ARBITRAGE EXPLORATION INC. (formerly Blue Vista Technologies Inc.)
(a development stage company)
FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

INDEX

Independent Auditors' Report

To the Shareholders of Arbitrage Exploration Inc.:

We have audited the accompanying financial statements of Arbitrage Exploration Inc., which comprise the statement of financial position as at December 31, 2015 and 2014, and the statement of operations and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Arbitrage Exploration Inc. as at December 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 financial statements which describes matters and conditions that indicate the existence of material uncertainties that may cast significant doubt about Arbitrage Exploration Inc.'s ability to continue as a going concern.

MNP LLP

April 26, 2016
Toronto, Ontario

Chartered Professional Accountants
Licensed Public Accountants

MNP LLP

ARBITRAGE EXPLORATION INC. (FORMERLY BLUE VISTA TECHNOLOGIES INC)
(a development stage company)

STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
AS AT

		December 31, 2015		December 31, 2014
ASSETS				
Current				
Cash	$	**7,476**	$	6,102
Accounts receivable		**-**		1,639
HST receivable		**8,970**		-
Prepaid expenses		**-**		1,250
		16,446		8,991
Exploration and evaluation asset (Note 6)		**290,000**		290,000
Equipment (Note 7)		**1,493**		1,866
	$	**307,939**	$	300,857
LIABILITIES				
Current				
Accounts payable and accrued liabilities	$	**82,318**	$	117,267
HST payable		**-**		868
Due to related party (Note 10)		**225**		-
		82,543		118,135
Long-term debt (Note 8)		**43,195**		-
		125,738		118,135
SHAREHOLDERS' EQUITY				
Share capital (Note 9)		**9,802,643**		9,735,762
Contributed surplus		**180,609**		152,527
Deficit		**(9,801,051)**		(9,705,567)
		182,201		182,722
	$	**307,939**	$	300,857

Approved on Behalf of the Board

'Alex Falconer' Director

'Chris Irwin' Director

See accompanying notes to the audited financial statements.

ARBITRAGE EXPLORATION INC. (FORMERLY BLUE VISTA TECHNOLOGIES INC)
(a development stage company)

STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)
FOR THE YEARS ENDED

	December 31, 2015	2014
Expenses		
Depreciation (Note 7)	**$ 373**	$ 466
Administrative expenses	**92,638**	32,105
Professional fees	**49,829**	46,884
Listing fees	**23,260**	13,577
Interest expense	**3,473**	-
Accretion expense	**3,911**	-
Forgiveness of loan payable and accounts payable (Note 10)	**(78,000)**	-
Loss from operations	**95,484**	93,032
Net loss and comprehensive loss for the year	**$ 95,484**	$ 93,032
Net loss per share		
Basic and fully diluted (loss) per share	**$ (0.008)**	$ (0.008)
Weighted average number of shares - basic and fully diluted	**12,295,024**	11,134,233

The 4 for 1 common share consolidation affected all of the Company's outstanding common shares as at the effective date (Note 9); as a result, the prior year presentation in the financial statements has been restated.

See accompanying notes to the audited financial statements.

ARBITRAGE EXPLORATION INC. (FORMERLY BLUE VISTA TECHNOLOGIES INC)

(a development stage company)

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Expressed in Canadian Dollars)

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	Common shares		Amount		Contributed Surplus		Accumulated deficit		Total
Balance January 1, 2014	11,157,312	$	9,735,762	$	152,527	$	(9,612,535)	$	275,754
Net loss	-		-		-		(93,032)		(93,032)
Balance, December 31, 2014	11,157,312	$	9,735,762	$	152,527	$	(9,705,567)	$	182,722

Balance January 1, 2015	11,157,312	$	9,735,762	$	152,527	$	(9,705,567)	$	182,722
Shares issued for cash (Note 9(b)(i)(ii)), (Note 9(c))	1,915,000		67,668		28,082		-		95,750
Shares issue costs (Note 9(b)(ii))	-		(787)		-		-		(787)
Net income	-		-		-		(95,484)		(95,484)
Balance, December 31, 2015	13,072,312	$	9,802,643	$	180,609	$	(9,801,051)	$	182,201

The 4 for 1 common share consolidation affected all of the Company's outstanding common shares as at the effective date (Note 9); as a result, the prior year presentation in the financial statements has been restated.

See accompanying notes to the audited financial statements.

