Alta Vista Ventures Ltd.
(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS
OCTOBER 31, 2015 AND 2014

(Expressed in Canadian Dollars)

Smythe CPA

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF ALTA VISTA VENTURES LTD.

We have audited the accompanying consolidated financial statements of Alta Vista Ventures Ltd., which comprise the consolidated statements of financial position as at October 31, 2015 and 2014, and the consolidated statements of operations and comprehensive loss, changes in shareholders' deficiency and cash flows for the years then ended, and 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 financial position of Alta Vista Ventures Ltd. as at October 31, 2015 and 2014, and its financial performance and its 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 in the consolidated financial statements, which describes matters and conditions that indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
February 26, 2016

7th Floor 355 Burrard St
Vancouver, BC V6C 2G8

T: 604 687 1231
F: 604 688 4675
smythecpa.com

ALTA VISTA VENTURES LTD.
(An Exploration Stage Company)
Consolidated Statements of Financial Position
Years Ended October 31
(Expressed in Canadian Dollars)

	2015	2014
ASSETS		
Current		
Cash	$ 2,534	$ 18,339
Amounts receivable (Note 4)	20,876	22,237
Marketable securities (Note 5)	9,675	4,938
Prepaid expenses	2,374	-
	35,459	45,514
Non-current		
Prepaid expenses	1,500	3,000
Oil and gas interest (Note 6)	-	9,000
Property, plant and equipment (Note 7)	6,193	15,778
Mineral property interests (Note 8)	-	46,002
	7,693	73,780
TOTAL ASSETS	$ 43,152	$ 119,294
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Notes 9 and 11)	$ 726,621	$ 451,092
SHAREHOLDERS' DEFICIENCY		
Share capital (Note 10)	14,499,595	14,448,820
Reserves	1,556,628	1,457,614
Accumulated deficit	(16,748,190)	(16,240,103)
Accumulated other comprehensive income	8,498	1,871
	(683,469)	(331,798)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY	$ 43,152	$ 119,294

Approved by the Board:

"Ian Foreman" (signed)
…………………………………...… Director

"Ronald Shenton" (signed)
…………………………………...…… Director

ALTA VISTA VENTURES LTD.
(An Exploration Stage Company)
Consolidated Statements of Operations and Comprehensive Loss
Years Ended October 31
(Expressed in Canadian Dollars)

	2015	2014
Revenues		
Interest and miscellaneous	$ 1	$ 19
Oil and gas, net	269	2,121
	270	2,140
Operating Expenses		
Exploration expenditures, net of recoveries (Note 8)	119,025	180,664
Consultants' fees (Note 11)	169,522	103,616
Management fees (Note 11)	22,500	37,500
Accounting, audit and legal	44,973	65,858
Rent (Note 11)	18,000	5,932
Share-based compensation (Notes 10(f) and 11)	77,104	77,018
Office and miscellaneous	10,098	16,516
Regulatory fees	9,002	21,132
Depreciation	3,985	6,535
Transfer agent and listing fees	6,509	8,568
Investor relations and promotion	862	22,303
Telephone	890	2,257
Travel	2,854	5,674
	485,324	553,573
Write-down of mineral property interests (Note 8)	44,002	-
Write-off of accounts payable	(39,960)	-
Gain on disposal of property, plant and equipment	(695)	-
Foreign exchange loss (gain)	(7,130)	5,249
Gain on sale of marketable securities	(1,176)	(6,547)
Impairment loss on marketable securities	1,301	7,730
Write-down of oil and gas interests (Note 6)	9,000	24,611
Impairment of amounts receivable	17,691	40,967
	508,357	625,583
Net Loss for Year	508,087	623,443
Items of Comprehensive (Income) Loss		
Items that may be reclassified subsequently to profit or loss		
Unrealized (gain) loss on marketable securities	(6,502)	50,493
Transfer on sale of marketable securities	1,176	6,547
Transfer on impairment of marketable securities	(1,301)	(7,730)
Other Comprehensive (Income) Loss	(6,627)	49,310
Comprehensive Loss for Year	$ 501,460	$ 672,753
Loss per Share, Basic and Diluted	$ 0.05	$ 0.08
Weighted Average Number of Common Shares Outstanding	11,266,220	7,613,652

See notes to consolidated financial statements.

ALTA VISTA VENTURES LTD.
(An Exploration Stage Company)
Consolidated Statements of Changes in Shareholders' Deficiency
(Expressed in Canadian Dollars)

	Number of Shares	Share Capital	Reserves: Equity Settled Share-based Payments	Reserves: Warrants	Reserves: Total	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Shareholders' Deficiency
Balance – October 31, 2014	**11,221,958**	**$ 14,448,820**	**$ 1,146,982**	**$ 310,632**	**$ 1,457,614**	**$ (16,240,103)**	**$ 1,871**	**$ (331,798)**
Net loss for the year	-	-	-	-	-	(508,087)	-	(508,087)
Items of other comprehensive income	-	-	-	-	-	-	6,627	6,627
Common shares issued in private placement (Note 10(c))	1,620,000	64,800	-	16,200	16,200	-	-	81,000
Share issue costs	-	(14,025)	-	5,710	5,710	-	-	(8,315)
Share-based compensation (Note 10(f)	-	-	77,104	-	77,104	-	-	77,104
Balance – October 31, 2015	**12,841,958**	**$ 14,499,595**	**$ 1,224,086**	**$ 332,542**	**$ 1,556,628**	**$ (16,748,190)**	**$ 8,498**	**$ (683,469)**
Balance – October 31, 2013	**4,481,958**	**$ 14,115,203**	**$ 1,069,964**	**$ 285,499**	**$ 1,355,463**	**$ (15,616,660)**	**$ 51,181**	**$ (94,813)**
Net loss for the year	-	-	-	-	-	(623,443)	-	(623,443)
Items of other comprehensive loss	-	-	-	-	-	-	(49,310)	(49,310)
Common shares issued in private placement (Note 10(c))	6,640,000	364,000	-	-	-	-	-	364,000
Exercise of warrants (Note 10(d))	100,000	7,500	-	-	-	-	-	7,500
Share issue costs	-	(37,883)	-	25,133	25,133	-	-	(12,750)
Share-based compensation (Note 10(f))	-	-	77,018	-	77,018	-	-	77,018
Balance – October 31, 2014	**11,221,958**	**$ 14,448,820**	**$ 1,146,982**	**$ 310,632**	**$ 1,457,614**	**$ (16,240,103)**	**$ 1,871**	**$ (331,798)**

See notes to consolidated financial statements.

