AVARONE METALS INC.

(Formerly Remstar Resources Ltd.)

(An Exploration Stage Company)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDTIED)

Three months ended ended October 31, 2015 and 2014

(Expressed in Canadian Dollars)

AVARONE METALS INC.

October 31, 2015

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCAL STATEMENTS

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

The accompanying unaudited condensed interim financial statements of the Company have been prepared by management and approved by the Audit Committee and Board of Directors of the Company. They include appropriate accounting principles, judgment and estimates in accordance with IFRS for interim financial statements

The Company's independent auditors have not performed a review of these condensed interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of condensed interim financial statements by an entity's auditors.

AVARONE METALS INC.

(Formerly Remstar Resources Ltd.)
(An Exploration Stage Company)

Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	October 31, 2015	July 31, 2015
	$	$
ASSETS		
Current		
Cash and cash equivalents	162,455	234,029
Amounts receivable	50,424	6,418
Prepaid expenses	22,721	22,721
	235,600	263,168
Equipment	4,731	4,988
	240,331	268,156
LIABILITIES		
Current		
Accounts payable and accrued liabilities (notes 5 and 9(c))	234,017	212,197
	234,017	212,197
SHAREHOLDERS' DEFICIENCY		
Share capital (note 7)	13,479,460	13,479,460
Reserves (note 7)	715,302	715,302
Deficit	(14,188,448)	(14,138,803)
	6,314	55,959
	240,331	268,156

Nature of operations and going concern (note 1)
Commitment (note 10)

On behalf of the Board:

____________________ Director ____________________ Director

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

AVARONE METALS INC.

(Formerly Remstar Resources Ltd.)
(An Exploration Stage Company)

Consolidated Statements of Comprehensive Loss
(Expressed in Canadian Dollars)

	Three months ended October 31, 2015	Three months ended October 31, 2014
	$	$
Expenses:		
General and administrative		
Depreciation	257	305
Management fees (note 9)	16,200	16,200
Office costs (note 9)	12,296	829
Professional fees (note 9)	2,675	-
Regulatory, transfer agent and shareholder information	9	(26)
Travel, advertising and promotion	-	143
Rent, wages and benefits (recovery) (note 9)	18,137	31,292
	49,574	48,723
Loss before other items	(49,574)	(48,723)
Other items:		
Foreign exchange gain (loss)	-	(538)
Finance and other income	32	32
Finance and other costs (note 8)	104	(3,241)
	(49,645)	(3,747)
Net loss and comprehensive loss for the period	(49,645)	(52,490)
Basic and diluted loss per share	(0.01)	(0.02)
Weighted average number of shares	66,245,000	29,132,500

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

AVARONE METALS INC.

(Formerly Remstar Resources Ltd.)
(An Exploration Stage Company)

Consolidated Statement of Changes in Shareholders' Deficiency
(Expressed in Canadian Dollars)

	Notes	Share capital		Reserves	Deficit	Total shareholders' deficiency
		Common shares	Amount	Stock options		
		#	$	$	$	$
Balance, July 31, 2014		29,132,500	13,085,419	768,927	(14,196,023)	(341,677)
Comprehensive loss for the period		-	-	-	(52,490)	(52,490)
Balance, October 31, 2014		29,132,500	13,085,419	768,927	(14.248.513)	(394,167)
Comprehensive gain for the period		-	-	-	47,751	47,751
Share issued pursuant to option agreement	4(a)	82,500	2,475	-	-	2,475
Private placement		37,000,000	392,500	-	-	392,500
Share issue costs			(3,934)	-	-	(3,934)
Bonus shares for loan	6(a)	30,000	3,000	-	-	3,000
Share-based payments	7(d)	-	-	8,335	-	8,335
Forfeited options	7(d)	-	-	(61,959)	61,959	-
Balance, July 31, 2015		66,245,000	13,479,460	715,303	(14,138,803)	55,959
Comprehensive loss for the period			-	-	(49,645)	(49,645)
Bal;ance, October 31, 2015		66,245,000	13,479,460	715,303	(14,188,448)	6,314

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

AVARONE METALS INC.