ARBITRAGE EXPLORATION INC. (FORMERLY BLUE VISTA TECHNOLOGIES INC)
(a development stage company)

STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
FOR THE YEARS ENDED

	Years Ended December 31, 2015	2014
OPERATING ACTIVITIES		
Net (loss) income for the year	**$ (95,484)**	$ (93,032)
Adjustments not effecting cash:		
Depreciation	**373**	466
Accretion expense	**3,911**	-
Gain on extinguishment of debt	**(10,496)**	-
Forgiveness of loan payable and accounts payable (Note 10)	**(78,000)**	-
Bad debt expense	**1,639**	-
Changes in non-cash working capital		
Prepaid expenses	**1,250**	(1,250)
HST receivable	**(9,838)**	(1,064)
Accounts payable and accrued liabilities	**92,831**	47,161
Cash used in operating activities	**(93,814)**	(47,719)
FINANCING ACTIVITIES		
Issuance of common shares	**95,750**	-
Shares issue costs	**(787)**	-
Due to related party	**225**	-
Cash provided by financing activities	**95,188**	-
Net increase (decrease) in cash	**1,374**	(47,719)
Cash, beginning of year	**6,102**	53,821
Cash, end of year	**$ 7,476**	$ 6,102

1. REPORTING ENTITY AND GOING CONCERN

Arbitrage Exploration Inc. (formerly Blue Vista Technologies Inc.) (the "Company") is an exploration stage enterprise incorporated under the laws of Ontario on December 9, 1995. The Company is listed on the Canadian Stock Exchange ("CSE"), having the symbol AEA and is in the process of exploring its mineral properties. Effective December 12, 2014, the company changed its name to Arbitrage Exploration Inc.

The address of the Company's corporate office and principal place of business is 365 Bay Street, Suite 400 Toronto, Ontario, M5H 2V1, Canada.

These financial statements have been prepared on a going concern basis, which contemplates that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. Accordingly, they 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 in other than the normal course of business and at amounts different from those in the accompanying financial statements. Such adjustments could be material. It is not possible to predict whether the company will be able to raise adequate financing or to ultimately attain profit levels of operations. These conditions indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. Changes in future conditions could require material write downs of the carrying values.

The Company has not yet realized profitable operations and has incurred significant losses to date resulting in a cumulative deficit of $9,801,051 as at December 31, 2015 (December 31, 2014 - $9,705,567). The recoverability of the carrying value of exploration properties and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise alternative financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. While management has been historically successful in raising the necessary capital, it cannot provide assurance that it will be able to execute on its business strategy or be successful in future financing activities. As at December 31, 2015, the Company had current assets of $16,446 (December 31, 2014 - $8,991) to cover current liabilities of $82,543 (December 31, 2014 - $118,135).

2. BASIS OF PRESENTATION

Statement of Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The financial statements of the Company for the years ended December 31, 2015 and 2014 and approved and authorized for issue by the Board of Directors on April 25, 2015.

Basis of Measurement

These financial statements have been prepared on the historical cost basis, except for financial instruments designated at fair value through profit and loss, which are stated at their fair value.

The preparation of financial statements in conformity with IFRS requires that management make certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies. The areas involving a higher degree of judgement, areas where assumptions and estimates are significant to the financial statements are disclosed in below.

Functional and Presentation Currency

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

Use of Estimates and Judgement

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Significant estimates used in the preparation of these financial statements include, but are not limited to, the recoverability of exploration and evaluation ("E&E") assets and equipment, asset retirement obligations, share-based compensation, income taxes, the recording of liabilities including any flow through premium and disclosures of contingent assets and liabilities at the date of the financial statements. Actual results could differ from management's best estimates.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting polices set out below have been applied consistently to all periods presented in these financial statements.

EXPLORATION AND EVALUATION EXPENDITURES

Exploration and evaluation expenditure ("E&E") assets consist of exploration and mining concessions, options and contracts. Acquisition and leasehold costs and exploration costs are capitalized and deferred until such time as the property is put into production or the properties are disposed of either through sale or abandonment.

E&E costs consist of:

- Gathering exploration data through topographical and geological studies;
- Exploratory drilling, trenching and sampling;
- Determining the volume and grade of the resource;
- Test work on geology, metallurgy, mining, geotechnical and environmental; and
- Conducting engineering, marketing and financial studies.

Proceeds received from the sale of any interest in a property are first credited against the carrying value of the property, with any excess included in operations for the period. If a property is abandoned, the property and deferred exploration costs are written off to operations.

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgement in determining whether that future economic benefits, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after the expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the statement of operations in the period when the new information becomes available. The Company assesses each cash generating unit ("CGU") annually to determine whether any indication of impairment exists.

Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, exploration potential and operating performance. Fair value is determined as the amount that would be obtained from the sale of the assets in an arm's length transaction between knowledgeable and willing parties.

