year ended September 30, 2015, the Company impaired its camp and field equipment in the amount of \$44,852 (2014 - \$nil), its mobile equipment in the amount of \$17,493 (2014 - \$nil), and its office equipment in the amount of \$8,439 (2014 - \$nil) as the Company determined the carrying value of those assets exceeded their recoverable amount.

## 8. Mineral Properties

	Equatorial Guinea	Michikamau	Total
September 30, 2013	\$ 17,186,178	\$ -	\$ 17,186,178
Acquisition costs	-	10,000	10,000
Exploration costs	19,235	-	19,235
Mineral property impairment	(17,205,413)	(10,000)	(17,215,413)
<b>September 30, 2014</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Acquisition costs	-	8,650	8,650
Mineral property (reversal) impairment	17,205,413	(8,650)	17,196,763
Disposal	(17,205,413)	-	(17,205,413)
<b>September 30, 2015</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>



*Michikamau, Newfoundland & Labrador, Canada*

During the year ended September 30, 2011, the Company impaired the carrying value of the Michikamau property as there had been no activity on the property within the preceding three years. The Company maintains a 100% interest in the Michikamau property and has completed a sufficient amount of work to maintain the claims until 2018. The property is subject to a 2% net smelter royalty and royalty payments of \$10,000 per annum. The Company is taking steps to dispose of its interest in the Michikamau property.

*Equatorial Guinea, Africa*

The Company had rights through an agreement with the Government of Equatorial Guinea ("the Agreement"), to receive certain preferential rights to acquire mineral rights by completing a 68,000 line km airborne geophysical survey of the 27,000 square km continental region of West-Central African nation Equatorial Guinea (the "Survey").

During the year ended September 30, 2012, the Company completed the Survey and combined the Survey with all available historical exploration data to create a comprehensive technical report and dynamic geoscientific database. During the year ended September 30, 2013, the Company delivered the results of the Survey to the Government of Equatorial Guinea. Under the Agreement, mining contracts were to be issued for the concessions within a certain period after the completion of the Survey and submission of selected areas.

Although the Company had the contractual right to obtain mineral concessions in Equatorial Guinea, it had been unable to obtain them, and therefore, during the year ended September 30, 2014, the Company recorded an impairment on the entire carrying value of its mineral properties in Equatorial Guinea in the amount of \$17,215,413. The recoverable amount of the property was measured using the fair value less costs of disposal method, however, because the Company was unable to obtain the concessions, the ability of the Company to derive cash flows was limited resulting in a nil recoverable amount.

On June 12, 2014, the Company submitted a Request for Arbitration against the Republic of Equatorial Guinea pursuant to the rules of arbitration of the International Chamber of Commerce and the Agreement, seeking damages in the amount of USD 80,000,000.

On January 22, 2015, the Company and the Government of Equatorial Guinea reached an agreement whereby the Company would relinquish all its rights and interests under the terms of the Agreement in exchange for USD 31,500,000 in cash in three installments (CDN 39,585,602). The first installment of USD 11,500,000 was payable within seven days of signing the agreement, the second installment of USD 10,000,000 was payable in a further thirty days and the final installment of USD 10,000,000 was payable within thirty days thereafter. Upon receipt of the final payment owing, the Company would withdraw its Request for Arbitration against the Republic of Equatorial Guinea.

On February 11, 2015, the Company received a payment of approximately USD 10,640,000 towards the first installment of USD 11,500,000. On February 26, 2015, the Company received a second payment of approximately USD 9,470,000 towards the second installment of USD 10,000,000. On March 20, 2015, the Company received a third payment of approximately USD 9,470,000 towards the third installment of USD 10,000,000.

The Company was therefore owed the balance of USD 1,920,000, and this amount was received on April 9, 2015. Upon receiving the full payment of the settlement, the Company relinquished all of its rights and interests under the Agreement and withdrew its Request for Arbitration against the Republic of Equatorial Guinea.

