

BERKLEY RENEWABLES INC.

CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2015 and 2014

(Expressed in Canadian Dollars)

Management's Responsibility

To the Shareholders of Berkley Renewables Inc.

Management is responsible for the preparation, integrity and fair presentation of the consolidated financial statements. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and necessarily include amounts based on management's informed judgments and estimates within the acceptable limits of materiality. Financial information contained in management's discussion and analysis is consistent with the consolidated financial statements.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of the consolidated financial statements.

The Board of Directors, through its Audit Committee, is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control systems. The Audit Committee is composed of independent directors who are not employees of the Company. The Audit Committee is responsible for reviewing the consolidated financial statements and recommending them to the Board of Directors for approval. To discharge its duties the Audit Committee meets regularly with management and MNP LLP, an independent firm of Chartered Accountants, to discuss internal controls, accounting and financial reporting processes, audit plans and financial matters. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements for issuance to the shareholders. The Audit Committee also considers the independence of the external auditors and reviews their fees.

MNP LLP, an independent firm of Chartered Professional Accounts, is responsible for auditing the consolidated financial statements and expressing their opinion thereon and their report is presented separately. The external auditors have full and free access to, and meet regularly with, management and the Audit Committee.

(signed) "Matthew Wayrynen"

Chief Executive Officer

April 29, 2016

(signed) "Pamela Saulnier"

Chief Financial Officer

Independent Auditors' Report

To the Shareholders of Berkley Renewables Inc.

We have audited the accompanying consolidated financial statements of Berkley Renewables Inc., which comprise the consolidated statements of financial position as at December 31, 2015 and 2014, the consolidated statements of loss and comprehensive loss, changes in shareholders' deficit and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' 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 Berkley Renewables Inc. as at December 31, 2015 and 2014, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 of the consolidated financial statements which describes matters and conditions that indicate the existence of a material uncertainty which may cast significant doubt about Berkley Renewables Inc.'s ability to continue as a going concern.

Calgary, Alberta
April 29, 2016

MNP LLP

Chartered Professional Accountants

MNP
LLP

BERKLEY RENEWABLES INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at:

	December 31, 2015	December 31, 2014
ASSETS		
Current assets		
Cash and cash equivalents	\$ 214,582	\$ 328,418
Trade and other receivables	686	15,918
Due from related parties (Note 16)	1,788,230	1,787,333
Prepaid expenses	15,936	-
Total current assets	2,019,434	2,131,669
Investment in RepliCel Life Sciences (Note 5)	218,608	365,183
Petroleum and natural gas interests (Note 6)	14,152	108,615
Other property and equipment (Note 7)	2,377	3,195
Total non-current assets	235,137	476,993
Total assets	\$ 2,254,571	2,608,662
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 968,785	\$ 857,116
Taxes payable (Note 15)	452,422	401,563
Due to related parties (Note 16)	1,136,667	1,047,254
Note payable (Note 9)	15,700	-
Total current liabilities	2,573,574	2,305,933
Convertible debenture (Note 10)	-	47,910
Decommissioning liability (Note 8)	151,457	148,976
Total liabilities	2,725,031	2,502,819
SHAREHOLDERS' DEFICIT		
Share capital (Note 11)	15,364,367	15,356,712
Warrants (Note 12)	-	4,815
Contributed surplus	1,813,300	1,809,140
Equity portion of convertible debenture (Note 10)	-	2,521
Deficit	(17,732,609)	(17,270,708)
Accumulated other comprehensive loss	(175,373)	(70,441)
	(730,315)	(167,961)
Non-controlling interest (Note 14)	259,855	273,804
Total shareholders' equity	(470,460)	105,843
Total liabilities and shareholders' equity	\$ 2,254,571	\$ 2,608,662

Going concern (Note 1)

Approved by the Board of Directors and authorized for issue on April 29, 2016

"Matt Wayrynen"

Director

"Tyrone Docherty"

Director

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

BERKLEY RENEWABLES INC.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

For the years ended:

	December 31, 2015	December 31, 2014
Revenue (Note 20)	\$ 781,092	\$ 1,042,284
Operating expenses		
Royalty expense	806	1,774
Operating costs	37,529	24,220
Depletion and accretion (Note 6 and 8)	9,355	14,009
Net income from operations	733,402	1,002,281
General and administrative expenses		
Management fees (Note 16)	472,250	400,525
Offering costs	-	373,745
Professional fees	167,290	129,655
Consulting fees	221,306	113,297
Administrative, office services and premises	172,223	107,681
Depreciation (Note 7)	818	793
Shareholder information	40,052	15,455
Filing and transfer agent fees	19,323	15,345
	1,093,262	1,156,496
Other income (expenses)		
Realized foreign exchange gain (loss)	192	(271)
Bad debt expense (Note 18)	(10,197)	(20,407)
GST/HST reassessment	-	(155,059)
Realized gain on investment (Note 5)	31,845	-
Realized loss on marketable securities	-	(1,447)
Impairment of petroleum and natural gas interests (Note 6)	(87,589)	(23,087)
Interest on convertible debenture (Note 10)	-	(10,770)
Debt settlement gain on convertible debenture (Note 10)	431	5,089
Other income	187	631
	(65,131)	(205,321)
Loss before tax	(424,991)	(359,536)
Tax expense (Note 15)	(50,859)	(223,717)
Net loss for the year	(475,850)	(583,253)
Other comprehensive loss		
Items that may be reclassified subsequently to profit or loss		
Unrealized loss on investment, net of tax (Note 5)	(104,932)	(93,877)
Total comprehensive loss	\$ (580,782)	\$ (677,130)
Net loss attributed to:		
Shareholders of the Company	(461,901)	(502,198)
Non-controlling interest (Note 14)	(13,949)	(81,055)
	(475,850)	(583,253)
Total comprehensive loss attributed to:		
Shareholders of the Company	(566,833)	(596,075)
Non-controlling interest (Note 14)	(13,949)	(81,055)
	(580,782)	(677,130)
Basic and diluted net loss per share (Note 13)	\$ (0.04)	\$ (0.05)