ALTA VISTA VENTURES LTD.
(An Exploration Stage Company)
Consolidated Statements of Cash Flows
Years Ended October 31
(Expressed in Canadian Dollars)

	2015	2014
Operating Activities		
Net loss	$ (508,087)	$ (623,443)
Items not affecting cash		
Depreciation	3,985	6,535
Share-based compensation	77,104	77,018
Unrealized foreign exchange loss (gain)	9,242	(6,100)
Gain on disposition of capital assets	(695)	-
Gain on sale of marketable securities	(1,176)	(6,547)
Write-down of oil and gas interests	9,000	24,611
Write-down of mineral property interests	44,002	-
Impairment of amounts receivable	17,691	40,967
Impairment loss on marketable securities	1,301	12,033
Write-off of accounts payable	(39,960)	-
	(387,593)	(474,926)
Changes in non-cash working capital		
Amounts receivable	(17,005)	(2,939)
Prepaid expenses	(874)	(2,000)
Accounts payable and accrued liabilities	306,844	114,371
	288,965	109,432
Cash Used in Operating Activities	(98,628)	(365,494)
Investing Activities		
Recoveries on mineral property interests	2,000	-
Proceeds from (purchase of) property, plant and equipment	6,295	(1,551)
Proceeds on sale of marketable securities	1,763	24,864
Cash Provided by Investing Activities	10,058	23,313
Financing Activities		
Common shares issued for cash, net of share issue costs	72,685	358,750
Cash Provided by Financing Activities	72,685	358,750
Foreign Exchange Effect on Cash	80	(45)
Increase (Decrease) in Cash	(15,805)	16,524
Cash, Beginning of Year	18,339	1,815
Cash, End of Year	$ 2,534	$ 18,339

See notes to consolidated financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

Alta Vista Ventures Ltd. (the "Company") has acquired interests in mineral properties in Mexico and over the years has spent significant funds exploring these properties. However, subsequent to October 31, 2015, the Company entered into a letter of intent ("LOI") (Note 16) to acquire Thor Pharma Ltd. ("Thor Pharma") in order to acquire facilities for the production and sale of medical marijuana upon the issuance of a license by Health Canada. The Company also entered into a LOI to acquire RedeCan Pharm, a company holding a Marihuana for Medical Purposes Regulations ("MMPR") cultivation and sales license. As a result the Company no longer intends to use its resources on its mineral exploration properties and wrote them down to $nil. As at October 31, 2015, the Company still has title to these properties.

The Company was incorporated under the laws of British Columbia. The Company's principal and registered place of business is located at 459 – 409 Granville Street, Vancouver, British Columbia, Canada, V6C 1T2.

The Company has sustained recurring losses and negative cash flows from operations. As at October 31, 2015, the Company had cash of $2,534 (2014 - $18,339), working capital deficiency of $691,162 (2014 - $405,578) and an accumulated deficit of $16,748,190 (2014 - $16,240,103). The Company will need to raise substantial additional capital to accomplish its business plan over the next several years. The Company expects to seek additional funding through equity financing. There can be no assurance as to the availability or terms upon which such financing might be available.

On May 9, 2014, the Company completed a 2:1 share consolidation, which converted 10,244,146 outstanding pre-consolidation shares to 5,122,073 outstanding post-consolidation shares. Unless otherwise noted, all references to number of shares, share purchase warrants and share options have been restated to reflect the share consolidation.

The ability of the Company to continue as a going concern and meet its commitments as they become due is dependent on the Company's ability to obtain the necessary financing. Management is planning to raise additional capital to finance the acquisition described above, operations and expected growth. If the Company is unable to obtain additional financing, the Company will be unable to continue operations. There can be no assurance that management's plans will be successful.

These matters indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. These consolidated financial statements do not include any adjustments relating to the recoverability of assets and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

2. BASIS OF PRESENTATION

a) Statement of compliance

These consolidated financial statements have been prepared and are presented in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), and interpretations of the IFRS Interpretations Committee.

The consolidated financial statements were authorized for issue by the Board of Directors on February 26, 2016.

b) Basis of presentation

These consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as fair value through profit or loss ("FVTPL") or available-for-sale ("AFS"), which are measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

2. BASIS OF PRESENTATION (CONTINUED)

c) Foreign currencies

i) Presentation and functional currency

The presentation and functional currency of the Company and its subsidiary is the Canadian dollar.

ii) Foreign currency transactions

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the consolidated statement of financial position. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Gains and losses arising on foreign currency translations are included in net loss for the year.

d) Significant accounting judgments and estimates

The preparation of the consolidated financial statements using accounting policies consistent with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. The preparation of the consolidated financial statements also requires management to exercise judgment in the process of applying the accounting policies.

Critical accounting estimates
Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively from the period in which the estimates are revised. The following are the key estimate and assumption uncertainties that have a significant risk of resulting in a material adjustment within the next financial year:

Useful life of property, plant and equipment
Property, plant and equipment are amortized over the estimated useful life of the assets. Changes in the estimated useful lives could significantly increase or decrease the amount of depreciation recorded during the year and the carrying value of property, plant and equipment. Total carrying value of property, plant and equipment at October 31, 2015 was $6,193 (2014 - $15,778).

Share-based compensation
Management is required to make certain estimates when determining the fair value of share option awards and the number of awards that are expected to vest. These estimates affect the amount recognized as share-based compensation in the Company's consolidated statement of operations and comprehensive loss. For the year ended October 31, 2015, the Company recognized share-based compensation of $77,104 (2014 - $77,018).

2. BASIS OF PRESENTATION (CONTINUED)

d) Significant accounting judgments and estimates (continued)

Critical judgments used in applying accounting policies
In the preparation of these consolidated financial statements management has made judgments, aside from those that involve estimates, in the process of applying the accounting policies. These judgments can have an effect on the amounts recognized in the consolidated financial statements.

Impairment of assets
When there are indications that an asset may be impaired, the Company is required to estimate the asset's recoverable amount. Recoverable amount is the greater of value in use and fair value less costs to sell. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. Determining the value in use requires the Company to estimate expected future cash flows associated with the assets and a suitable discount rate in order to calculate present value. Management has determined that there were indicators of impairment for its mineral property interests and recorded a write-down of $44,002 (2014 - $nil).