EQUIPMENT

Recognition and Measurement

Equipment is measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes all expenditures that are directly attributable to the acquisition of the asset.

Depreciation

Equipment is depreciated annually on a declining balance basis using a rate of 20%.

Impairment

The carrying amounts of the Company's equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. In addition, capitalized E&E assets are assessed for impairment upon demonstrating the technical feasibility and commercial viability of the project.

Impairment is determined for an individual asset unless the asset does not generate cash inflows that are independent of those generated from other assets or group of assets, in which case, the individual assets are grouped together into CGUs for impairment purposes.

An impairment exists when the carrying amount of the asset, or group of assets, exceeds its recoverable amount. The impairment loss is the amount by which the carrying value exceeds the recoverable amount and such loss is recognized in the statement of operations. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

A previously recognized impairment loss is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized such that the recoverable amount has increased. The carrying amount after a reversal must not exceed the carrying account (net of depreciation) that would have been determined had no impairment loss been recognised.

ACCOUNTING FOR INCOME TAXES

Income tax expense comprises of current and deferred tax expense. Current tax expense is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Deferred tax assets and liabilities are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes.

Income tax expense is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity. Income taxes are calculated using the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred tax assets and liabilities are recognized for the deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and for tax losses and other deductions carried forward.

Deferred income tax assets and liabilities are calculated using enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability is settled. An asset is recognized on the statement of financial position only when it is probable that the future economic benefits will flow to the entity and the asset has a cost or value that can be measured reliably. The effect on deferred tax assets and liabilities of changes in tax rates are recognized in income in the period in which the change is substantively enacted.

BASIC LOSS PER COMMON SHARE

The Company presents basic and diluted earnings (loss) per share (EPS) data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for own shares held, for the effects of all dilutive potential common shares, which comprise convertible warrants and share options granted by the Company. Diluted earnings (loss) per share for the years presented does not include the effect warrants as they are anti-dilutive.

SHARE-BASED PAYMENT

The Company accounts for share-based payments using the fair value method. Under this method, compensation expense for employees is measured at fair value on the date of grant using the Black-Scholes option pricing model, and is recognized as an expense or capitalized, depending on the nature of the grant, with a corresponding increase in equity, over the period that the employees earn the options. The amount recognized as an expense is adjusted to reflect the number of share options expected to vest. The Black-Scholes option pricing model requires the input of subjective assumptions, including the expected term of the option and stock price volatility.

Warrants, stock options, and other equity instruments issued as purchase consideration in non-cash transactions, other than as consideration for E&E assets, are recorded at fair value of the goods or services received or if the value of the goods or services received is not reliably measurable then the value of the instruments is measured as determined by management using the Black-Scholes option pricing model. The fair value of the shares issued as purchase consideration for E&E assets is based upon the trading price of those shares on the TSX on the date of the agreement to issue shares as determined by the Board of Directors.

RECLAMATION OBLIGATION

A legal or constructive obligation to incur restoration, rehabilitation, and environmental costs may arise when environmental disturbance is caused by the exploration, development, or ongoing production of an E&E interest. The Company's exploration activities are subject to various governmental laws and regulations relating to the protection of the environment. These environmental regulations are continually changing and are generally becoming more restrictive.

The fair value of the liability for an asset retirement obligation is recorded when the legal obligation arises and the corresponding increase to the asset is amortized over the life of the asset. The liability is increased over time to reflect an accretion element considered in the initial measurement at fair value.

The Company intends to make in the future, expenditures to comply with such laws and regulations. As at December 31, 2015 and December 31, 2014, no such obligations have been incurred.

SHARE CAPITAL

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

The Company's common shares, share warrants, and flow-through shares are classified as equity instruments. Preference share capital is classified as equity if it is non-retractable, or redeemable only at the Company's option, and any dividends are discretionary. Dividends thereon are recognized as distributions within equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from proceeds.

WARRANTS

Proceeds from unit placements are allocated between shares and warrants issued according to their relative fair value. The relative fair value of the share component is credited to share capital and the relative fair value of the warrant component is credited to contributed surplus. Upon exercise of the warrants, consideration paid by the warrant holder together with the amount previously recognized in the contributed surplus account is recorded as an increase to share capital.

FINANCIAL INSTRUMENTS

The Company holds certain financial instruments such as cash, accounts receivables, prepaid expenses, accounts payable and accrued liabilities and HST payable, the fair value of which approximate their carrying value due to the short term nature of these instruments.