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

BERKLEY RENEWABLES INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIT

	Note	Share Capital	Equity Portion of Convertible Debenture	Warrants	Contributed Surplus	Deficit	Non-Controlling Interest	Accumulated Other Comprehensive Income	Total
Balance as at December 31, 2013		\$ 15,356,712	\$ -	\$ 80,942	\$ 1,733,013	\$ (16,768,510)	\$ 354,859	\$ 23,436	\$ 780,452
Issuance of convertible debenture	10	-	2,521	-	-	-	-	-	2,521
Expiry of warrants	12	-	-	(76,127)	76,127	-	-	-	-
Net loss for the year		-	-	-	-	(502,198)	-	-	(502,198)
Unrealized loss on investment	5	-	-	-	-	-	-	(93,877)	(93,877)
Non-controlling interest	14	-	-	-	-	-	(81,055)	-	(81,055)
Balance as at December 31, 2014		\$ 15,356,712	\$ 2,521	\$ 4,815	\$ 1,809,140	\$ (17,270,708)	\$ 273,804	\$ (70,441)	\$ 105,843
Shares issued on exercise of warrants	11, 12	7,655	-	(655)	-	-	-	-	7,000
Expiry of warrants	12	-	-	(4,160)	4,160	-	-	-	-
Net loss for the year		-	-	-	-	(461,901)	-	-	(461,901)
Unrealized loss on investment	5	-	-	-	-	-	-	(104,932)	(104,932)
Settlement of convertible debenture	10	-	(2,521)	-	-	-	-	-	(2,521)
Non-controlling interest	14	-	-	-	-	-	(13,949)	-	(13,949)
Balance as at December 31, 2015		\$ 15,364,367	\$ -	\$ -	\$ 1,813,300	\$ (17,732,609)	\$ 259,855	\$ (175,373)	\$ (470,460)

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

BERKLEY RENEWABLES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended:

	December 31, 2015	December 31, 2014
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net loss for the year	\$ (475,850)	\$ (583,253)
Items not requiring cash in the year		
Tax expense (recovery) (Note 15)	50,859	223,717
Depreciation, depletion and accretion (Notes 6, 7 & 8)	10,173	14,802
Interest on convertible debenture (Note 10)	-	10,770
Impairment of petroleum and natural gas interests (Note 6)	87,589	23,087
Debt settlement gain on convertible loan (Note 10)	(431)	(5,089)
Realized gain on sale of investment in RepliCel Life Sciences (Note 5)	(31,845)	-
Realized loss on marketable securities	-	1,447
Cash used in operating activities before non-cash working capital	(359,505)	(314,519)
Change in non-cash working capital (Note 17)	110,965	555,475
Cash (used in) provided by operating activities	(248,541)	240,956
INVESTING ACTIVITIES		
Proceeds on sale of investment in RepliCel Life Sciences (Note 5)	73,489	-
Proceeds on sale of marketable securities	-	8,045
Cash provided by investing activities	73,489	8,045
FINANCING ACTIVITIES		
Issuance of note payable (Note 9)	15,700	-
Issuance of convertible debenture (Note 10)	-	44,750
Repayment of convertible debenture (Note 10)	(50,000)	-
Warrants exercised (Note 11 (b))	7,000	-
Advances from related parties (Note 16)	89,413	913,221
Advances to related parties (Note 16)	(897)	(1,017,201)
Cash provided by (used in) financing activities	61,216	(59,230)
(Decrease) increase in cash and cash equivalents	(113,836)	189,771
Cash and cash equivalents, beginning of year	328,418	138,647
Cash and cash equivalents, end of year	\$ 214,582	\$ 328,418

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

BERKLEY RENEWABLES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2015 and 2014

1. Nature of Operations and Going Concern

Berkley Renewables Inc. ("Berkley") was created on the amalgamation of Fortune Island Mines Ltd., Kerry Mining Ltd. and Berkley Resources Ltd. under the Company Act (British Columbia) on July 18, 1986. Previously focused on the acquisition, exploration, development and production from petroleum and natural gas interests in Alberta, Canada, Berkley is currently diversifying its strategy into renewable sources of energy, specifically the management and operation of photovoltaic power generation. The address of the registered office is 900, 570 Granville Street, Vancouver, British Columbia, V6C 3P1.

On July 8, 2010, Berkley acquired a 53% interest in American Uranium Corporation ("AUC"). The results of AUC's operations have been included in these consolidated financial statements since that date. AUC is an exploration-stage company engaged in the acquisition and exploration of mineral property interests in the United States of America ("US").

On November 7, 2011, Berkley acquired 501 common shares of Solar Flow-Through 2012-I Management Ltd. ("SFT2012") representing a 51% interest. As part of the acquisition, SFT2012 became a direct subsidiary of Berkley. On September 24, 2012, Berkley acquired an additional 449 common shares in SFT2012 for a total interest of 95% as at December 31, 2012.

On November 7, 2011, Berkley acquired 501 common shares of Solar Flow-Through 2012-I General Partner Ltd. ("SFT2012 GP Ltd.") representing a 51% interest. As part of the acquisition, SFT2012 GP Ltd. became a direct subsidiary of Berkley. On September 24, 2012, Berkley acquired an additional 449 common shares in SFT2012 GP Ltd. for a total interest of 95% as at December 31, 2012.

On April 12, 2013, Berkley acquired 950 common shares of Solar Flow-Through 2013-I Management Ltd. ("SFT2013") representing a 95% interest as at December 31, 2013. As part of the acquisition, SFT2013 became a direct subsidiary of Berkley.

On April 12, 2013, Berkley acquired 950 common shares of Solar Flow-Through 2013-I General Partner Ltd. ("SFT2013 GP Ltd.") representing a 95% interest as at December 31, 2013. As part of the acquisition, SFT2013 GP Ltd. became a direct subsidiary of Berkley.

On September 3, 2014, Berkley acquired 950 common shares of Solar Flow-Through 2014-I Management Ltd. ("SFT2014") representing a 95% interest as at December 31, 2014. As part of the acquisition, SFT2014 became a direct subsidiary of Berkley.

On September 3, 2014, Berkley acquired 950 common shares of Solar Flow-Through 2014-I General Partner Ltd. ("SFT2014 GP Ltd.") representing a 95% interest as at December 31, 2014. As part of the acquisition, SFT2014 GP Ltd. became a direct subsidiary of Berkley.

On February 25 2015, Berkley acquired 950 common shares of Solar Flow-Through 2015-I Management Ltd. ("SFT2015") representing a 95% interest as at December 31, 2015. As part of the acquisition, SFT2015 became a direct subsidiary of Berkley.

On February 25 2015, Berkley acquired 950 common shares of Solar Flow-Through 2015-I General Partner Ltd. ("SFT2015 GP Ltd.") representing a 95% interest as at December 31, 2015. As part of the acquisition, SFT2015 GP Ltd. became a direct subsidiary of Berkley.