(Formerly Remstar Resources Ltd.)
(An Exploration Stage Company)

Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	Three months ended October 31, 2015	Three months ended October 31, 2014
	$	$
Cash provided by (used in):		
Operating activities:		
Net loss for the period	(49,645)	(52,490)
Items not involving cash:		
Accrued interest	-	3,060
Depreciation	257	305
	(49,388)	(49,125)
Changes in non-cash working capital balances:		
Amounts receivable	(44,006)	(3,150)
Prepaid expenses	-	165
Accounts payable and accrued liabilities	21,822	40,307
	(71,574)	(11,803))
(Decrease) increase in cash and cash equivalents during the period	(71,574)	(11,803)
Cash and cash equivalents, beginning of the period	234,029	29,619
Cash and cash equivalents, end of the period	162,455	17,816

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

1. Nature of Operations and Going Concern

The Company was incorporated under the laws of the Province of British Columbia on November 3, 1993. The Company's shares are listed for trading on the TSX Venture Exchange ("Exchange"). On February 3, 2014, the Company changed its name to Avarone Metals Inc. and commenced trading on the Exchange under the symbol "AVM".

The head office and principal address of the Company are located at Suite 610 – 700 West Pender Street, Vancouver, BC, Canada, V6C 1G8. The Company's records office and registered office address is located at Suite 700 – 1199 West Hastings Street, Vancouver, British Columbia, Canada, V6E 3T5.

The Company is in the process of exploring its resource properties and has not yet determined whether these properties contain mineral reserves that are economically recoverable. The Company's ability to continue as a going concern and the recoverability of the amounts shown for resource properties are dependent upon the ability of the Company to raise additional financing in order to complete the acquisition, exploration and development of its resource properties, the discovery of economically recoverable reserves and upon future profitable production or proceeds from disposition of the Company's resource properties. As a resource company in the exploration stage, the ability of the Company to complete its acquisition, exploration and development will be affected principally by its ability to raise adequate amounts of capital through equity financings, debt financings, joint venturing of projects and other means.

These consolidated financial statements have been prepared using accounting policies applicable to a going concern which contemplate the realization of assets and settlement of liabilities in the normal course of business. At Octonber 31, 2015, the Company had not yet achieved profitable operations, had accumulated losses of $14,118,448 (2014 - $14,248,513), working capital surplus of $1,583 (2014 - $399,765 deficit) and expects to incur further losses in the development of its business. The Company will be required to raise additional capital in order to maintain its option obligations and fund working capital requirements. While the Company has been successful in the past, there is no assurance that it will be able to obtain adequate financing or that such financing will be available on acceptable terms. If the Company is unable to obtain adequate additional financing, the Company will be required to curtail operations, exploration and development activities. These material uncertainties may cast significant doubt on the entity's ability to continue as a going concern.

These consolidated financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities and commitments other than the normal course of operations, and at amounts different from those in the accompanying consolidated financial statements.

2. Significant Accounting Policies

The condensed interim consolidated financial statements were authorized for issue on December 30, 2015 by the Directors of the Company. The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

(a) Basis of Presentation and Consolidation

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

The consolidated financial statements include the accounts of the Company and its wholly-owned inactive Mexican subsidiary, Promotora Minera Dialex S.A. de C.V. ("Dialex"). All intercompany balances and transactions have been eliminated on consolidation.

2. Significant Accounting Policies – (continued)

(b) Use of Estimates and Judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities and contingent liabilities as at the date of the consolidated financial statements, and the reported amount of revenues and expenses during the reporting period. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

Going Concern

These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

The assessment of the Company's ability to source future operations and continue as a going concern involves judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

If the going concern assumptions were not appropriate for these financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported revenue and expenses and the statement of financial position classifications use.

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the consolidated financial statements are as follows:

Share-based Payments

The Company has an equity-settled share-based scheme for directors, officers, employees and consultants. Services received, and the corresponding increase in equity, are measured by reference to the fair value of the equity instruments at the date of the grant, excluding the impact of any non-market vesting conditions. The fair value of share options are estimated by using the Black-Scholes model on the date of the grant based on certain assumptions. Those assumptions are described in Note 8(d) and include, among others, expected volatility, expected life of the options and number of options expected to vest. Where vesting conditions exist for share options, the Board reviews progress against those vesting conditions annually and reviews the estimated date of the financial close of project which will impact the financial statements. In the event that milestone conditions are not met, it is anticipated that certain options will lapse.

Taxes

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 income realized, including the usage of tax planning strategies.

2. Significant Accounting Policies – (continued)

(c) Functional and Presentation of Foreign Currency

The financial statements are presented in Canadian dollars unless otherwise noted. The presentation currency and functional currency of the Company and its subsidiary is the Canadian dollar.