Impairment of marketable securities
At each reporting date, the Company conducts a review to determine whether there are indications of impairment on its marketable securities. This determination requires significant judgment. In making this judgment, the Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost. Factors include the financial health and short-term business outlook of the investee, industry and sector performance, and operational and financing cash flows. If the decline in fair value below cost is considered significant or prolonged, the Company recognizes an impairment, being the transfer of the accumulated fair value adjustments recognized in other comprehensive income on the impaired marketable securities, in profit or loss. Management has determined that there were indicators of impairment for its marketable securities and recorded a write-down of $1,301 (2014 - $7,730).

Income taxes
The measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the consolidated financial statements.

Going concern
The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures, meet its liabilities for the ensuing year, and to fund planned and contractual exploration programs, involves significant judgment based on historical experience and other factors including expectation of future events that are believed to be reasonable under the circumstances.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Minera AltaVista, S.A. de C.V. ("MAV"), a company incorporated under the laws of Mexico. Control is based on whether an investor has power over the investee, exposure or rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect the amount of returns.

All material intercompany transactions and balances, including unrealized income and expenses arising from intercompany transactions have been eliminated on consolidation.

b) Financial instruments

Financial assets and financial liabilities are recognized on the consolidated statements of financial position when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets
The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or financial assets acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the consolidated statements of financial position at fair value with changes in fair value recognized in profit or loss for the period. Cash is included in this category of financial assets.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Other receivables are included in this category of financial assets.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss for the period. The Company has no assets classified as held-to-maturity.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as AFS. They are carried at fair value with changes in fair value recognized in other comprehensive income. Where a decline in the fair value of an AFS financial asset constitutes objective evidence of impairment, the amount of the loss is removed from accumulated other comprehensive income and recognized in profit or loss for the period. The Company's marketable securities are classified as available-for-sale.

Transactions costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

All financial assets, other than those at FVTPL, are subject to review for impairment at each reporting date. Financial assets are considered impaired when there is objective evidence that a financial asset or a group of financial assets may not be recoverable. Different criteria to determine impairment are applied for each category of financial assets, which are disclosed above.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Financial instruments (continued)

Financial liabilities
The Company classifies its financial liabilities into one of two categories depending on the purpose for which the liability was incurred. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or financial liabilities acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the consolidated statements of financial position at fair value with changes in fair value recognized in profit or loss for the period.

Other financial liabilities - This category includes accounts payable and accrued Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest rate method.

c) Property, plant and equipment

Property, plant and equipment is carried at cost, less accumulated depreciation.

Where an item of property, plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of property, plant and equipment. Expenditures incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

Material residual value estimates and estimates of useful life are updated annually.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the consolidated statements of operations and comprehensive loss.

The Company compares the carrying value of property, plant and equipment to estimated net recoverable amounts, based on estimated future cash flows, to determine whether there is any indication of impairment whenever events or circumstances warrant.

Depreciation is recorded on a declining basis at the following annual rates:

Vehicles	30%
Office equipment	10%
Computer software and equipment	45%

d) Mineral property interests

Acquisition costs for mineral properties, net of recoveries, are capitalized on a property-by-property basis.

Acquisition costs include cash consideration and the value of common shares, based on recent issue prices, issued for mineral properties, pursuant to the terms of the agreement. Exploration and evaluation expenditures, net of recoveries, are charged to operations as incurred. After a property is determined by management to be technically feasible and commercially viable, capitalized costs for the property will be transferred to mining property and development assets. Prior to transfer the asset will be tested for impairment. The costs related to a property from which there is production will be depleted on a unit-of-production basis, using estimated proven and probable recoverable reserves as the depletion base.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Mineral property interests (continued)

Mineral properties acquired under an option agreement where payments are made at the sole discretion of the Company are capitalized at the time of payment. Option payments received are treated as a reduction of the carrying value of the related acquisition cost for the mineral property until the payments are in excess of acquisition costs, at which time they are then credited to operations. Option payments are at the discretion of the optionee, and accordingly, are accounted for when receipt is reasonably assured.

Capitalized acquisition costs are assessed for impairment if facts and circumstances suggest that the carrying amount exceeds the recoverable amount. When there is little prospect of further work on a property being carried out by the Company or its partners, when a property is abandoned or when the capitalized costs are no longer considered recoverable, the related property costs are written down to management's estimate of their net recoverable amount.

The recoverability of the carrying amount of mineral property interests is dependent on successful development and commercial exploitation or, alternatively, the sale of the respective areas of interest.

e) Impairment of assets

At each financial position reporting date, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An asset's recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the consolidated statement of operations and comprehensive loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the consolidated statement of operations and comprehensive loss.

f) Share capital

Common shares
Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity.

Equity units
Proceeds received on the issuance of units, comprised of common shares and warrants, are allocated on the residual value method; proceeds are allocated to the common shares up to their fair value, as determined by the current quoted trading price, and the balance, if any, to the reserve for warrants.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Share-based compensation

The Company sometimes grants share-based awards to directors, officers, employees and consultants. The fair value of options granted is recognized as a share-based compensation expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

The fair value of employee options is measured at the option's grant date, and the fair value of non-employee options is measured at the date or over the period during which goods or services are received. Options granted to non-employees are recorded at the fair value of goods or services received in the consolidated statement of operations and comprehensive loss. The fair value of the options granted to employees is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. The fair value of each tranche of options granted, which do not vest immediately on grant, is recognized using the graded vesting method over the period during which the options vest. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. If those options expire or are forfeited after vesting, the recorded value is transferred to deficit.

Share-based compensation expense is credited to the equity-settled share-based payment reserve. Their fair value is transferred from the reserve to share capital when the options are later exercised.

h) Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the net loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted loss per share is determined by adjusting the net loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares; the effect of any anti-dilutive potential common shares are not taken into account in this calculation.

i) Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year-end, adjusted for amendments to tax payable with regard to previous years.