BERKLEY RENEWABLES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2015 and 2014

1. Nature of Operations and Going Concern *(continued)*

The consolidated financial statements include the financial statements of Berkley Renewables Inc. and the subsidiaries listed below (hereinafter together referred to as the "Company"):

Name	Country of Incorporation	Functional Currency	% equity interest	
			2015	2014
Blue Star Global Inc. (formerly American Uranium Corporation)	US	Canadian Dollars	53%	53%
Solar Flow-Through 2012-I General Partner Ltd.	Canada	Canadian Dollars	95%	95%
Solar Flow-Through 2012-I Management Ltd.	Canada	Canadian Dollars	95%	95%
Solar Flow-Through 2013-I General Partner Ltd.	Canada	Canadian Dollars	95%	95%
Solar Flow-Through 2013-I Management Ltd.	Canada	Canadian Dollars	95%	95%
Solar Flow-Through 2014-I General Partner Ltd.	Canada	Canadian Dollars	95%	95%
Solar Flow-Through 2014-I Management Ltd.	Canada	Canadian Dollars	95%	95%
Solar Flow-Through 2015-I General Partner Ltd.	Canada	Canadian Dollars	95%	-
Solar Flow-Through 2015-I Management Ltd.	Canada	Canadian Dollars	95%	-

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

As at December 31, 2015, the Company has a net loss for the year of \$475,850 (2014 - \$583,253) and an accumulated deficit of \$17,732,609 (2014 - \$17,270,708). These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

The Company's ability to continue as a going concern is dependent upon its ability to raise additional capital through the issuance of treasury shares or debt and achieve profitable operations in the future. The management of the Company has developed a strategy to address this uncertainty, including additional equity and/or debt financing; however, there are no assurances that any such financing can be obtained on favourable terms, if at all.

If the going concern assumption were not appropriate for these consolidated financial statements, then adjustments would be necessary in the carrying values of assets and liabilities, reported revenues and expenses, and the consolidated statement of financial position classifications used.

The consolidated financial statements were authorized for issuance on April 29, 2016 by the Directors of Berkley.

2. Basis of Preparation

a) Statement of compliance

These consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the Interpretations of the IFRS Interpretations Committee ("IFRIC") and in effect at January 1, 2015.

b) Basis of measurement

The consolidated financial statements of the Company have been prepared on a historical cost basis, except for financial instruments and share-based payment transactions that have been measured at fair value.

c) Functional and presentation currency

The functional currency of the Company is the Canadian dollar. The consolidated financial statements are presented in Canadian dollars.

2. Basis of Preparation *(continued)*

d) Use of estimates and judgments

The preparation of the Company's consolidated financial statements requires management to make, at the end of the reporting period, judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and the disclosure of contingencies and commitments. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. The estimates and underlying assumptions are reviewed by management on an ongoing basis. Revisions to required estimates are recognized in the year in which the estimate is revised.

The key estimates and judgments concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are outlined below.

Significant judgments

Cash-generating-unit determination

The Company's assets are aggregated into cash-generating-units (CGUs) based on their ability to generate largely independent cash inflows. These CGU's are used for impairment testing. CGUs are determined by similar geological structure, shared infrastructure and geographical proximity.

Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable earnings will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable earnings together with future tax planning strategies.

Significant estimates

Impairment of non-financial assets

The Company assesses its petroleum and natural gas ("P&NG") interests and exploration and evaluation ("E&E") assets for possible impairment if there are events or changes in circumstances that indicate the carrying values of the assets may not be recoverable. Such indicators include changes in the Company's business plans, changes in commodity prices, evidence of physical damage and significant downward revisions to estimated recoverable volumes or increases in estimated future development expenditures. The assessment for impairment of P&NG interests and E&E assets involves comparing the carrying value of the CGU with its higher of value in use and fair value less costs to sell. Determination as to whether and how much an asset is impaired involves management estimates on highly uncertain matters such as future commodity prices, the effects of inflation on operating expenses, discount rates, production profiles and the outlook for regional supply-and-demand conditions for crude oil, natural gas and liquids. Impairment is recognized in profit or loss in the period in which carrying amount exceeded the recoverable amount.

2. Basis of Preparation *(continued)*

d) Use of estimates and judgments *(continued)*

Share-based payment transactions

The Company follows the fair value method to record share-based payment expense with respect to options granted. The fair value of each option granted is estimated based on the date of grant and a provision for the cost is provided for with a corresponding credit to reserves in shareholders' equity over the vesting period of the option agreement. Forfeitures are estimated for each tranche, and adjusted as required to reflect actual forfeitures that have occurred in the period. In order to record share-based payment expense, the Company estimates the fair value of share options granted using assumptions related to interest rates, expected lives of the options, volatility of the underlying security, forfeitures and expected dividend yields.

Useful lives of other property and equipment

The Company estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the relevant assets. In addition, the estimation of the useful lives of property and equipment are based on internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the property and equipment would increase the recorded expenses and decrease the non-current assets.

Allowance for doubtful debts

The Company makes allowances for doubtful debts based on an assessment of the recoverability of loans and receivables. Allowances are applied to loans and receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analyses historical bad debts, customer concentrations, customer credit worthiness, current economic trends and changes in customer payment terms when making a judgment to evaluate the adequacy of the allowance for doubtful debts of receivables. The amount of the allowance is the difference between the carrying amount of the loans and receivables and the amount expected to be collected.

Fair value of financial instruments

The estimated fair value of financial assets and liabilities, by their very nature, are subject to measurement uncertainty. Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

Decommissioning liabilities and accretion

The amounts recorded for decommissioning liabilities and the related accretion expenses are based on estimates of the costs to abandon and reclaim the wells and facilities and the estimated time period in which these costs are expected to be incurred in the future. In determining the present value of the decommissioning liabilities, assumptions and estimates are made in relation to discount rates, the expected cost for the reclamation, the expected cost to recover the asset and the expected timing of those costs. The Company's operations are affected by federal, provincial and local laws and regulations concerning environmental protection. The Company's provisions for future site restoration and reclamation are based on known requirements. It is not currently possible to estimate the impact on operating results, if any, of future legislative or regulatory developments.

2. Basis of Preparation *(continued)*

e) Use of estimates and judgments *(continued)*

Depletion and depreciation

Amounts recorded for depreciation are based on estimates including economic life of the asset and residual values of the asset at the end of its economic life. Depletion of resource assets is measured over the life of proved and probable reserves on a unit-of production basis and commences when the wells are substantively complete and after commercial production has begun. Reserve estimates and the associated future capital can have a significant impact on earnings, as these are key components to the calculation of depletion. A downward revision in the reserve estimate or an upward revision to future capital would result in increased depletion, reduced earnings and reduced carrying value of P&NG interests.