(d) Cash and Cash Equivalents

Cash and cash equivalents consist of cash balances and highly liquid investments which are readily convertible into cash and that are subject to an insignificant risk of changes in value. The Company's cash and cash equivalents are invested with major financial institutions in business and savings accounts which are readily available on demand by the Company. For the periods presented, the Company is only holding cash.

(e) Equipment

Equipment is carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is determined at rates which will reduce original cost to estimated residual value over the expected useful life of each asset. The annual rates used to compute depreciation are as follows:

Computer hardware	-	30% declining balance
Office equipment	-	10 to 20% declining balance

(f) Exploration and Evaluation Expenditures

Exploration and evaluation activity begins when the Company obtains legal rights to explore a specific area and involves the search for mineral reserves, the determination of technical feasibility and the assessment of commercial viability of an identified mineral resource. Expenditures incurred in the exploration and evaluation phase include the cost of acquiring interests in mineral rights, licenses and properties and the costs of the Company's exploration activities, such as researching and analyzing existing exploration data, gathering data through geological studies, exploratory drilling, trenching, sampling, and certain feasibility studies.

Exploration and evaluation expenditures incurred prior to the determination of commercially viable mineral resources, the feasibility of mining operations and a positive development decision are expensed as incurred. Mineral property acquisition costs and development expenditures incurred subsequent to such a determination are capitalized and amortized over the estimated life of the property following the commencement of commercial production, or are written off if the property is sold, allowed to lapse or abandoned or when an impairment is determined to have occurred.

(g) Provisions

Decommissioning Obligations

A liability for a decommissioning obligation, such as site reclamation costs, is recorded when a legal or constructive obligation exists and is recognized in the period in which it is incurred. The Company records the estimated present value of future cash flows associated with site reclamation as a liability when the liability is incurred and increases the carrying value of the related assets for the same amount. Subsequently, these capitalized decommissioning costs will be depreciated over the life of the related assets. The liability is accreted to reflect the passage of time and adjusted to reflect changes in the timing and amount of estimated future cash flows.

2. Significant Accounting Policies – (continued)

(g) Provisions – (continued)

As at October 31, 2015 and October 31, 2014, the Company has determined that it does not have material decommissioning obligations as the disturbance to date is minimal.

Other Provisions

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

(h) Share-based Payments

The Company has an employee stock option plan. Share-based payments to employees are measured at the fair value of the stock options at the grant date and amortized to expense over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded in equity as a stock option reserve. The fair value of options is determined using a Black–Scholes option pricing model which incorporates all market vesting conditions. The number of options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. Amounts recorded for forfeited or expired unexercised options are reversed in the period the forfeiture occurs.

(i) Loss per Share

The Company calculates basic loss per share using the weighted average number of common shares outstanding during the period. Diluted loss per share is calculated by adjusting the weighted average number of common shares outstanding by an amount that assumes that the proceeds to be received on the exercise of dilutive stock options and warrants are applied to repurchase common shares at the average market price for the period in calculating the net dilution impact. Stock options and warrants are dilutive when the Company has income from continuing operations and the average market price of the common shares during the period exceeds the exercise price of the options and warrants.

All potential dilutive equity instruments are anti-dilutive for the periods presented.

(j) Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument to another entity. Financial assets and financial liabilities are recognized on the consolidated statements of financial position at the time the Company becomes a party to the contractual provisions. Upon initial recognition, financial instruments are measured at fair value. Measurement in subsequent periods is dependent on the classification of the financial instrument. The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale and other financial liabilities.

2. Significant Accounting Policies – (continued)

(j) Financial Instruments – (continued)

Non-derivative Financial Assets

(i) Financial Assets and Liabilities at Fair Value through Profit and Loss

Financial assets and liabilities at fair value through profit and loss are either ‘held-for-trading’ or classified at fair value through profit or loss. Financial assets are designated at fair value through profit or loss if it eliminates or significantly reduces an accounting mismatch, the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company’s documented risk management or investment strategy or the financial asset contains one or more embedded derivatives. They are initially and subsequently measured at fair value and changes in fair value are recognized in profit or loss for the period.

The Company does not have any financial assets at fair value through profit and loss.

(ii) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and such assets are recognized initially at fair value and subsequently on an amortized cost basis using the effective interest method, less any impairment losses. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets.

The Company has designated its cash and cash equivalents and amounts receivable as loans and receivables.