Deferred tax is recorded using the statement of financial position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for on the initial recognition of assets or liabilities that affect neither accounting nor taxable loss. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amounts of assets and liabilities, using tax rates enacted or substantively enacted at the consolidated statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a future tax asset will be recovered, it provides a valuation allowance against that excess. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j) Provisions

Provisions are recognized where a legal or constructive obligation has been incurred as a result of past events, it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. If material, provisions are measured at the present value of the expenditures expected to be required to settle the obligation. The increase in any provision due to the passage of time is recognized as a finance cost.

k) Provision for asset retirement obligation

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, or as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight-line method. The related liability is adjusted for each period for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage, which is created on an ongoing basis during production, are provided for at their net present values and charged against profits as extraction progresses.

l) New accounting standards and interpretations not yet adopted

At the date of authorization of these consolidated financial statements, the IASB has issued a number of new and revised standards and interpretations, which are not yet effective as at October 31, 2015. Management is assessing the effects of the future standards on its consolidated financial statements. All of the new and revised standards described below may be early-adopted.

IFRS 9 *Financial Instruments* (2014)

This is a finalized version of **IFRS 9,** which contains accounting requirements for financial instruments, replacing IAS 39 *Financial Instruments: Recognition and Measurement*. The standard contains requirements in the following areas:

- **Classification and measurement**. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of **IFRS 9** introduces a “fair value through other comprehensive income” category for certain debt instruments. Financial liabilities are classified in a similar manner to under **IAS 39**; however, there are differences in the requirements applying to the measurement of an entity's own credit risk.
- **Impairment**. The 2014 version of **IFRS 9** introduces an “expected credit loss” model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized.
- **Hedge accounting**. Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- **Derecognition**. The requirements for the derecognition of financial assets and liabilities are carried forward from **IAS 39**.

Applicable to the Company’s annual period beginning on November 1, 2018.

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l) New accounting standards and interpretations not yet adopted (continued)

Offsetting Financial Assets and Financial Liabilities **(Amendments to IAS 32)**

Amends IAS 32 *Financial Instruments: Presentation* to clarify certain aspects because of diversity in application of the requirements on offsetting, focused on four main areas:

- the meaning of "currently has a legally enforceable right of set-off"
- the application of simultaneous realization and settlement
- the offsetting of collateral amounts
- the unit of account for applying the offsetting requirements.

Applicable to the Company's annual period beginning on November 1, 2015.

4. AMOUNTS RECEIVABLE

Amounts receivable are comprised of the following:

	2015	2014
Sales tax receivable	$ 15,922	$ 11,781
Other amounts receivable	4,954	10,456
Total amounts receivable	$ 20,876	$ 22,237

5. MARKETABLE SECURITIES

The Company holds marketable securities that are free-trading. Marketable securities are comprised of the following:

	2015		2014	
	Number of Shares	Fair Value	Number of Shares	Fair Value
Del Toro Silver Corp.	360,843	$ 8,498	360,843	$ 1,871
Sonora Resources Corp.	1,000,000	1,177	1,000,000	2,480
Hatch Interactive Technologies Corporation*	-	-	23,500	587
		$ 9,675		$ 4,938

* Hatch Interactive Technologies Corporation (formerly Tosca Mining Corp. ("Tosca")) completed a 4:1 share consolidation on October 15, 2014. The number of shares above has been adjusted to reflect the share consolidation.

6. INVESTMENT IN OIL AND GAS INTEREST

During the year ended October 31, 2006, the Company acquired, for investment purposes, a 2.78% (one-half unit) interest in an oil and gas joint venture for cash consideration of $52,598. The joint venture has an interest in two producing oil and gas wells located in Texas and Louisiana, United States. Subsequent to the Company's original investment, the interest was written down to $33,611. Given the decline in oil prices and reduction in oil reserves, revenues received from its investment were minimal during the year. During the year ended October 31, 2015, the Company considered the prevalent market conditions and recorded an impairment loss of $9,000 (2014 - $24,611) to reduce the carrying value to $nil (2014 - $9,000) measured using Level 3 of the fair value hierarchy. This reflects management's estimate of the recoverable amount.

(Expressed in Canadian Dollars)

7. PROPERTY, PLANT AND EQUIPMENT

	Vehicles	Office Equipment	Computer Software and Equipment	Total
COST				
Balance, October 31, 2013	$ 14,472	$ 34,867	$ 24,820	$ 74,159
Additions	-	612	939	1,551
Balance, October 31, 2014	14,472	35,479	25,759	75,710
Disposals	(14,472)	(5,147)	-	(19,619)
Balance, October 31, 2015	$ -	$ 30,332	$ 25,759	$ 56,091
ACCUMULATED DEPRECIATION				
Balance, October 31, 2013	$ 8,444	$ 26,400	$ 18,553	$ 53,397
Depreciation	1,906	1,755	2,874	6,535
Balance, October 31, 2014	10,350	28,155	21,427	59,932
Depreciation	618	1,417	1,950	3,985
Disposals	(10,968)	(3,051)	-	(14,019)
Balance, October 31, 2015	$ -	$ 26,521	$ 23,377	$ 49,898
CARRYING AMOUNTS				
At October 31, 2014	$ 4,122	$ 7,324	$ 4,332	$ 15,778
At October 31, 2015	$ -	$ 3,811	$ 2,382	$ 6,193

(Expressed in Canadian Dollars)

8. MINERAL PROPERTY INTERESTS

The Company has accumulated the following acquisition expenditures:

	Carol-Balde	La Verde Grande	Dos Naciones	Total
Balance, October 31, 2013 and 2014	$ 46,000	$ 1	$ 1	$ 46,002
Recoveries	(2,000)	-	-	(2,000)
Write-down	(44,000)	(1)	(1)	(44,002)
Balance October 31, 2015	$ -	$ -	$ -	$ -

The Company incurred the following exploration expenditures, which were recognized in the consolidated statement of operations and comprehensive loss for the year ended October 31, 2015:

	Urique	Carol-Balde	La Verde Grande	Dos Naciones	Orofino	Los Amoles	Apache	Total
Camp and exploration support	$ -	$ 59,513	$ -	$ -	$ 59,512	$ -	$ -	$ 119,025
Net expenditures for the year	$ -	$ 59,513	$ -	$ -	$ 59,512	$ -	$ -	$ 119,025

The Company incurred the following exploration expenditures, which were recognized in the consolidated statement of operations and comprehensive loss for the year ended October 31, 2014:

	Urique	Carol-Balde	La Verde Grande	Dos Naciones	Orofino	Los Amoles	Apache	Total
Camp and exploration support	$ 6,827	$ 149,253	$ 1,646	$ 1,927	$ 54,904	$ 2,532	$ 1,265	$ 218,354
Drilling	-	1,497	-	-	-	-	-	1,497
Geological consulting	-	3,265	-	-	-	-	-	3,265
Geological fieldwork	533	28,594	-	67	734	67	67	30,062
Taxes	1,000	20,850	-	-	1,620	-	-	23,470
Travel	-	14,476	62	-	726	-	187	15,451
Total costs during the year	8,360	217,935	1,708	1,994	57,984	2,599	1,519	292,099
Recoveries	-	(111,435)	-	-	-	-	-	(111,435)
Net expenditures for the year	$ 8,360	$ 106,500	$ 1,708	$ 1,994	$ 57,984	$ 2,599	$ 1,519	$ 180,664

8. MINERAL PROPERTY INTERESTS (CONTINUED)

a) Urique Property, Mexico

On August 1, 2006, the Company entered into an option agreement with Exmin Resources Ltd. ("Exmin") to acquire, in two stages, up to a 75% interest in ten mineral concessions in Chihuahua, Mexico. On April 6, 2009, the Company renegotiated the remaining commitments and acquired 100% of these concessions by paying US dollars ("US") US$250,000 (paid), issuing 100,000 common shares (issued) and taking responsibility for accounts payable of US$148,000 arising from the optionor's past expenditures on the project. Exmin retains a 2% net smelter return ("NSR") royalty on these concessions.

The Company has separately divided the property based on the non-contiguous locations of the claims. The property consists of the following sub-divisions: San Pedro, Urique and Cuiteco.

During the year ended October 31, 2013, the Company considered the prevalent market conditions and the inability of the Company to raise financing to be indicators of impairment. As a result, the Company recorded an impairment of $599,835 relating to this property as at October 31, 2013 to reduce the carrying value to $nil measured using Level 3 of the fair value hierarchy.

b) Carol-Balde Property, Mexico

On September 25, 2006, the Company entered into an assignment of option agreement with Minera Canamex S.A. de C.V. to acquire a 100% interest in the mineral claims. By an agreement dated January 31, 2008, the Company renegotiated the remaining commitments and acquired 100% ownership and property rights, subject to the 3% NSR royalty to the optionor, by making a cash payment of US$70,000 (paid) and issuing 28,000 common shares (issued).

On November 6, 2013, the Company entered into an option agreement with Tosca. The agreement allows Tosca to acquire a 100% interest in the Carol-Balde property. The Company received $5,000 and 37,500 shares of Tosca in the fiscal year ended October 31, 2013.

On November 6, 2014, the Company signed a Companion Agreement with Tosca extending the first anniversary of the Option Agreement to June 6, 2015. To keep the Agreement in good standing Tosca will have to keep the property in good standing, pay the Company $8,643 of exploration expenditures previously committed to the property in 2014, and make the first anniversary payment of $15,000 and the issuance of 150,000 shares. As of the issuance of these consolidated financial statements, these requirements have not been met. During the year ended October 31, 2015, the Company considered the prevalent market conditions and recorded an impairment loss of $44,000 to reduce the carrying value to $nil measured using Level 3 of the fair value hierarchy.

c) Orofino Property, Mexico

The Company entered into an assignment of option agreement on nine concessions dated July 24, 2009. Under the terms of the option agreement, the Company could acquire a 100% interest for cash payments totaling $200,000 ($40,000 paid), issuing 100,000 common shares (30,000 issued) and paying taxes totaling Mexican pesos ("MXN") MXN 114,232 (paid). The Company paid an additional $10,000 for the extension of one payment.

By an amendment agreement dated April 18, 2011, the Company renegotiated the overall commitment and acquired the claims in consideration for 70,000 shares of the Company (issued).

The Company entered into an assignment of option agreement dated September 24, 2009 on an additional two concessions in the Orofino region. The Company subsequently amended the payment schedule, and under the terms of the revised option agreement, the Company may acquire a 100% interest in consideration of:

8. MINERAL PROPERTY INTERESTS (CONTINUED)

c) Orofino Property, Mexico (continued)

Cash payments totaling $200,000 as follows:

- $10,000 on or before January 9, 2010 (paid);
- $15,000 on or before July 9, 2010 (paid);
- $15,000 on or before November 25, 2011 (paid);
- $20,000 on or before May 25, 2012 (paid);
- $20,000 on or before November 25, 2012 (paid);
- $40,000 on or before May 25, 2013; and
- $80,000 on or before October 25, 2013.

Issuance of 100,000 common shares as follows:

- 10,000 common shares on or before January 9, 2010 (issued);
- 10,000 common shares on or before May 24, 2010 (issued);
- 10,000 common shares on or before July 9, 2011 (issued);
- 10,000 common shares on or before May 25, 2012 (issued);
- 10,000 common shares on or before November 25, 2012 (issued);
- 10,000 common shares on or before January 9, 2013 (issued); and
- 40,000 common shares on or before March 25, 2013.

As of February 2013, the Company and the owners of the concessions have agreed to suspend all consideration requirements until a mutually agreed upon future point in time. As such, the agreement is still in good standing.

During the year ended October 31, 2013, the Company considered the prevalent market conditions and the inability of the Company to raise financing to be indicators of impairment. As a result, the Company recorded an impairment of $132,265 relating to this property as at October 31, 2013 to reduce the carrying value to $nil measured using Level 3 of the fair value hierarchy.

d) Realization of assets

Resource exploration and development is highly speculative and involves inherent risks. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines. There can be no assurance that current exploration programs will result in the discovery of economically viable quantities of ore.

e) Environmental

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company’s operations may cause additional expenses and restrictions. If the restrictions adversely affect the scope of exploration and development on the mineral property interests, the potential for production on a property may be diminished or negated.

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company.

(Expressed in Canadian Dollars)

8. MINERAL PROPERTY INTERESTS (CONTINUED)

f) Title to mineral property interests

Although the Company has taken steps to verify the title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company’s title. Property title may be subject to unregistered prior agreements of transfers and title may be affected by undetected defects.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities were comprised of the following:

	2015	2014
Trade payables *	$ 614,021	$ 421,092
Accrued liabilities	31,000	30,000
Due to directors	81,600	-
Total accounts payable and accrued liabilities	$ 726,621	$ 451,092

*Included in trade payables is $97,067 owed to the Mexican Government for withholding taxes on salaries that were not remitted in prior years.