Due to the receipt of the arbitration settlement, the impairment recorded in the year ended September 30, 2014 has been reversed and the property was subsequently disposed of. The receipt of the arbitration settlement has resulted in a gain on disposal of \$22,380,189.

As part of this transaction, the Board of Directors approved a special bonus of \$1,300,000, in the aggregate, was paid to key officers and directors in April 2015 (note 14).

## 9. Share capital

### a) Common shares

The Company's articles authorize an unlimited number of Class "A" common shares without par value and an unlimited number of Class "B" preferred shares.

A summary of changes in common share capital in the period is as follows:

	Number of shares	Amount
<b>Balance at September 30, 2014 and 2013</b>	149,454,769	\$ 48,083,836
Shares cancelled (i)	(3,703,704)	-
Exercise of stock options (ii)	3,550,000	710,000
Reclassified from option and warrant reserve	-	461,500
Return of capital distribution (iii)	-	(21,648,654)
Deferred share unit distribution (Note 11(iii))	-	(580,000)
<b>Balance at September 30, 2015</b>	<b>149,301,065</b>	<b>\$ 27,026,682</b>

- (i) On February 11, 2015, the Company cancelled 3,703,704 common shares of its capital for no consideration. The shares were issued in April 2011, in trust, in connection with the Company's acquisition of Ivory Resources Inc.
- (ii) During the year, 3,550,000 options were exercised at an exercise price of \$0.20 per share.
- (iii) In July 2015, the Company paid a return of capital distribution of \$0.145 per common share outstanding.

### b) Warrants

A summary of share purchase warrant activity in the year is as follows:

	Number of warrants	Weighted average exercise price
Outstanding warrants, September 30, 2013	91,643,502	\$ 0.43
Expired	(85,185,169)	0.45
Outstanding warrants, September 30, 2014	6,458,333	\$ 0.20
Expired	(6,458,333)	0.20
<b>Outstanding warrants, September 30, 2015</b>	<b>-</b>	<b>\$ -</b>

A summary of the warrants outstanding and exercisable is as follows:

Exercise Price	September 30, 2015		Exercise Price	September 30, 2014		Note
	Number of warrants	Remaining contractual life (years)		Number of warrants	Remaining contractual life (years)	
\$ -	-	-	0.20	6,383,333	0.1	i
\$ -	-	-	\$ 0.20	75,000	0.1	ii
<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>\$ 0.20</b>	<b>6,458,333</b>	<b>0.1</b>	

- (i) 6,666,666 warrants were issued as part of units of the Company issued pursuant to a non-brokered private placement completed October 16, 2009 (the "Private Placement"). Each warrant entitled the holder to acquire one common share for \$0.20 per share until October 15, 2014. All warrants expired unexercised on October 15, 2014.
- (ii) 100,000 warrants were issued to agents pursuant to the Private Placement as compensation for services provided by the agent. Each warrant entitled the holder to acquire one common share for \$0.20 per share until October 15, 2014. All warrants expired unexercised on October 15, 2014.

c) Stock options

Pursuant to the Company's stock option plan (the "Plan") for directors, officers, employees, and consultants, the Company may reserve for issuance a maximum of 10% of the issued and outstanding common shares; the exercise price of the options is to be determined by the board of directors on the date of issuance of the options. The options are non-transferable and will expire, if not exercised, on the earlier of (i) one year following the date the optionee ceases to be a director, officer, consultant or employee of the Company for reasons other than termination for cause, and (ii) the expiry date otherwise applicable to such options. In the event that an optionee is dismissed for cause, such optionee's options will expire immediately following the date of dismissal.