(iii) Held-to-Maturity

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company’s intention to hold these investments to maturity. They are initially recorded at fair value and subsequently measured at amortized cost, using the effective interest method, less any impairment losses.

The Company does not have any held-to-maturity financial assets.

(iv) Available-for-Sale

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any other financial asset categories. They are initially and subsequently measured at fair value and the changes in fair value, other than impairment losses and foreign currency differences on available-for-sale debt instruments, are recognized in other comprehensive income (loss) and presented within equity in accumulated other comprehensive income. When the financial assets are sold or an impairment write-down is required, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

The Company does not have any available-for-sale financial assets.

2. Significant Accounting Policies – (continued)

(j) Financial Instruments – (continued)

Non-derivative Financial Liabilities

All financial liabilities are recognized initially at fair value plus any directly attributable transaction costs on the date at which the Company becomes a party to the contractual provisions of the instrument. Subsequent to initial recognition, the Company's financial liabilities are measured at amortized cost using the effective interest method. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

The Company's non-derivative financial liabilities include its accounts payable and accrued liabilities, and loans payable which are designated as other liabilities.

Impairment of Financial Assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the assets' original effective interest rate. Losses are recognized in profit or loss with a corresponding reduction in the financial asset, or in the case of amounts receivable are reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(k) Flow-through Shares

The Company finances a portion of its exploration activities through the issuance of flow-through shares. Canadian tax legislation permits a company to issue flow-through instruments whereby the deduction for tax purposes relating to qualified resource expenditures is claimed by the investors rather than the Company. Common shares issued on a flow-through basis typically include a premium because of the tax benefits provided to the investor. At the time of issue, the Company estimates the proportion of the proceeds attributable to the premium and the common shares. The premium is estimated as the excess of the subscription price over the value of common shares on the date of the transaction and is recorded as a flow through premium liability. The Company recognizes a pro rata amount of the premium through the statement of comprehensive loss as other income with a corresponding reduction to the flow through premium liability as the flow-through expenditures are incurred and renounced.

When the flow-through expenditures are incurred and renounced, the Company records the tax effect as a change to profit or loss and an increase to deferred income tax liabilities. To the extent that the Company has deferred income tax assets that were not recognized in previous periods, a deferred income tax recovery is recorded to offset the liability resulting from the renunciation.

(l) Valuation of equity units issued in private placements

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in the private placements was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as warrants.

(l) Income Taxes

Current tax is the expected tax payable or receivable on the local taxable income or loss for the period, using local tax rates enacted or substantively enacted at the reporting date, and includes any adjustments to tax payable or receivable in respect of previous periods.

Deferred income taxes are recorded using the liability method whereby deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax is not recognized for temporary differences that arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they 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..

3. Recent Accounting Pronouncements

The following IFRS standards have been recently issued by the IASB or the IFRIC. Pronouncements that are not applicable or do not have a significant impact to the Company have been excluded herein. The Company is assessing the impact of these new standards, but does not expect them to have a significant effect on the financial statements.

3. Recent Accounting Pronouncements – (continued)

IFRS 9, Financial Instruments

The IASB has issued a new standard, IFRS 9, "Financial Instruments" ("IFRS 9"), which will replace IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"). IFRS 9 will replace the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortized cost and fair value. The new standard also requires a single impairment method to be used, provides additional guidance on the classification and measurement of financial liabilities, and provides a new general hedge accounting standard.

The mandatory effective date has tentatively been set for January 1, 2018, however early adoption of the new standard is permitted. The Company currently does not intend to early adopt IFRS 9. The adoption of IFRS 9 is currently not expected to have a material impact on the financial statements as the classification and measurement of the Company's financial instruments is not expected to change given the nature of the Company's operations and the types of financial instruments that it currently holds.

IFRS 15, Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 which replaces the detailed guidance on revenue recognition requirements that currently exists under IFRS. IFRS 15 specifies the accounting treatment for all revenue arising from contracts with customers, unless the contracts are within the scope of other IFRSs. The standard also provides a model for the measurement and recognition of gains and losses on the sale of certain non-financial assets that are not an output of the Company's ordinary activities. Additional disclosure is required under the standard, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods, and key judgments and estimates. Early application is permitted either following a full retrospective approach or a modified retrospective approach. The modified retrospective approach allows the standard to be applied to existing contracts beginning the initial period of adoption and restatements to the comparative periods are not required. The Company is required to disclose the impact by financial line item as a result of the adoption of the new standard.