3. Significant Accounting Policies

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

a) Basis of consolidation

The consolidated financial statements include the accounts of Berkley and its subsidiaries and the proportionate share of the assets, liabilities, revenues, expenses and cash flows of its operations as at December 31, 2015 and 2014. The subsidiaries are fully consolidated from the date of acquisition, being the date on which Berkley obtained control, and continue to be consolidated until the date that such control ceases. Non-controlling interests represent equity interests in subsidiaries owned by outside parties. The share of net assets of subsidiaries attributable to non-controlling interests is presented as a component of equity. Their share of total comprehensive loss is recognized directly in equity. The financial statements of the subsidiaries are prepared for the same reporting period as the parent, using consistent accounting policies. All intercompany balances and transactions are eliminated in full upon consolidation.

b) Financial instruments

(i) Non-derivative financial instruments:

Non-derivative financial instruments comprise cash and cash equivalents, trade and other receivables, due from related parties, marketable securities, investment in RepliCel Life Sciences, accounts payable and accrued liabilities, convertible debenture and due to related parties. Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Loans and receivables:

Loans and receivables are subsequently carried at amortized cost using the effective interest method.

A provision for impairment of loans and receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the consolidated statement of loss and comprehensive loss. When a loan and receivable is uncollectible, it is written off against the allowance account for doubtful debts. The Company has classified trade and other receivables and due from related parties as loans and receivables.

3. Significant Accounting Policies *(continued)*

b) Financial instruments *(continued)*

(i) Non-derivative financial instruments *(continued)*

Financial assets at fair value through profit or loss:

A financial instrument is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's risk management and investment strategy. Upon initial recognition, attributable transaction costs are recognized in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. The Company has designated cash and cash equivalents at fair value through profit or loss.

Available-for-sale financial assets:

Available-for-sale financial assets are non-derivative financial assets that are not classified as loans and receivables or financial assets at fair value through profit or loss. Subsequent to initial recognition, they are measured at fair value, with gains or losses recognized within other comprehensive loss. Accumulated changes in fair value are recorded as a separate component of equity until the investment is impaired, sold or otherwise disposed of, then the cumulative gain or loss in other comprehensive loss is transferred to profit or loss. The Company's available-for-sale financial assets include the investment in RepliCel Life Sciences.

Other financial liabilities:

Other financial liabilities include accounts payable and accrued liabilities, convertible debentures and due to related parties are subsequently measured at amortized cost using the effective interest rate method.

c) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and held at banks and highly liquid temporary money market instruments with original maturities of three months or less that are readily convertible into cash and which are subject to insignificant risk of changes in value. The balances at December 31, 2015 and 2014 consisted entirely of cash.

d) Revenue recognition

Revenue from the sale of petroleum and natural gas is recorded when title passes to an external party and is based on volumes delivered to customers at contractual delivery points, and rates and collectability are reasonably assured. The costs associated with the delivery, including operating and maintenance costs, transportation and production-based royalty expenses, are recognized during the same period in which the related revenue is earned and recorded.

Consulting revenues are recognized when services are rendered and when collection is reasonably assured.

e) Petroleum and natural gas interests

P&NG interests are carried at cost, less accumulated depletion, depreciation and accumulated impairment losses. The cost of an item of P&NG interests consist of the purchase price, any costs directly attributable to bringing the asset into the location and condition necessary for its intended use, a discounted current estimate of the decommissioning costs and borrowing costs for qualifying assets.

3. Significant Accounting Policies *(continued)*

e) Petroleum and natural gas interests *(continued)*

P&NG capitalized costs are depleted using the unit-of-production method. Depletion is calculated using the ratio of production in the period to the remaining total proved and probable reserves before royalties, taking into account future development costs prior to inflation necessary to bring those reserves into production. These estimates are evaluated and reported on by independent reserve engineers annually. Proven and probable reserves are estimated using independent reserve engineer reports and represent the estimated quantities of crude oil, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially producible.

Changes in estimates such as quantities of proved and probable reserves that affect unit-of-production calculations are applied on a prospective basis.

An item of P&NG interest is derecognized upon disposal or is impaired when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss on disposal of the asset, determined as the difference between the net proceeds and the carrying amount of the asset, is recognized in the consolidated statement of loss and comprehensive loss in the period incurred.

f) Exploration and evaluation properties

E&E properties include land acquisition costs, geological and geophysical costs, exploratory drilling, directly attributable expenses and activities relating to evaluating the technical feasibility and commercial viability of our resources. All other expenditures are recognized in profit or loss as incurred.

E&E costs are capitalized and are not depleted until such time as the exploration phase is complete and technical feasibility and commercial viability of extracting the mineral resource has been demonstrated. Once demonstrated, E&E properties are tested for impairment in accordance with IAS 36 Impairment of Assets ("IAS 36") and transferred to P&NG interests, and further development costs are capitalized to P&NG interests. E&E properties are also tested for impairment in accordance with IAS 36 if facts and circumstances suggest that the carrying amount exceeds the recoverable amount. If it is determined that technical feasibility and commercial viability has not been achieved in relation to a property, the resulting loss is included in the consolidated statement of loss and comprehensive loss.

g) Other property and equipment

Other property and equipment consists of computer equipment, leasehold improvements and furniture, fixtures and equipment that are depreciated at the following rates per annum under the declining balance and straight-line method:

Computer equipment	30% declining balance
Furniture, fixtures and equipment	20% declining balance
Leasehold improvements	Term of the lease, straight-line

3. Significant Accounting Policies *(continued)*

h) Impairment of assets

Non-financial assets

At each financial reporting date, the carrying amounts of P&NG interests and E&E assets are reviewed to determine whether there is any indication that those assets are impaired. If such indication exists, an estimate of the recoverable amount of the asset is calculated.

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money to the Company and the risks specific to the asset. Fair value less cost to sell is derived by estimating the discounted before-tax future net cash flows. Discounted future net cash flows are based on forecasted commodity prices and costs over the expected economic life of the reserves and discounted market-based rates to reflect a market participant's view of the risks associated with the assets.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGU's are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation or amortization, if no impairment loss had been recognized. A reversal of an impairment loss is recognized immediately in profit or loss.

Financial assets

Financial assets are assessed at each reporting date in order to determine whether objective evidence exists that the assets are impaired as a result of one or more events which have had a negative effect on the estimated future cash flows of the asset.

If there is objective evidence that a financial asset has become impaired, the amount of the impairment loss is calculated as the difference between its carrying amount and the present value of the estimated future cash flows from the asset discounted at its original effective interest rate. Impairment losses are recorded in profit or loss. If the amount of the impairment loss decreases in a subsequent period and the decrease can be objectively related to an event occurring after the impairment was recognized, the impairment loss is reversed up to the original carrying value of the asset. Any reversal is recognized in profit or loss.

i) Taxes

Tax expense is comprised of current and deferred tax expenses. Tax expense is recognized in profit or loss except to the extent that if the tax expense related to items recognized directly in equity, the tax expense would also be recognized in equity.