Subsequent to October 31, 2015, the Company repaid $155,815 of outstanding trade payables.

10. SHARE CAPITAL

a) Authorized

Unlimited number of common shares without par value

b) Share Consolidation

On May 9, 2014, the Company consolidated its outstanding share capital on a 2:1 basis. Upon consolidation, 10,244,146 pre-consolidation shares became 5,122,073 post-consolidation shares.

Loss per share, weighted average number of common shares outstanding, number of shares outstanding, share purchase warrants, and stock options have been restated to reflect this consolidation.

c) Issued

On October 22, 2015, the Company completed a private placement comprised of 1,620,000 units at a price of $0.05 per unit totalling $81,000. Each unit consists of one common share and one transferable warrant. Each warrant entitles the owner to purchase one additional common share of the Company at a price of $0.075 for a period of twelve months from the date of issuance of the warrant. The warrants will have an acceleration clause so that if after the hold period the shares in the Company trade at or above $0.12 for ten consecutive days, the Company may give notice to the warrant holders that they have 30 days to exercise the warrants. The Company issued 162,000 agent’s warrants to Foremost Capital Inc.

(Expressed in Canadian Dollars)

10. SHARE CAPITAL (CONTINUED)

c) Issued (continued)

On October 10, 2014, the Company issued 100,000 shares upon the exercise of 100,000 warrants at a price of $0.075 per warrant, for total proceeds of $7,500.

On May 29, 2014, the Company completed a private placement comprised of 6,000,000 units at a price of $0.05 per unit, for gross proceeds of $300,000. Each unit consists of one common share and one share purchase warrant allowing the holder to purchase an additional common share at a price of $0.075 until May 30, 2015. The Company paid a total of $5,000 and issued 200,000 agent's warrants to Haywood Securities Inc. as finders' fees.

On December 11, 2013, the Company completed a private placement comprised of 640,000 units at a price of $0.10 per unit for proceeds of $64,000. Each unit consists of one common share and one common share purchase warrant allowing the holder to purchase an additional common share at a price of $0.15 until December 11, 2014 and at $0.20 until December 11, 2015. The Company paid a total of $2,500 and issued 25,000 finder's warrants, with the same terms as the common share purchase warrants, to Haywood Securities Inc. as finders' fees.

d) Share purchase warrants

At October 31, 2015, the Company had 665,000 warrants outstanding, with each warrant allowing the holder to purchase one common share at a price of $0.20 until December 11, 2015 (subsequently expired), 6,100,000 warrants outstanding with each warrant allowing the holder to purchase one common share at a price of $0.075 until May 30, 2016 (extended from its original expiration date of May 30, 2015 during the year ended October 31, 2015), and 1,782,000 warrants outstanding with each warrant allowing the holder to purchase one common share at a price of $0.075 until October 22, 2016 unless the accelerated clause is put into place. The acceleration clause states that if after the hold period the shares in the Company trade at or above $0.12 for 10 consecutive days, the Company may give notice to the warrant holders that they have 30 days to exercise the warrants.

A continuity schedule of outstanding common share purchase warrants for the years ended October 31, 2015 and October 31, 2014 is as follows:

	2015		2014	
	Number outstanding	Weighted average exercise price	Number outstanding	Weighted average exercise price
Outstanding, beginning of year	6,765,000	$ 0.09	-	$ -
Issued	1,782,000	$ 0.08	6,865,000	$ 0.09
Exercised	-	$ -	(100,000)	$ 0.08
Outstanding, end of year	8,547,000	$ 0.09	6,765,000	$ 0.09

Subsequent to year-end, 2,870,000 warrants were exercised.

(Expressed in Canadian Dollars)

10. SHARE CAPITAL (CONTINUED)

e) Share options

A continuity schedule of outstanding share options for the years ended October 31, 2015 and October 31, 2014 is as follows:

	2015		2014	
	Number outstanding	Weighted average exercise price	Number outstanding	Weighted average exercise price
Outstanding, beginning of year	1,127,500	$ 0.13	385,250	$ 0.46
Granted	1,490,000	$ 0.10	800,000	$ 0.105
Expired	-	$ -	(57,750)	$ 2.00
Cancelled	(395,000)	$ 0.14	-	$ -
Outstanding,end of year	2,222,500	$ 0.11	1,127,500	$ 0.13

As at October 31, 2015, the Company had share options outstanding and exercisable to acquire common shares of the Company as follows:

October 31, 2015

Expiry Date	Options outstanding and exercisable	Exercise Price	Weighted average remaining contractual life (in years)
June 3, 2017	700,000*	$ 0.105	
July 25, 2018	182,500**	$ 0.20	
January 8, 2018	150,000	$ 0.105	
August 6, 2018	1,000,000	$ 0.10	
October 2, 2018	190,000	$ 0.10	
	2,222,500	$ 0.11	2.26

* 75,000 subsequently exercised
** 37,500 subsequently exercised

As at October 31, 2014, the Company had share options outstanding and exercisable to acquire common shares of the Company as follows:

October 31, 2014

Expiry Date	Options outstanding and exercisable	Exercise Price	Weighted average remaining contractual life (in years)
June 3, 2017	800,000	$ 0.105	
July 25, 2018	327,500	$ 0.20	
	1,127,500	$ 0.13	2.92

(Expressed in Canadian Dollars)

10. SHARE CAPITAL (CONTINUED)

f) Share-based compensation

During the year ended October 31, 2015, 1,150,000 share options were granted (2014 - 800,000) to directors, officers and consultants. These options vest on grant date.

The fair value of share options granted and vested during the years ended October 31, 2015 and 2014 was recognised as share-based compensation in the consolidated statement of operations and comprehensive loss, and was allocated as follows:

	2015	2014
Management fees	$ -	$ 36,102
Consultants' fees	77,104	40,916
Total share-based compensation	$ 77,104	$ 77,018

The fair value of the options granted and agent's warrants issued during the year ended October 31, 2015 and 2014 was estimated using the Black-Scholes option pricing model based on the following weighted assumptions:

	2015	2014
Risk free interest rate	0.69%	1.60%
Expected annual volatility*	249.94%	175.27%
Expected life	3 years	3 years
Expected dividend yield	0.00%	0.00%
Exercise price	$0.101	$0.105
Share price	$0.05	$0.10

* Expected volatility has been based on historical volatility of the Company's publicly traded shares.