(Expressed in Canadian Dollars)

4. Exploration and Evaluation Expenditures

Expenditures incurred by the Company on the Properties are summarized as follows:

	Wildnest and Phantom Lake, Saskatchewan (b)	Rushton Lake, Saskatchewan (c)	McWilliams Lake, Saskatchewan (d)	Total
	$	$	$	$
Balance forwarded, July 31, 2013	63,987	-	-	63,987
Acquisition and option payments:				
Cash	5,000	-	-	5,000
Finder's fee	500	-	-	500
Common shares issued	2,200	160,000	400,000	562,200
	7,700	160,000	400,000	567,700
Balance, July 31, 2014	71,687	160,000	400,000	631,687
Geophysics			158	158
Common shares issued			2,475	2,475
	-	-	2,633	2,633
Balance, July 31 and October 31, 2015	71,687	160,000	402,633	634,320

Exploration expenditures have been expensed as incurred in accordance with the Company's accounting policy for exploration and evaluation costs (note 2f).

(a) Wildnest and Phantom Lake Properties

The Company entered into an option agreement with Ray-Dor Resources Ltd. (the "Optionor") dated November 15, 2012, as amended on October 28, 2013 and November 24, 2014, ("Agreement"), pursuant to which it has been granted an option to acquire a 100% interest in seven mineral claims known as the Wildnest and Phantom Lake gold properties located in the Flin Flon area of Manitoba and Saskatchewan (the "Claims"). Under the terms of the Agreement, the Company may earn a 100% interest in the Claims by making cash payments of $32,500 and issuing 225,000 common shares of the Company in accordance with the schedule below. In addition, the Company is required to complete exploration programs totalling $850,000 over a five year period.

Date	Cash	Common shares	Exploration Expenditures
	$	#	$
Upon Exchange approval	2,500 (paid)	25,000 (issued)	-
On or before November 7, 2013	-	100,000 (issued)	-
On or before June 21, 2014	5,000 (paid)	-	-
On or before December 21, 2014	-	75,000 (issued)	
On or before December 21, 2015	10,000	25,000	16,515
On or before December 21, 2016	15,000	-	50,000
On or before December 21, 2017	-	-	150,000
On or before December 21, 2018	-	-	200,000
On or before December 21, 2019	-	-	433,485
Totals	32,500	225,000	850,000

(Expressed in Canadian Dollars)

4. Exploration and Evaluation Expenditures – (continued)

(a) Wildnest and Phantom Lake Properties- (continued)

The Claims are subject to a 2% net smelter royalty (NSR), of which, 50% of the NSR or 1% NSR may be acquired by the Company at any time for $500,000.

Aggregate finders' fees of $Nil (paid: 2014 - $3,250; 2013 - $500) and Nil common shares (issued: 2015 – 7,500; 2014 - 2,10,000 issued) of the Company will be paid in staged yearly payments as property option payments are made.

(b) Rushton Lake Gold Project

The Company entered into an option agreement dated January 8, 2014 whereby the Company has been granted an option to acquire a 100% interest in the Rushton Lake Gold Project (the "Properties") located in central Saskatchewan.

Under the terms of the agreement, the Company may earn a 100% interest in the Properties by issuing an aggregate of 4,000,000 common shares, making cash payments of $300,000 over 30 months and incurring exploration expenditures of $3,500,000 over four years as follows:

Date	Cash	Common shares	Exploration Expenditures
	$	#	$
Upon Exchange approval	-	4,000,000 (issued)	-
On or before July 8, 2015	100,000	-	-
On or before July 8, 2016	200,000	-	-
On or before January 8, 2018	-	-	3,500,000
Totals	300,000	4,000,000	3,500,000

The Claims are subject to a 1% net smelter royalty, which can be purchased at any time by the Company for $1,000,000.

As at October 31, 2015, the Company had not made the $100,000 payment due on July 8, 2015 and the option agreement is in default.

(c) McWilliams Lake Gold Project

The Company entered into an option agreement dated March 25, 2014 whereby the Company has been granted an option to acquire a 100% interest in the McWilliams Lake Gold Project (the "Property") located in central Saskatchewan.

Under the terms of the agreement, the Company may earn a 100% interest in the Property by issuing an aggregate of 4,000,000 common shares (issued) and incurring exploration expenditures of $1,000,000 within four years of the signing of the agreement. In order to keep the claims in good standing an annual minimum exploration requirement on the claims must be met. As at October 31, 2015, the work commitment was not met. The Company has applied for relief from the work commitment due to fire hazards in the area.