A summary of stock option activity in the periods is as follows:

	Number of options	Weighted average exercise price
Outstanding options, September 30, 2013	4,575,000	\$ 0.19
Expired	(625,000)	\$ 0.15
<b>Outstanding options, September 30, 2014</b>	<b>3,950,000</b>	<b>\$ 0.20</b>
Forfeited	(100,000)	\$ 0.20
Exercised	(3,550,000)	\$ 0.20
Granted	2,900,000	\$ 0.16
<b>Outstanding options, September 30, 2015</b>	<b>3,200,000</b>	<b>\$ 0.16</b>

A summary of the options outstanding and exercisable is as follows:

September 30, 2015			September 30, 2014		
Exercise Price	Number of options	Remaining contractual life (years)	Exercise Price	Number of options	Remaining contractual life (years)
\$ 0.20	300,000	1.0	\$ 0.20	3,950,000	2.0
\$ 0.16	2,900,000	9.8	\$ -	-	-
<b>\$ 0.16</b>	<b>3,200,000</b>	<b>9.8</b>	<b>\$ 0.20</b>	<b>3,950,000</b>	<b>2.0</b>

On July 15, 2015, the Company announced that pursuant to the Company's stock option plan and in accordance with the terms of the employment and consulting agreements entered into by the Company with two directors of the Company, it has granted each of those directors options to acquire 1,450,000 common shares in the capital of the

Company. The options have a term of ten years from the date of grant and an exercise price of \$0.16, with one-half of the options vesting immediately and the remaining half on April 30, 2016.

Each stock option is convertible into one common share of the Company. The fair value of the stock option at the date of issue was estimated at the date of issue using the Black-Scholes Option Pricing Model using the following assumptions:

Expected stock price volatility	125%
Expected life	10 years
Risk free interest rate	3.00%
Expected dividend yield	0.00%
Weighted average fair value per option granted	\$0.1447

The share-based compensation expense relating to the 2,900,000 stock options granted during the year is \$253,525 (2014 - \$nil).

## 10. Income taxes

### (a) Income tax expense

	September 30 2015	September 30 2014
<b>Current tax expense</b>		
Current period	\$ -	\$ -
<b>Deferred tax expense</b>		
Origination and reversal of temporary differences	(915,952)	(416,934)
Change in tax rates	(240,364)	-
Change in unrecognized temporary differences	668,066	416,934
Prior period adjustments	(194)	-
Total income tax expense from continuing operations	<b>\$ (488,444)</b>	<b>\$ -</b>

The actual income tax provision differs from the expected amount calculated by applying the Canadian combined federal and provincial corporate tax rates to income before tax. Income tax rates changed from 25.00% in 2014 to 26.50% in 2015 due to an increase in applicable provincial statutory income tax rates. These differences result from the following:

	September 30 2015	September 30 2014
Income before tax	\$35,220,907	\$ (19,584,193)
Statutory income tax rate	26.50%	25.00%
Expected income tax	9,333,540	(4,896,048)
Increase (decrease) resulting from:		
Non-taxable items	197,081	138,959
Effect of lower tax rate in foreign jurisdiction	(10,446,573)	4,342,839
Change in unrecognized temporary differences	668,066	416,934
Change in tax rates and rate differences	(240,364)	-
Other	-	(2,684)
Prior period tax adjustments	(194)	-
Income tax expense	<b>\$ (488,444)</b>	<b>\$ -</b>

FCF CAPITAL INC. (formerly Brilliant Resources Inc.)  
Notes to the Consolidated Financial Statements  
In Canadian dollars, for the years ended September 30, 2015 and September 30, 2014

**(b) Recognized deferred tax assets and liabilities**

	September 30 2015	September 30 2014
Deferred tax assets are attributable to the following:		
Non-capital loss carryforwards	\$ 999,353	\$ -
Capital loss carryforwards	851,735	-
Deferred tax assets	1,851,088	-
Set off of tax	(1,851,088)	-
Net deferred tax asset	<u>\$ -</u>	<u>\$ -</u>

Deferred tax liabilities are attributable to the following:

Investments	\$(488,082)	\$ -
Investments in subsidiaries	(1,363,006)	-
Deferred tax liabilities	(1,851,088)	-
Set off of tax	1,851,088	-
Net deferred tax liability	<u>\$ -</u>	<u>\$ -</u>