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

Deferred tax is recognized using the liability method. Under this method, deferred tax assets and liabilities are recognized in relation to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

3. Significant Accounting Policies *(continued)*

i) Taxes *(continued)*

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

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

j) Earnings (loss) per share

Basic earnings (loss) per share is computed using the weighted average number of common shares outstanding during the period. The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on earnings per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that proceeds received from the exercise of stock options and warrants would be used to repurchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

k) Share-based payments

The Company uses the Black-Scholes pricing model to estimate the fair value of share-based payments at the grant date. The expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are satisfied.

No expense is recognized for awards that do not ultimately vest, except for equity-settled awards where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

l) Decommissioning liability

The Company's activities give rise to dismantling, decommissioning and site disturbance re-mediation activities. A provision is made for the estimated cost of site restoration and capitalized in the relevant asset category.

Decommissioning liabilities are measured at the present value of management's best estimate of expenditure required to settle the present obligation at the statement of financial position date. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation discounted using the risk-free rate, updated at each reporting date. The increase in the provision due to the passage of time is recognized as accretion expense whereas increases or decreases due to changes in the estimates are capitalized as P&NG interests. Actual costs incurred upon settlement of the decommissioning liability reduce the liability to the extent the provision was established. The related decommissioning asset is depleted on the same basis as the P&NG interests to which it relates.

m) Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses. All operating segments' operating results are reviewed by the Company's management in order to make decisions regarding the allocation of resources to the segment. Segment results include items directly attributable to a segment as those that can be allocated on a reasonable basis.

3. Significant Accounting Policies *(continued)*

n) Convertible debenture

The Company's convertible debenture is segregated into its debt and equity elements at the date of issue, based on the residual value method whereby the fair value of the debt component is measured at first with the residual value being allocated to the conversion feature. The debt element of the instrument is classified as a liability, and recorded at the present value of the Company's obligation to make future interest payment in cash, and settle the redemption value of the instrument in cash or in a variable number of common shares.

4. Accounting Pronouncements

Accounting policies adopted

The Company adopted no new IFRS's or Interpretations during 2015.

Recent accounting pronouncements

Standards issued but effective for annual periods beginning after January 1, 2015 are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date.

- (i) IFRS 9 "Financial Instruments: Classification and Measurement" is a new financial instruments standard effective for annual period beginning on or after January 1, 2018 that replaces IAS 39 and IFRIC 9 for classification and measurement of financial assets and financial liabilities. The Company is currently assessing the impact of this standard.
- (ii) IFRS 15, "Revenue from Contracts with Customers" was issued in 2014 and replaces the two main recognition standards IAS 18, "Revenue", and IAS 11, "Construction Contracts". The new standard provides a five step model framework as a core principle upon which an entity recognizes revenue and becomes effective January 1, 2018. The Company is currently assessing the impact of this standard.
- (iii) IFRS 16, "Leases" was issued and IAS 17 "Leases" was amended. IFRS 16 specifies how to recognize, measure, present and disclose leases effective for annual period beginning on or after January 1, 2019. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. Lessor accounting however remains largely unchanged from IAS 17 and the distinction between operating and finance leases is retained. IAS 17, as revised, now prescribes the accounting policies and disclosures applicable to leases, both for lessees and lessors. The Company is currently assessing the impact of this standard.

5. Investment in RepliCel Life Sciences

During 2010, Berkley acquired 400,000 common shares of Trichoscience Innovations Inc. ("Trichoscience") at a price of \$1.00 per share. On May 9, 2011, Trichoscience became a wholly-owned subsidiary of RepliCel Life Sciences ("RepliCel"). Each outstanding share of Trichoscience was exchanged for 2.2953 common shares of RepliCel, plus 459,160 Class B preferred shares and 459,160 Class C convertible preferred shares. The Class B preferred shares were extinguished and during 2014 the Class C convertible preferred shares were converted at a 5:1 ratio into 91,832 common shares of RepliCel. The common shares were being held in escrow and were released at 15% per quarter beginning January 1, 2012.

As at December 31, 2014, all 986,980 shares have been released from escrow and were valued at RepliCel's trading price at the reporting date. The Company recognized an unrealized loss on investment in other comprehensive loss for the year ended December 31, 2015 of \$104,932 (2014 - \$93,877).

During 2015, the Company sold 112,548 shares in RepliCel for net proceeds of \$73,489 and realized a gain in the amount of \$31,845 in net income.

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6. Petroleum and Natural Gas Interests

Cost	
Balance at December 31, 2013	\$ 799,731
Change in estimate (Note 8)	5,305
Balance at December 31, 2014	805,036
Change in estimate (Note 8)	1,093
Balance at December 31, 2015	\$ 806,129
Depletion	
Balance at December 31, 2013	\$ 663,400
Depletion	9,934
Impairment	23,087
Balance at December 31, 2014	696,421
Depletion	7,967
Impairment	87,589
Balance at December 31, 2015	\$ 791,977
Net book value	
At December 31, 2014	\$ 108,615
At December 31, 2015	\$ 14,152

At December 31, 2015, the Company assessed the carrying amount of its P&NG interests for indicators of impairment, concluded indicators exist and performed an impairment test on its CGU. As a result of performing the impairment test, the Company recorded an impairment of \$87,589 (2014 - \$23,087). The impairment was taken mainly as a result of the lower commodity price environment and decrease in reserve volumes. The recoverable amount of the CGU was based on the higher of the value in use and the fair value less costs to sell. The calculation of the recoverable amount is sensitive to the assumptions regarding production volumes, discount rates, operating costs structures and commodity prices. The estimate of fair value less costs to sell (2%) was determined using a discount rate of 15% (2014 – 12%) and forecasted cash flows, with escalating prices and future development costs, as obtained from an independent reserves engineer for the Company’s proved plus probable reserves.

The forecast prices used to estimate the fair value less cost to sell are those used by the independent reserves evaluator as follows:

Year	Natural gas – Alberta AECO Average Price Current (\$CDN/mcf)
2016	2.55
2017	3.04
2018	3.34
2019	3.76
2020	4.13
2021	4.61
2022	4.91
2023	5.22
2024	5.64
2025	5.82

Increases after 2025 approximate 2% per year.