(Expressed in Canadian Dollars)

5. Accounts payble and accrued liabilities

	July 31, 2015	October 31, 2014
	$	$
GST payable	7,673	7,656
Accounts payable	2,054	2,390
Due to related parties	203,300	279,060
Accrued liabilities	14,400	19,000
Other payables	5,619	31,052
	234,017	298,851

6. Loans Payable

(a) The Company entered into a loan agreement dated September 14, 2012, as amended on November 18, 2013, with an arm's length party (the "Lender") in the principal amount of $50,000. The loan is unsecured, bears interest at 12% per annum and matures on March 15, 2014. In consideration for the loan, the Company issued 200,000 common shares to the Lender at a fair value of $10,000. During the year ended July 31, 2013, the Company made a partial payment of $15,000 towards this loan. During the year ended July 31, 2014, the Company paid or accrued $4,723 (2013 - $4,564) in interest on this loan.

During the year ended July 31, 2014, the Company obtained an additional $50,000 loan from the Lender under an agreement dated January 28, 2014, in the principal amount of $50,000. The loan is unsecured, bears interest at 12% per annum and matures on July 28, 2014. In consideration for the loan, the Company issued 100,000 common shares to the Lender at a fair value of $10,000. During the year ended July 31, 2014, the Company paid or accrued $3,119 (2013 - $nil) in interest on this loan.

The Lender signed an amended letter agreement dated March 15, 2014, granting the Company an extension to the term of the loan to March 15, 2015.

The Lender signed an amended letter agreement dated July 28, 2014, granting the Company an extension to the term of the loan to July 28, 2015.

On December 1, 2014, the Company received an additional advance of $15,000 from the lender. The advance is unsecured, bears interest at 24% per annum and matures on November 27, 2015. In consideration for the advance, the Company issued 30,000 common shares with fair value of $2,475.

All amounts owing to the lender were repaid during the year ended July 31, 2015.

7. Share Capital and Reserves

(a) Authorized

Unlimited number of voting common shares without par value.

(b) Issued

At October 31, 2015, there were 66,245,000 issued and fully paid common shares (2014 – 29,132,500).

(c) Share Issuances

On, December 10, 2014, the Company closed a non-brokered private placement of 250,000 common shares at $0.05 per share for gross proceeds of $25,000. The Company incurred cash issue costs of $1,095 with respect to the private placement.

On June 16, 2015, the Company closed a non-brokered private placement of 36,750,000 common shares at $0.01 per share for gross proceeds of $367,500. Each unit consists of one common share and one-half of one transferrable share purchase warrant. Each whole warrant will be exercisable into one common share of the Company at a price of $0.05 per share for a period of 2 years. The Company incurred cash issue costs of $2,839 with respect to the private placement.

During the year ended July 31, 2015, the Company issued 82,500 common shares valued at $2,475 related to the Wildnest and Phantom Lake mineral property agreements in accordance with the amended terms of the option agreement (Note 5a).

During the year ended July 31, 2015, the Company issued 30,000 common shares as bonus for receiving a loan valued at $3,000 (Note 7a).

(d) Stock Options

The Company has a stock option plan under which it is authorized to grant options to directors, officers, employees and consultants for up to a maximum of 10% of the issued and outstanding common stock of the Company. The exercise price (less any discounts permitted by regulatory policies and determined by the directors at the time of grant) under each option shall be the market price of the Company's stock at the date of grant. The options have expiry dates of no later than ten years from the date of grant and vest immediately as determined by the Board of Directors or as to 25.0% on the date of the grant and 12.5% every three months thereafter for a total vesting period of 18 months.

(Expressed in Canadian Dollars)

7. Share Capital and Reserves – (continued)

(d) Stock Options – (continued)

A summary of the status of the options outstanding follows:

	Number of Options	Weighted Average Exercise Price
	#	$
Balance, July 31, 2013	1,925,000	0.05
Granted	397,500	0.05
Exercised	(495,000)	0.05
Forfeited	(62,500) [1]	0.05
Balance, October 31, 2014 and July 31, 2014	1,792,500	0.05
Granted	1,670,000	0.05
Forfeited	(520,000)	0.05
Balance, October 31, 2015 and July 31, 2015	2,942,500	0.05

[1] During the three month period ended October 31, 2015, the fair value of Nil (2014 – $Nil) forfeited options of $Nil (2014 - $Nil) was reclassified from reserves to deficit.