**(c) Unrecognized deferred tax assets**

	September 30 2015	September 30 2014
Deferred tax assets have not been recognized in respect of the following items:		
Deductible temporary differences	\$ 705,517	\$ 479,833
Tax losses	2,605,617	3,526,240
	<u>\$ 3,311,134</u>	<u>\$4,006,073</u>

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

As at September 30, 2015 the Company has Canadian federal and provincial non-capital losses carried forward of \$13,589,214 (September 30, 2014 - \$10,890,865). These Canadian losses expire between 2025 and 2035. The Company has only recognized those non-capital loss carryforwards to the extent it is probable that future taxable profits will be available.

**(d) Movement in deferred tax balances**

	Balance, September 30, 2013	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance, September 30, 2014	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance, September 30, 2015
Non-capital losses	\$ -	\$ -	\$ -	\$ -	\$ 488,444	\$ -	\$ 488,444
Investments	-	-	-	-	-	(488,444)	(488,444)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 488,444</u>	<u>\$ (488,444)</u>	<u>\$ -</u>

**11. Deferred share units**

	Number of units	Deferred share unit liabilities
<b>DSUs outstanding, September 30, 2013</b>	-	\$ -
DSUs granted (i)	4,000,000	220,000
<b>DSUs outstanding, September 30, 2014</b> (market value of shares at September 30, 2014 was \$0.055 per share)	<b>4,000,000</b>	<b>\$ 220,000</b>
De-recognition of liability due to amended and restated DSU Plan (ii)	-	(220,000)
DSU adjustment for Return of Capital distribution (iii)	3,625,000	-
DSUs granted (iv)	1,080,480	-
<b>DSUs outstanding, September 30, 2015</b>	<b>8,705,480</b>	<b>\$ -</b>

On June 25, 2015, shareholders of the Company approved an amended and restated deferred share unit plan (the "DSU Plan") pursuant to which the board may elect to pay out the DSUs in either cash or common shares of the Company. Under the amended and restated DSU Plan, the Company records an expense with a corresponding increase to contributed surplus. The previous DSU Plan required that DSUs be paid out in cash when a participant ceased to be a director of the Company and the liability for such payment was fair valued based upon the market price at every period end and recorded as a current liability with the expense adjusted accordingly.

- (i) During the year ended September 30, 2014, non-employee directors of the Company were granted an aggregate of 4,000,000 deferred share units ("DSUs") at a deemed price of \$0.08 per unit. The DSUs were valued at \$0.065 per unit based upon the underlying share price at the date of issuance and were fair valued based upon the market price at every period end and recorded as a current liability.
- (ii) Upon shareholder approval of the Company's amended and restated DSU Plan, the 4,000,000 DSUs granted during fiscal 2014 were revalued based on the share price as at June 25, 2015 of \$0.255 per share versus the \$0.055 per share at September 30, 2014. The revaluation resulted in a \$800,000 deferred share unit compensation expense.

Expected stock price volatility	110%
Expected life	10 years
Risk free interest rate	3.00%
Expected dividend yield	0.00%
Weighted average fair value per option granted	\$0.2550

- (iii) On July 7, 2015, as approved at the June 25, 2015 special shareholders' meeting, the Company paid a return of capital to its shareholders of \$0.145 per share outstanding totalling \$21,648,654. On July 22, 2015, the Company also granted 3,625,000 additional DSUs relating to the return of capital distribution for the DSUs outstanding as at June 25, 2015 for \$580,000, the record date for the return of capital.
- (iv) On July 15, 2015, as per the DSU plan, the Company granted 1,080,480 DSUs to the directors of the Company for director fees. The Company recognized a deferred share unit compensation expense of \$162,071.

Expected stock price volatility	110%
Expected life	10 years
Risk free interest rate	3.00%
Expected dividend yield	0.00%
Weighted average fair value per option granted	\$0.1500

## 12. Financial instruments and risk management

The Company is exposed to the following financial risks:

- i) Market risk
- ii) Credit risk
- iii) Liquidity risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these consolidated financial statements.