11. RELATED PARTY TRANSACTIONS

a) Management transactions

Management and consulting fees charged by companies controlled by officers and directors of the Company for the years ended October 31, 2015 and 2014 were as follows:

	2015			2014		
	Short-term employee benefits	Share-based payments	Total	Short-term employee benefits	Share-based payments	Total
Foremost Management Services Inc. (i)	$ 30,000	$ -	$30,000	$ 39,375	$ 28,890	$ 68,265
Foremost Geological Consulting (ii)	$ 28,500	$ -	$28,500	$ 74,550	$ -	$ 74,550
Timeline Filing Services Ltd. (iii)	$ 10,737	$ -	$10,737	$ 6,000	$ 7,220	$ 13,220
Schindler & Company (iv)	$ 20,512	$ -	$20,512	$ 20,321	$ 7,220	$ 27,541

(Expressed in Canadian Dollars)

11. RELATED PARTY TRANSACTIONS (CONTINUED)

a) Management transactions (continued)

i) Foremost Management Services Inc. is a private enterprise controlled by the Company's President and CEO. Included in accounts payable and accrued liabilities is amounts payable of $91,962 (2014 - $40,165).

ii) Foremost Geological Consulting is a private enterprise controlled by the Company's President and CEO. Included in accounts payable and accrued liabilities is amounts payable of $165,235 (2014 - $138,460).

iii) Timeline Filing Services Ltd. is a private enterprise controlled by the Company's Corporate Secretary, Laara Shaffer. Included in accounts payable and accrued liabilities is amounts payable of $16,733 (2014 - $15,183).

iv) Schindler & Company is a private enterprise controlled by the Company's CFO, Jennifer Schindler. Included in accounts payable and accrued liabilities is amounts payable of $30,392 (2014 - $18,854).

Rent expense of $18,000 (2014 - $790) was also charged by Foremost Management Services Inc. for the leasing of office premises.

b) Directors' transactions

During the year ended October 31, 2015, included in the $77,104 (2014 - $77,018) of share-based compensation recognized is $nil (2014 - $22,299) relating to director compensation.

c) Loans payable

Included in accounts payable and accrued liabilities are loans of $81,600 (2014 - $2,000) borrowed from the President and CEO of the Company and companies controlled by the President and CEO of the Company. The loans are non-interest-bearing and have repayment terms of one year from the date of deposit, ranging from May 26, 2015 to October 14, 2016. Loans that have become due are payable on demand.

12. SEGMENTED INFORMATION

The Company operates in one reportable operating segment, mineral exploration and development.

The Company's non-current assets, excluding financial instruments, located in its geographic segments of Canada and Mexico, were as follows:

	2015	2014
Canada	$ 2,855	$ 4,869
Mexico	3,338	56,911
	$ 6,193	$ 61,780

(Expressed in Canadian Dollars)

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial assets and liabilities were categorized as follows:

	2015	2014
Financial assets		
Fair value through profit or loss		
Cash	$ 2,534	$ 18,339
Loans and receivables		
Amounts receivable*	4,954	10,456
Available-for-sale		
Marketable securities	9,675	4,938
Investment in oil and gas interest	-	9,000
Total financial assets	$ 17,163	$ 42,733
Financial liabilities		
Other financial liabilities		
Accounts payable and accrued liabilities	$ 726,621	$ 451,092
Total financial liabilities	$ 726,621	$ 451,092

*Excluding sales tax receivable

The fair values of the Company's amounts receivable and accounts payable and accrued liabilities approximate their carrying values due to the short-term nature of these instruments. Marketable securities are recorded at market value based on quoted market prices. The Company's investment in oil and gas interest is valued at cost, as it does not have a quoted market price in an active market and the fair value cannot be reliably determined.

The Company's financial instruments are exposed to certain financial risks, including credit risk, liquidity risk and market risk.

a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company is exposed to credit risk with respect to its cash and amounts receivable.

The Company deposits substantially all of its cash at a Canadian chartered bank. The Company's amounts receivable consist primarily of Government Sales Tax receivable from the Canadian government and Value Added Tax receivable from the Mexican government. Management considers the risk of non-performance related to cash and amounts receivable to be minimal.

b) Liquidity risk

Liquidity risk is the risk that an entity will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure.

At October 31, 2015, the Company had cash in the amount of $2,534 (2014 - $18,339) and accounts payable and accrued liabilities of $726,621 (2014 - $451,092). Trade payables are due within twelve months of the financial position date.

The Company ensures, as far as reasonably possible, that there is sufficient capital in order to meet short-term financial obligations, after taking into account the Company's holdings of cash.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

c) Market risk

Market risk consists of interest rate risk, foreign currency risk and other price risk. These are discussed below:

Interest rate risk
Interest rate risk consists of two components:

i) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.

ii) To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

The Company is not exposed to significant interest rate risk.

Foreign currency risk
Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Company is exposed to foreign currency risk with respect to cash, amounts receivable, and accounts payable and accrued liabilities, as a portion of these amounts are denominated in MXN and US dollars as follows:

	2015		**2014**	
	MXN	US	MXN	US
Cash	-	$ 51	44,235	$ 135
Amounts receivable	-	$ -	120,144	$ -
Accounts payable and accrued liabilities	(2,271,314)	$ -	(1,726,790)	$ -
Rate to convert $1 CAD	0.079	1.308	0.084	1.127

Based on the Company's net exposure, a 9% change (2014 - 7%) in the Canadian/Mexican peso exchange rate and a 16% change (2014 - 8%) in the Canadian/US exchange rate (based on prior year fluctuations in the relative exchange rates) would not have a material impact on earnings.

Other price risk
Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk.

The Company is exposed to other price risk related to the fluctuation in the market price of its marketable securities. The Company's marketable securities are carried at market value and are directly affected by fluctuations in the market value of the underlying securities. The Company's sensitivity analysis suggests a 35% (2014 - 30%) change in the market prices would impact the Company's earnings by approximately $3,400 (2014 - $1,500). As this sensitivity analysis does not take into account any variables other than the marketable securities rate fluctuations, the above information may not fully reflect the fair value of the assets and liabilities involved.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

d) Fair value of financial instruments

IFRS 7 *Financial Instruments: Disclosure* establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's cash and marketable securities are classified at Level 1 of the fair value hierarchy. The Company had no Level 2 or 3 financial assets at October 31, 2015 or 2014. As the carrying values of the Company's remaining financial instruments approximate their fair values, disclosure is not made of their level in the fair value hierarchy.

14. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration and development of its mineral property interests, and to maintain a flexible capital structure, which optimizes the costs of capital at an acceptable risk.

The Company's capital consists of shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may issue new shares or debt or acquire or dispose of assets.

To effectively manage its resources and minimize risk, the Company maintains the majority of its capital at the parent company level and funds activities in its operating subsidiaries through a cash call process. The Company prepares annual expenditure budgets that are updated as necessary depending on factors including success of programs and general industry conditions. The budget and any revisions to it are approved by the Board of Directors.

In order to maximize ongoing development efforts, the Company does not pay out dividends.

The Company's investment policy is to invest any excess cash in liquid short-term interest-bearing instruments callable at any time.

There have been no changes to the Company's approach to capital management during the year ended October 31, 2015.

(Expressed in Canadian Dollars)

15. INCOME TAXES

As at October 31, 2015, the Company has non-capital losses of approximately $5,772,000 and capital losses of $24,985; $4,240,000 of non-capital losses and all of the capital losses may be applied against future income for Canadian income tax purposes, and $1,532,000 of non-capital losses may be applied against future income for Mexican income tax purposes.

The potential future tax benefits of these losses have not been recorded in these financial statements. The capital losses may be carried forward indefinitely. The non-capital losses expire as follows:

2017	$	241,000
2018		517,000
2019		503,000
2022		39,000
2024		190,000
2026		462,000
2027		457,000
2028		598,000
2029		501,000
2030		547,000
2031		516,000
2032		304,000
2033		294,000
2034		310,000
2035		293,000
	$	5,772,000

The reconciliation of income taxes computed at statutory rates to the reported income tax provision is as follows:

		2015		2014
Loss before income taxes	$	508,087	$	623,443
Income tax at statutory rates		26.00%		26.00%
Expected income tax recovery		132,102		162,095
Difference between Canadian and foreign tax rates		1,653		7,225
Non-deductible expenses and other permanent differences		(33,184)		(19,996)
Other		2,950		-
Losses expired		(168,608)		(60,800)
Under/over provided in prior years		35,377		-
Impact of foreign exchange on tax assets and liabilities		(41,054)		30,370
Unused tax losses and tax offsets not recognized		70,764		(118,894)
Total income tax expense	$	-	$	-

Deferred income tax assets and liabilities are recognized for temporary differences between the carrying amounts of the consolidated statement of financial position items and their corresponding tax values as well as for the benefit of losses available to be carried forward to future years for tax purposes that are likely to be realized.

(Expressed in Canadian Dollars)

15. INCOME TAXES (CONTINUED)

The following are the deductible temporary differences for which no deferred tax assets are recognized in the consolidated financial statements:

		2015		2014
Non-capital losses carried forward	$	5,771,849	$	5,595,630
Capital losses carried forward		24,985		41,196
Mineral property interests		4,486,639		4,657,449
Marketable securities		6,300		257,608
Investment in oil and gas interests		37,065		32,565
Share issuance costs		33,950		30,308
Equipment		62,023		56,466
	$	10,422,811	$	10,671,222

16. SUBSEQUENT EVENTS

On November 6, 2015, the Company completed a private placement consisting of 3,330,000 units at $0.05 per unit for total proceeds of $166,500. Each unit includes one transferable warrant, which is exercisable at a price of $0.075 until November 4, 2016. The warrants will have an acceleration clause such that if after the required hold period the shares in the Company trade at or above $0.12 for ten consecutive trading days, the Company may give notice to the warrant holders that they have 30 days to exercise the warrants. Finders' fees of $10,050 and 201,000 warrants to Foremost Capital Inc., $1,000 and 20,000 warrants to Wolverton Securities and $1,500 and 30,000 warrants to PI Financial were paid in association with this tranche.

The Company signed a formal agreement to purchase Thor Pharma. Thor Pharma has a license application with Health Canada for the production and sale of up to 10,000,000 grams of dried marijuana per year. The Company has the right to purchase Thor Pharma via an Assignment and Novation Agreement from Shaxon Enterprises by paying $1,000,000 and issuing 10,000,000 shares on a graduated basis as the Thor Pharma application moves through the licensing process with Health Canada. The Company had until December 18, 2015 to make a $100,000 payment ($25,000 paid) and issue 5,000,000 shares (issued). Shaxon Enterprises will have a 10% royalty on profits from Thor Pharma.

On January 28, 2016, the Company signed an amended LOI to purchase 90% of issued and outstanding shares of RedeCan Pharm, one of Canada's MMPR cultivation and sales licenses. The terms of the LOI requires the Company to pay RedeCan Pharm an aggregate $8,000,000 in cash and 9,000,000 shares. Upon signing the LOI, the Company has paid a non-refundable deposit of $100,000 and issued 2,000,000 shares to RedeCan Pharm. The remaining payments will be made in two stages: 1) the Company will purchase a minority interest of 20% on or before March 1, 2016 by paying $1,900,000 and issuing 2,000,000 shares; 2) the Company will purchase an additional 20% interest (for a total 40% interest) on or before September 1, 2016 by paying $2,000,000 and 2,000,000 shares; and 3) the Company will purchase an additional 50% (for a total 90% interest) on or before March 1, 2017 by paying $4,000,000 and issuing 3,000,000 shares.

In addition to the purchase price, the Company will pay a 2% royalty of the gross revenues to RedeCan Pharm on a quarterly basis to be paid 50% in cash and 50% in shares of the Company. The Company has agreed to pay a finders' fee to Shaxon Enterprises upon successful completion of this transaction.

16. SUBSEQUENT EVENTS (CONTINUED)

On January 25, 2016, the Company signed an engagement letter with Jacob Capital Management Inc. ("JCMI") for the purpose of completing the acquisition of RedeCan Pharm and expanding its operations. In consideration for acting as strategic advisor, the Company has issued JCMI 500,000 shares. An additional 1,000,000 shares will be issued March 6, 2016 and 2,500,000 shares will be issued to JCMI upon successful completion of the acquisition of RedeCan Pharm.

There were 2,400,000 options issued to various consultants and directors of the Company, with exercise prices ranging from $0.14 to $0.18. These options were fully vested and have a three-year term.