Stock options outstanding and exercisable at October 31, 2015 are as follows:

Options Outstanding	Exercise Price	Expiry Date	Options Exercisable
#	$		#
50,000[1]	0.05	August 9, 2016	50,000
25,000[1]	0.05	April 26, 2017	25,000
55,000[1]	0.05	April 17, 2018	55,000
227,500[1]	0.05	May 20, 2018	227,500
115,000[1]	0.05	February 4, 2019	115,000
137,500[1]	0.05	February 18, 2019	137,500
277,500[1]	0.05	October 12, 2020	277,500
272,500[1][2]	0.05	April 26, 2022	272,500
112,500	0.05	January 27, 2024	112,500
1,670,000	0.05	April 23, 2025	626,250
2,942,500			1,898,750

[1] During the year ended July 31, 2014, the exercise price of these options was repriced to $0.05.

[2] During the year ended July 31, 2014, the expiry date of these options was extended to April 26, 2022.

The weighted average remaining contractual life of outsanding options is 7.32 years.

(Expressed in Canadian Dollars)

7. Share Capital and Reserves – (continued)

(d) Stock Options – (continued)

During the year ended July 31, 2015, the Company amended the terms of an aggregate of 1,272,500 stock options previously granted to employees, directors and consultants of the Company. These options had original exercise prices of $0.10 (post share consolidation) and were re-priced to have an exercise of $0.05 per share. These modifications resulted in the recognition of additional share-based payments of $1,065 during the year ended July 31, 2015. The fair values of the modified stock options were estimated using the Black-Scholes option pricing model using the following weighted average assumptions: expected dividend yield – 0%; expected stock price volatility – 192%; risk-free interest rate – 1.50%, expected life – 2.12 years; and fair value per option - $0.005.

During the year ended July 31, 2015, the Company recorded share-based payments of $7,269 (2014 - $40,477) for the fair value of stock options granted and vested during the period. The weighted average fair value of options granted during the year ended July 31, 2015 was $0.01 (2014 - $0.05) per option.

The fair values of stock options granted were estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	October 31, 2015	July 31,2015
Risk free interest rate	-	1.44%
Expected life of options	-	5.75 years
Expected dividend yield	-	-
Expected stock price volatility	-	158%

(e) Warrants

Each whole warrant entitles the holder to purchase one common share of the Company.

	Warrants	Weighted Average Exercise Price
	#	$
Balance, July 31, 2013 and 2014	465,000	0.20
Granted	18,375,000	0.05
Balance, October 31, 2015 and July 31 2015	18,840,000	0.05

Warrants outstanding at October 31, 2015 are as follows:

Number of Outstanding	Exercise Price	Expiry Date
930,000	$0.20	July 28, 2016
18,375,000	$0.05	June 16, 2017

(Expressed in Canadian Dollars)

8. Finance and other costs

	October 31, 2015	October 31, 2014
	$	$
Interest expense (note 7)	-	1,091
Bank charges	104	129
	104	1,220

9. Related Party Transactions

(a) Related Party Transactions

The Company recovered expenses from companies having directors and officers in common netted directly against the related expense:

Three months ended October 31,	2015	2014
	$	$
Office, rent, administration and wages	67,453	102,400

(b) Compensation of Key Management Personnel

The Company's key management personnel has authority and responsibility for planning, directing and controlling the activities of the Company and consists of its Directors, Chief Executive Officer and Chief Financial Officer.

Three months ended October 31,	2015	2014
	$	$
Short-term benefits - management fees	16,200	16,200
Short-term benefits - wages and salaries	-	6,000
	16,200	22,200

(Expressed in Canadian Dollars)

9. Related Party Transactions – (continued)

(c) Related Party Balances

The following related party amounts were included in accounts payable and accrued liabilities:

Three months ended October 31,	2015	2014
	$	$
Companies having directors and officers in common	2,760	177,000
Company controlled by a director and officer of the Company	170,100	102,060

Amounts due to related parties are unsecured, non-interest bearing and have no specific repayment terms. The transactions with related parties were in the normal course of operations and were measured at the exchange value, which represented the amount of consideration established and agreed to by the parties

10. Commitment

The Company is committed to future minimum annual lease payments with respect to office leases expiring January 31, 2020, as follows:

	$
2016	55,200
2017	57,960
2018	60,720
2019	63,480
2020	66,240

11. Segmented Information

The Company has one operating segment, being the exploration of resource properties and operated in one geographic segment at October 31, 2015 and 2014 with all assets located in Canada.