### General objectives, policies and processes

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure effective implementation of the objectives and policies to the Company's finance function and Investment Committee.

The overall objective of the Board and the Company's finance function is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility and to ensure that risks are properly identified and that the capital base is adequate in relation to those risks. Further details regarding these policies are set out below.

### Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices are comprised of three types of risk: currency risk, interest rate risk, other price risk.

#### *Currency risk*

Currency risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will fluctuate because of changes in foreign exchange rates. The Company's share capital as well as the Company's reporting currency is denominated in Canadian Dollars. Management has assessed that the Company's current exposure to currency risk is low and continuously monitors foreign exchange rates on an ongoing basis. Financial instruments denominated in United States dollars as at September 30, 2015 is cash of USD 59,800 (2014 – USD 4,089).

#### *Interest rate risk*

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's interest rate risk is limited to potential decreases on the variable rate interest rate offered on cash and cash equivalents held with chartered Canadian financial institutions. The Company considers this risk to be minimal.

#### *Other price risk*

The Company is exposed to price risk with respect to marketable securities prices. The carrying amounts of the Company's investments are directly related to the current market prices of its marketable securities. The Company monitors its marketable securities prices to determine appropriate actions to be undertaken.

#### Credit risk

Credit risk is the risk of potential loss to the Company if counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash and cash equivalents and accounts receivable.

The Company has assessed its exposure to credit risk on its cash and cash equivalents and has determined that such risk is minimal. The majority of the Company's cash and cash equivalents are held with financial institutions in Canada.

The Company trades only with recognized, creditworthy third parties and its receivables from such third parties are monitored on an ongoing basis, and all accounts receivable balances are current as of September 30, 2015. The Company has determined its credit risk associated with accounts receivable is minimal and no impairment is necessary. The Company's maximum exposure to credit risk is \$12,760,775 (2014 - \$7,856,567), representing its aggregate cash deposits, cash equivalents and accounts receivable.

#### Liquidity risk

Liquidity risk is the risk that the Company will not meet its financial obligations as they fall due. The Company monitors its risk by monitoring the maturity dates of its existing debt and other payables. The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

To achieve this objective, the Company prepares annual expenditure budgets, which are regularly monitored and updated as considered necessary. Monthly working capital and expenditure reports are prepared by the Company's finance function and presented to management for review and communication to the Board. As at September 30, 2015 and 2014, all of the Company's financial liabilities are due within one year.

#### Determination of fair value

The consolidated statement of financial position carrying amounts for cash and cash equivalents, restricted cash, receivables and accounts payable approximate fair value due to their short-term nature.

Investments are presented on the consolidated statement of financial position at their fair value.

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities; and
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and



- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The available-for-sale investments of the Company are based on quoted prices and are therefore considered to be Level 1.

### 13. General and administrative expenses

For the years ended	September 30 2015	September 30 2014
Advertising, promotion and travel	\$78,322	\$84,903
Depreciation	4,429	10,077
Management and consulting fees	397,336	88,400
Payroll and benefits	69,671	-
Office and administration	204,187	393,829
Professional fees	674,273	79,582
Regulatory and filing fees	40,488	22,393
	<u>\$1,468,706</u>	<u>\$679,184</u>

### 14. Related party transactions

Unless otherwise noted, related party transactions were incurred in the normal course of operations and are measured at the amount established and agreed upon by the related parties.

As of September 30, 2015, accounts receivable included \$nil (2014 - \$12,000) receivable from companies controlled by common directors and officers.

Insurance coverage for the Company is provided through a broker controlled by a director of the Company. There are no amounts payable to the broker as at September 30, 2015 and 2014.