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7. Other Property and Equipment

	Computer equipment	Furniture, fixtures and equipment	Leasehold improvements	Total
Cost				
Balance at December 31, 2013, 2014 and 2015	\$ 36,724	\$ 9,199	\$ 4,078	\$ 50,001
Depreciation				
Balance at December 31, 2013	\$ 33,562	\$ 8,373	\$ 4,078	\$ 46,013
Depreciation	675	118	-	793
Balance at December 31, 2014	\$ 34,237	\$ 8,491	\$ 4,078	\$ 46,806
Depreciation	687	131	-	818
Balance at December 31, 2015	\$ 34,924	\$ 8,622	\$ 4,078	\$ 47,624
Net book value				
At December 31, 2014			\$	3,195
At December 31, 2015			\$	2,377

8. Decommissioning Liability

The following table presents the reconciliation of the carrying amount of the obligation associated with the decommissioning of the Company's P&NG interests:

	2015	2014
Balance, beginning of year	\$ 148,976	\$ 139,596
Accretion	1,388	4,075
Change in estimates	1,093	5,305
Balance, end of year	\$ 151,457	\$ 148,976

Berkley estimates the total undiscounted amount of cash flows required to settle its decommissioning liability is approximately \$160,811 (2014 - \$160,811) which will be incurred between 2017 and 2029. The majority of these obligations will be incurred in 2017. An inflation factor of 2% (2014 - 1.5%) has been applied to the estimated asset retirement cost. Risk-free discount rates of 0.47% - 2.31% (2014 - 1.34% - 2.96%) were used to calculate the present value of the decommissioning liability.

9. Note Payable

During 2015, the Company entered into a note payable of \$15,700 with a third party. The note payable is non-interest bearing, does not have fixed repayment terms, and is due on demand.

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10. Convertible Debenture

During 2014, the Company issued a convertible debenture (the "Debenture") for an aggregate principal amount of \$100,000. The Debenture bore interest at 10% per annum payable monthly commencing on February 14, 2014. The Debenture is convertible at the option of the holder into fully paid into Units consisting of one common shares and one common share purchase warrant at a deemed price of \$0.15 per Unit. Each common share purchase warrant shall be exercisable at a price of \$0.30 per warrant for a period of two years following the date of conversion. The Debenture matures on February 14, 2017. On November 2014, the Company paid \$55,250 towards to the principle of the debenture; therefore, as of December 31, 2014 the total principal to be repaid as at February 14, 2017 was \$47,250.

The Debenture has been classified as debt, net of the value of the conversion feature at the date of issue which has been classified as part of shareholders' equity. The liability portion is measured at amortized cost and will accrete up to the principal balance at maturity using the effective interest method. The accretion and the interest paid are expensed in the consolidated statement of loss and comprehensive loss. The value of the conversion feature was determined at the time of issue as the difference between the principle value of the Debenture and the discounted cash flows assuming a rate of 14%.

During 2015, the Company settled the Debenture in its entirety. The holder of the Debenture waived the interest charges for the 2015 fiscal year.

The fair market value assigned to the liability and the residual value assigned to the equity component on issuance were as follows:

		Equity Component		Liability Component		Total
Balance, December 31, 2013	\$	-	\$	-	\$	-
Issued during the year		4,643		95,357		100,000
Interest		-		10,770		10,770
Partial repayment of convertible debenture		(2,122)		(53,128)		(55,250)
Debt settlement gain		-		(5,089)		(5,089)
Balance, December 31, 2014	\$	2,521	\$	47,910	\$	50,431
Repayment of convertible debenture		(2,521)		(47,479)		(50,000)
Debt settlement gain		-		(431)		(431)
Balance, December 31, 2015	\$	-	\$	-	\$	-

11. Share Capital

a) Authorized

Unlimited Class A common shares, without par value.

b) Issued

	Number of shares		Amount
Balance at December 31, 2013 and 2014	10,376,451	\$	15,356,712
Warrants exercised (i)	35,000		7,655
Balance at December 31, 2015	10,411,451	\$	15,364,367

- i. On January 9, 2015, 35,000 warrants were exercised in exchange for the issuance of 35,000 shares for gross proceeds of \$7,655.

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12. Warrants

The following table summarizes information about warrants outstanding as at:

	December 31, 2015		December 31, 2014	
	Number of Shares Subject to Warrants	Exercise price range	Number of Shares Subject to Warrants	Exercise price range
Balance outstanding, beginning of year	257,500	\$0.20	2,550,000	\$0.20
Exercised (note 10 (i))	(35,000)	\$0.20	-	\$0.20
Expired	(222,500)	\$0.20	(2,292,500)	\$0.20
Balance outstanding, end of year	-	-	257,500	\$0.20

13. Loss Per Share

Basic loss per share amounts are calculated by dividing the net loss of the year attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year.

The Company's dilutive instruments consist of common share purchase warrants and stock options.

	2015	2014
Net loss attributable to shareholders of the Company	\$ (461,901)	\$ (502,198)
Weighted average shares outstanding	10,410,588	10,376,451
Basic and diluted loss per common share	\$ (0.04)	\$ (0.05)

The basic and diluted loss per share amounts are the same as the common share purchase warrants and stock options were excluded from the dilution calculation, as they were anti-dilutive.

14. Non-Controlling Interest

The Company's non-controlling interest in the consolidated statement of financial position was as follows:

	2015	2014
Blue Star Global Inc. (formerly American Uranium Corporation)	\$ 228,227	\$ 248,073
Solar Flow-Through 2012-I General Partner Ltd.	(6,897)	(6,736)
Solar Flow-Through 2012-I Management Ltd.	(17,216)	(17,150)
Solar Flow-Through 2013-I General Partner Ltd.	(517)	(369)
Solar Flow-Through 2013-I Management Ltd.	43,288	46,003
Solar Flow-Through 2014-I General Partner Ltd.	(19,309)	(19,053)
Solar Flow-Through 2014-I Management Ltd.	16,696	23,036
Solar Flow-Through 2015-I General Partner Ltd.	(431)	-
Solar Flow-Through 2015-I Management Ltd.	16,014	-
	\$ 259,855	\$ 273,804

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14. Non-Controlling Interest *(continued)*

The Company's non-controlling interests included in the consolidated statement of loss and comprehensive loss were as follows:

	2015	2014
Blue Star Global Inc. (formerly American Uranium Corporation)	\$ (19,846)	\$ (94,860)
Solar Flow-Through 2012-I General Partner Ltd.	(161)	(396)
Solar Flow-Through 2012-I Management Ltd.	(66)	(57)
Solar Flow-Through 2013-I General Partner Ltd.	(148)	(160)
Solar Flow-Through 2013-I Management Ltd.	(2,715)	10,435
Solar Flow-Through 2014-I General Partner Ltd.	(256)	(19,053)
Solar Flow-Through 2014-I Management Ltd.	(6,340)	23,036
Solar Flow-Through 2015-I General Partner Ltd.	(431)	-
Solar Flow-Through 2015-I Management Ltd.	16,014	-
	\$ (13,949)	\$ (81,055)

15. Taxes

The net tax provision differs from that expected by applying the combined federal and provincial tax rates of 26% (2012 – 26%) to profit before taxes for the following reasons:

	2015	2014
Loss before tax	\$ (424,992)	\$ (359,536)
Combined federal and provincial tax rate	26%	26%
Expected tax recovery	(110,498)	(93,479)
Meals and entertainment	504	3,020
Interest and penalties	824	1,038
Tax adjustment from rate change and other	(95,887)	14,446
Change in deferred tax benefits not recognized	255,916	298,692
	\$ 50,859	\$ 223,717

Deferred tax assets and liabilities are attributable to the following:

	2015	2014
Deferred tax assets (liabilities)		
Non-capital losses	\$ 2,460,169	\$ 2,285,120
Property and equipment	1,650,619	1,571,067
Decommissioning liabilities	39,379	37,244
Cumulative eligible capital	946	978
Investments	18,695	4,352
Net deferred tax assets	4,169,808	3,898,761
Deferred tax assets not recognized	(4,169,808)	(3,898,761)
	\$ -	\$ -

A deferred tax asset of \$32,840 (2014 - \$11,734) in respect of the unrealized loss on investment included in other comprehensive loss has not been recognized (see Note 5). The Company's non-capital losses of \$11,111,332 (2014 - \$10,577,249) expire between 2016 and 2035.