12. Financial Instruments and Risk Management

(a) Fair Value of Financial Instruments

As at October 31, 2015, the Company's financial instruments consist of cash and cash equivalents, amounts receivable, accounts payable and accrued liabilities, and loan payable. The carrying values of these financial instruments approximate their fair values because of their short term nature and/or the existence of market related interest rates on the instruments.

IFRS requires disclosures about the inputs to fair value measurements for financial assets and liabilities recorded at fair value, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of hierarchy are:

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

12. Financial Instruments and Risk Management – (continued)

(a) Fair Value of Financial Instruments – (continued)

The Company has no financial instrument assets or liabilities recorded in the statements of financial position at October 31, 2015 and 2014 at fair value and accordingly fair value hierarchy disclosure is not required.

(b) Financial Instruments Risk

The Company is exposed in varying degrees to a variety of financial instrument related to risks. The Board approves and monitors the risk management processes:

(i) Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company is subject to credit risk on the cash balances at the bank and amounts receivable. The investments are with Schedule 1 banks or equivalent, with the majority of its cash held in Canadian based banking institutions, authorized under the Bank Act to accept deposits, which may be eligible for deposit insurance provided by the Canadian Deposit Insurance Corporation. Management considers that risks related to credit are minimal.

(ii) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet the obligations associated with its financial liabilities. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to settle obligations and liabilities when due. As at October 31 31, 2015, the Company had cash and cash equivalents of $162,455 to settle current liabilities of $234,017.

The Company is dependent on the availability of credit from its suppliers and its ability to generate sufficient funds from equity and debt financing to meet current and future obligations. There can be no assurance that such financing will be available on terms acceptable to the Company (note 1).

(iii) Market Risk

a. Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's accounts payable and accrued liabilities are non-interest bearing. As at October 31, 2015, the Company's interest bearing assets are cash and cash equivalents. The Company maintains a minimum cash balance in its chequing account and transfers funds from its investment account when the need arises. The Company's investments are placed in GICs which interest rates vary depending on the rates offered by the banks when the instruments mature and are automatically renewed. A change of 100 basis points in the interest rates would not be material to the financial statements.

b. Commodity Price Risk

Commodity price risk is the risk of financial loss resulting from movements in the price of the Company's commodity inputs and outputs. The Company's risk relates primarily to the expected output to be produced at its resource properties described in note 5 of these financial statements of which production is not expected in the near future.

12. Financial Instruments and Risk Management – (continued)

(b) Financial Instruments Risk – (continued)

(iii) Market Risk - (continued)

During the three month period ended October 31, 2015 and 2014, there were no changes to the Company's risk exposure or to the Company's policies for risk management.

13. Capital Management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern such that it can provide returns for shareholders and benefits for other stakeholders. The Company considers the items included in shareholders' equity (deficiency) as capital. The management of the capital structure is based on the funds available to the Company in order to support the acquisition, exploration and development of resource properties and to maintain the Company in good standing with the various regulatory authorities. In order to maintain or adjust its capital structure, the Company may issue new shares, sell assets to settle liabilities or return capital to its shareholders.

The Company is not subject to externally imposed capital requirements.

The properties in which the Company currently has an interest in are in the exploration stage, as such, the Company does not recognize revenue from its exploration properties. The Company's historical sources of capital have consisted of the sale of equity securities and interest income. In order for the Company to carry out planned exploration and development and pay for administrative costs, the Company will spend its working capital and expects to raise additional amounts externally as needed.

There were no changes in the Company's management of capital during the three month period ended October 31, 2015.

14. Subsequent Events

Borys Lake Property Acquisition

On November 16, 2015, the Company entered into an agreement with an arms'-length vendor by which the Company can earn a 100% interest in the Borys Lake Lead-Zinc Project, which covers an area of ~2882 hectares in the southwestern edge of the LaRonge Gold Belt, SK. The Company can earn a 100% interest in the property by completing the following; the issuance of 6,000,000 common shares upon TSX Venture Exchange approval, the payment of further cash considerations totaling $200,000 over the next 3 years and the completion of $1,000,000 in qualified exploration expenditures within 4 years from the date of approval. The Company received TSX Venture Exchange Approval on November 24, 2015.