The Company incurred and paid fees to directors and officers for management and professional services as follows:

For the years ended	September 30 2015	September 30 2014
Management fees paid to corporations controlled by directors and officers	\$371,127	\$259,333
Payroll and benefits for directors of the Company	69,971	-
Special bonus for arbitration settlement (note 8)	1,300,000	-
Share-based compensation (note 9)	253,525	-
Deferred share units issued to directors (note 11)	962,071	220,000
	<u>\$2,956,694</u>	<u>\$479,333</u>

The special bonus for arbitration settlement was paid in April 2015 in light of the significant results achieved for the Company by key officers and directors in regards to the agreement reached with the Government of Equatorial Guinea (note 8).

### 15. Commitments

During the year ended September 30, 2011, the Company entered into two five-year office premises lease agreements. Basic rental payments, excluding operating costs, were approximately between \$170,000 and \$180,000 per year. The office rental and operating costs were shared between several companies, and the Company only paid its pro rata share of the total cost of the office rental. During the year ended September 30, 2015, the Company settled the above lease commitments, and therefore no further commitments remain on these office premises. The Company's share of basic rental payments during the year ended September 30, 2014 was \$58,277.

On May 1, 2015, the Company entered into a new 6-month lease agreement with monthly lease payments of \$2,590 including all operating costs, and the lease has been extended by an additional 12-months to October 31, 2016 with the same terms and conditions. The lease can be terminated with 90-days notice to the landlord.

**16. Segmented information**

For management purposes, the Company's activities are now managed and monitored by senior management as one operating segment based on business activities being that of an investment company operated in Canada. All of the Company's non-current assets are in Canada. The financial statements included are the same financial statements that management uses to monitor the performance of the Company.

Pursuant to the change of business of the Company approved by the Exchange and shareholders of the Company on June 25, 2015, the Company is now an investment company. The Company's primary focus is to seek superior returns by making investments in equity, debt or other securities of publicly traded companies or private businesses.

Prior to the change of business on June 25, 2015, the Company was organized into one operating segment based on business activities, being that of exploration and evaluation activities and into two geographical segments, Canada and Equatorial Guinea. As at September 30, 2014, the Company had equipment of \$66,126.

**17. Capital management policies and procedures**

The Company monitors its equity as capital. The Company's objectives in managing its capital are to maintain a sufficient capital base to support its operations and to meet its short-term obligations and at the same time preserve inventor's confidence and retain the ability to seek out and acquire new investments of merit. No changes to the Company's capital management have occurred since the prior year end. The Company is not exposed to any externally imposed capital requirements.

<b>For the years ended</b>	<b>September 30 2015</b>	September 30 2014
Total equity	<b>\$27,441,386</b>	\$7,865,087
Cash and cash equivalents	<b>(12,013,085)</b>	(7,726,707)
Restricted cash	<b>(100,000)</b>	(100,000)
	<b><u>\$15,328,301</u></b>	<u>\$38,380</u>

**18. Subsequent events**

a) US\$2 Million Investment in Vital Alert Communication Inc.

On December 18, 2015, FCF Capital Inc. announced that it had agreed to make an equity investment (the "Investment") of US\$2,000,000 (C\$2,673,000) cash in Vital Alert Communication Inc. ("Vital"). The Investment closed on December 21, 2015 and resulted in FCF acquiring 25,999,568 voting preferred shares in the capital of Vital (representing 18.56% and 16.67% of the voting shares of Vital on an undiluted and fully-diluted basis, respectively), at a pre-money valuation of US\$10 million for Vital (or approximately US\$0.0769 per Vital share). The Investment and the resulting graduation of the Company to a Tier 1 investment company are subject to TSX Venture Exchange (the "Exchange") approval. The Investment is a non-arm's length party transaction.

b) Wind-up of wholly owned subsidiary

In December 2015, the Company commenced the process of dissolving the Company's wholly owned subsidiary of Ivory Resources Inc. ("Ivory") and Ivory's subsidiaries Equatorial Resources Inc., Bissau Phosphate Inc. Bissau Resources Inc. (the "Ivory Subsidiaries"). Through the use of its capital losses and non-capital losses carried forward, the Company expects that there will not be any future income taxes related to the wind-up.