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16. Related Party Transactions

Balances and transactions between Berkley and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Details of transactions with other related parties are disclosed below:

Due to related parties:	2015	2014
Directors, management and other	(74,104)	(67,104)
Solar Flow-Through 2012-I Limited Partnership	-	(341,490)
Solar High Yield Projects #1 (2012) Ltd.	(325,066)	(174,144)
Solar Flow-Through 2013-I Limited Partnership	(80,929)	(80,928)
Solar Flow-Through Project #1 (2013) Ltd.	(78,500)	(9,843)
Solar Flow-Through 2014-I Limited Partnership	(378,068)	(373,745)
Solar Flow-Through (2014) Ltd.	(200,000)	-
Solar Flow-Through 2015-I Limited Partnership	-	-
Solar Flow-Through (2015) Ltd.	-	-
	(1,136,667)	(1,047,254)

Due from related parties:	2015	2014
Directors, management and other	2,000	-
Solar Flow-Through 2012-I Limited Partnership	344,480	274,000
Solar High Yield Projects #1 (2012) Ltd.	80,311	524,632
Solar Flow-Through 2013-I Limited Partnership	999,779	426,848
Solar Flow-Through Project #1 (2013) Ltd.	-	440,000
Solar Flow-Through 2014-I Limited Partnership	199,252	121,853
Solar Flow-Through (2014) Ltd.	-	-
Solar Flow-Through 2015-I Limited Partnership	155,091	-
Solar Flow-Through (2015) Ltd.	7,317	-
	1,788,230	1,787,333

- a) Due to related parties consists of \$74,104 (2014 - \$67,104) due to Directors and Management of Berkley for director fees, consulting fees and expenses.
- b) During the year, Solar Flow-Through 2013-I Management Ltd. earned \$nil (2014 - \$377,741) of consulting revenues from Solar Flow-Through 2013-I Limited Partnership in accordance with the management agreement dated September 30, 2013 based on 7.5% of the gross proceeds less eligible expenses from units issued in the year for the investment and development of solar photovoltaic power generation projects.
- c) During the year, Solar Flow-Through 2014-I Management Ltd. earned \$nil (2014 - \$617,374) of consulting revenues from Solar Flow-Through 2014-I Limited Partnership in accordance with the management agreement dated October 29, 2014 based on 7.5 % of the gross proceeds less eligible expenses from units issued in the year for the investment and development of solar photovoltaic power generation projects.
- d) During the year, Solar Flow-Through 2015-I Management Ltd. earned \$769,462 of consulting revenues from Solar Flow-Through 2015-I Limited Partnership in accordance with the management agreement dated February 27, 2015 based on 7.5 % of the gross proceeds less eligible expenses from units issued in the year for the investment and development of solar photovoltaic power generation projects.
- e) Upon a liquidity event, Solar Flow-Through 2013-Management Ltd. may propose a compensation structure that will need to be approved by the Limited Partners.

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16. Related Party Transactions *(continued)*

- f) Solar Flow-Through 2012-I Management Ltd., Solar Flow-Through 2013-I Management Ltd., Solar Flow-Through 2014-I Management Ltd. and Solar Flow-Through 2015-I Management Ltd. receive a 1.5% fee based on total available funds and amounts raised in debt financing.
- g) Berkley takes part in a cost sharing arrangement to reimburse Oniva International Services Corporation ("Oniva"), a private company owned by public companies having common Directors, for a variable percentage of its overhead expenses, to reimburse 100% of its out-of-pocket expenses incurred on behalf of Berkley, and to pay a percentage fee based on the total overhead and corporate expenses. The agreement may be terminated with one-month notice by either party. Rent, administrative services, office supplies and accounting charges totalling \$63,599 (2014 - \$64,492) were incurred by the Company to Oniva during the year.

Related party transactions were in the normal course of operations and have been initially measured at fair value, are non-interest bearing and are due on demand. At December 31, 2015, \$371,674 (2014 - \$145,704) was included in accounts payable and accrued liabilities for related party transactions noted above.

Compensation of Key Management Personnel

The remuneration of directors and other members of key management personnel during the years consisted of salaries and bonuses, as follows:

	2015 \$	2014 \$
Compensation	472,250	400,525

17. Supplemental Cash Flow Information

	2015 \$	2014 \$
Change in non-cash working capital items:		
Trade and other receivables	15,232	84,184
Prepaid expenses	(15,936)	10,000
Accounts payable and accrued liabilities	111,669	461,291
Net change in non-cash working capital items	110,965	555,475

18. Financial Instruments and Financial Risk Management

Fair Values

At December 31, 2015 and 2014, the Company's financial instruments include cash and cash equivalents, trade and other receivables, due from related parties, investment in RepliCel Life Sciences, accounts payable and accrued liabilities, due to related parties, and convertible debenture.

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act.

Berkley classifies the fair value of the financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument:

- Level 1 - inputs to the valuation methodology are quoted prices for identical assets or liabilities in active markets;

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18. Financial Instruments and Financial Risk Management *(continued)*

Fair Values *(continued)*

- Level 2 - inputs to the valuation methodology included quoted prices for identical assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace; and,
- Level 3 - inputs to the valuation methodology are not based on observable market data.

Cash and cash equivalents is recorded based on Level 1 of the fair value hierarchy. Investment in RepliCel is recorded based on Level 1 of the fair value hierarchy.

The carrying value of trade and other receivables, due from related parties, accounts payable and accrued liabilities and due to related parties equals fair value due to the short-term nature of these balances. The convertible debenture has fixed terms and interest rates resulting in fair values that will vary over time as market conditions change. The fair value of the liability component of the convertible debenture was determined based on the current public trading activity of the debenture.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities. The Company has exposure to credit risk, liquidity risk and market risk as a result of its use of financial instruments. This note presents information about the Company's exposure to each of the above risks and the Company's objectives, policies and processes for measuring and managing these risks. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has implemented and monitors compliance with the risk management policies as set out herein:

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The carrying amount of cash and cash equivalents and trade and other receivables represents the maximum credit exposure. A substantial portion of the Company's trade and other receivables are with natural gas and liquids marketers and joint venture partners in the oil and gas industry and are subject to normal industry credit risks. As at December 31, 2015, the maximum credit exposure is the carrying amount of the trade and other receivables of \$686 (2014 - \$15,918). As at December 31, 2015, the Company had cash of \$214,582 (2014 - \$328,418) that is deposited in banks. Management has assessed the risk of loss to be minimal.

The Company did not provide for any doubtful accounts, however was required to write-off \$10,197 of trade and other receivables (2014 - \$20,407). The Company would only choose to write-off a receivable balance (as opposed to providing an allowance) after all reasonable avenues of collection had been exhausted.

The Company considers its trade and other receivables to be aged as follows:

	2015	2014
Past due by less than 30 days but not impaired	\$ 297	\$ 8,036
Past due by less than 90 days but not impaired	12	2,646
Past due by more than 90 days but not impaired	377	5,236
	\$ 686	\$ 15,918

Liquidity risk

Liquidity risk is the risk that the Company will incur difficulties meeting its financial obligations as they are due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Company's reputation.

The Company's operating cash requirements are continuously monitored by management. As factors impacting cash requirements change, liquidity risks may necessitate the need for the Company to raise capital by issuing equity. The Company's financial liabilities are comprised of accounts payable and accrued liabilities, due to related parties and convertible debentures, which have expected maturities of less than one year.

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18. Financial Instruments and Financial Risk Management *(continued)*

Market risk

The significant market risk exposures affecting the financial instruments held by the Company are those related to foreign currency exchange rates and commodity price risk which are explained as follows:

i. Currency risk

Foreign currency exchange rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company enters into transactions denominated in United States currency ("USD") for which the related expenses and accounts payable balances are subject to exchange rate fluctuations. As at December 31, 2015 and 2014, the following items are denominated in USD:

	2015	2014
	CAD\$	CAD\$
Cash and cash equivalents	81	287
Accounts payable and accrued liabilities	-	118,404

The Company's foreign exchange sensitivity is in relation to movements of the USD against the Canadian dollar. Based on USD balances as at December 31, 2015, a 5% increase/decrease of the USD against the Canadian dollar would result in an increase/decrease in total comprehensive loss of approximately \$nil (2014 - \$6,900).

ii. Commodity price risk

Commodity price risk is the risk that the cash flows and operations of the Company will fluctuate as a result of changes in commodity prices. Significant changes in commodity prices can also impact the Company's ability to raise capital or obtain additional debt financing. Commodity prices for crude oil are impacted by world economic events that dictate the levels of supply and demand.

The Company's financial performance is closely linked to crude oil and natural gas prices. While the Company may employ the use of financial instruments in the future to manage these price exposures, it currently does not have enough producing wells to hedge its production, and its crude oil and natural gas liquids are sold into spot markets. Given productions levels, a 10% change in commodity prices would not have a material effect on profit or loss.

19. Capital Management

The Company defines its capital to include the following:

	2015	2014
Cash and cash equivalents	\$ 214,582	\$ 328,418
Shareholders' (deficit) equity	\$ (470,460)	\$ 105,843

The Company's objective is to maintain access to sources of capital with which to finance its operations. The Company manages its capital structure and makes changes to it in light of changes in economic conditions and the risk characteristics of the underlying investments. The Company will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate in the specific circumstances. At December 31, 2015, the Company was not subjected to any externally imposed capital requirements.

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20. Operating Segments

For management purposes, the Company is organized into divisions based on their products and services provided. Management monitors the operating results of each division separately for the purpose of making decisions about resource allocation and performance assessment.

The Corporation has three reportable operating segments as follows:

- The oil and gas division is involved in the development and production of oil and natural gas from petroleum and natural gas interests in Alberta, Canada;
- The solar management division provides consulting services relating to the financing, strategy and operations management to companies in the renewable energy industry, specifically photovoltaic power generation; and,
- The corporate division does not represent an operating segment and is included for informational purposes only. Corporate division expenses consist of public company costs, as well as salaries, share-based compensation, interest and finance costs and office and administrative costs relating to corporate employees.

	Oil and Gas	Solar Management	Corporate	Total
Year ended December 31, 2015				
Revenue	11,630	769,462	-	781,092
Royalties	(806)	-	-	(806)
Operating costs	(37,529)	-	-	(37,529)
Depletion and accretion	(9,355)	-	-	(9,355)
General and administrative expenses	(450,358)	(600,681)	(42,223)	(1,093,262)
Other income (expenses)				
Realized foreign exchange gain	192	-	-	192
Bad debt expense	(10,197)	-	-	(10,197)
Realized gain on sale of investments	31,845	-	-	31,845
Impairment of P&NG interests	(87,589)	-	-	(87,589)
Debt settlement gain on convertible debenture	431	-	-	431
Other income	187	-	-	187
(Loss) gain before tax	(551,549)	168,781	(42,223)	(424,991)
As at December 31, 2015				
Current assets	30,389	1,983,097	5,948	2,019,434
Total assets	265,526	1,983,097	5,948	2,254,571
Current liabilities	444,133	1,963,162	166,279	2,573,574
Total liabilities	595,590	1,963,162	166,279	2,725,031

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20. Operating Segments *(continued)*

	Oil and Gas	Solar Management	Corporate	Total
Year ended December 31, 2014				
Revenue	47,169	995,115	-	1,042,284
Royalties	(1,774)	-	-	(1,774)
Operating costs	(24,220)	-	-	(24,220)
Depletion and accretion	(14,009)	-	-	(14,009)
General and administrative expenses	(793)	(392,168)	(763,535)	(1,156,496)
Other income (expenses)				
Realized foreign exchange loss	-	-	(271)	(271)
Bad debt expense	(20,407)	-	-	(20,407)
GST/HST reassessment	(155,059)	-	-	(155,049)
Unrealized loss on marketable securities	-	-	(1,447)	(1,447)
Impairment of P&NG interests	(23,087)	-	-	(23,087)
Increase on convertible debenture	-	-	(10,770)	(10,770)
Debt settlement gain on convertible debenture	-	-	5,089	5,089
Other income	-	-	631	631
Loss before tax	(192,180)	602,947	(770,303)	(359,536)
As at December 31, 2014				
Current assets	786,760	1,273,107	71,802	2,131,669
Total assets	898,570	1,273,107	436,985	2,608,662
Current liabilities	714,065	1,473,464	118,404	2,305,933
Total liabilities	863,041	1,473,464	166,314	2,502,819