Financial assets and liabilities are recognized in the statement of financial position when the Company becomes a party to a contract. Both financial assets and liabilities are initially measured at fair value plus, in the case of financial instruments not at fair value through profit or loss, directly attributable transaction costs. IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39") requires classification of financial assets at inception into one of four categories: fair value through profit or loss, held to maturity, loans and receivables, and available for sale; and classification of financial liabilities at inception into one of two categories: fair value through profit or loss and other liabilities.

NON DERIVATIVE FINANCIAL INSTRUMENTS

Financial assets at fair value through profit or loss

The company has classified its cash as financial assets at fair value through profit or loss.

Loans and receivables

Accounts receivable are classified as loans and receivables.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized costs using the effective interest method, less any impairment losses. Gains and losses are recognized in profit or loss when loans are derecognized or impaired.

Available for sale

Available for sale financial instruments securities are measured initially at fair value. They are accounted for at fair value with unrealized gains and losses included in Other Comprehensive Income (Loss). When there is a significant or prolonged decline in the fair value of an available for sale financial asset or there is objective evidence that the asset is impaired, the cumulative loss equal to the difference between the acquisition cost and its fair value, less any impairment loss that has been recognized in Other Comprehensive Income (Loss) will be reclassified from equity to profit or loss even though the financial asset has not been derecognized.

Impairment of financial assets

Financial assets, other than financial assets at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investment have been negatively impacted.

The carrying amount of the financial asset is directly reduced by any impairment loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale shall not be reversed through profit or loss.

Other Liabilities

Accounts payable and accrued liabilities and HST payable are classified as other liabilities are are carried at amortized cost. The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instruments.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

Financial instruments recorded at FVTPL

Financial instruments recorded at fair value on the statements of financial position are classified using a financial value hierarchy that reflects the significance of the inputs used in marking the measurements. The fair value hierarchy has the following levels:

- Level 1 – valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – valuation techniques based on inputs other than quoted prices including Level 1 that are observable for assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3 – valuation techniques using inputs for the asset and liability that are not based on observable market data (unobservable inputs).

Cash is classified as level 1.

PROVISIONS

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

FLOW THROUGH SHARES

Upon the issuance of flow through shares, the Company records the initial proceeds to capital stock, net of any tax liability, if any. The flow through premium liability on the statement of financial position represents the premium of the financing price in excess of the market share price on the date of the flow through share financing. The financial liability pertaining to the premium is recognized in the statement of operations consistent with expenditure renunciations. As the Company incurs expenditures to meet flow through requirements, a corresponding tax liability is recognized, reflecting the difference between the accounting and tax basis of the expenditures.

NEW ACCOUNTING STANDARDS ADOPTED DURING THE YEAR

IAS 24, Related Party Disclosures ("IAS 24")

The amendments to IAS 24, issued in December 2013, clarify that a management entity, or any member of a group of which it is a part, that provides key management services to a reporting entity, or its parent, is a related party of the reporting entity. The amendments also require an entity to disclose amounts incurred for key management personnel services provided by a separate management entity. This replaces the more detailed disclosure by category required for other key management personnel compensation. The amendments will only affect disclosure and are effective for annual periods beginning on or after July 1, 2014. The Company adopted IAS 24 and there was no material impact on the Company's financial statements.

FUTURE ACCOUNTING PRONOUNCEMENTS

IFRS 9, Financial Instruments ("IFRS 9")

IFRS 9 was issued in July 2014 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39, Financial Instruments – Recognition and Measurement ("IAS 39") for debt instruments with a new mixed measurement model having only two categories; amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent not clearly representing a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in comprehensive income indefinitely.

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income. IFRS 9 will be effective as at January 1, 2018. The Company is in the process of assessing the impact of this pronouncement. The extent of impact has not yet been determined.

IFRS 15, Revenue from Contracts with Customers ("IFRS 15")

IFRS 15 was issued by IASB in May 2014 and will replace IAS 18, Revenue, IAS 11, Construction Contracts, and related interpretations on revenue. IFRS 15 establishes principles to address the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Companies can elect to use either a full or modified retrospective approach when adopting this standard and it is effective for annual periods beginning on or after January 1, 2017. The Company is in the process of analyzing IFRS 15 and determining the effect on its financial statements as a result of adopting this standard.

4. FINANCIAL INSTRUMENTS

The Company manages its exposure to a number of different financial risks arising from its operations as well as its use of financial instruments including market risks (commodity prices, foreign currency exchange rate and interest rate), credit risk and liquidity risk through its risk management strategy. The objective of the strategy is to support the delivery of the Company's financial targets while protecting its future financial security and flexibility.

Financial risks are primarily managed and monitored through operating and financing activities and, if required, through the use of derivative financial instruments. The Company does not use derivative financial instruments for purposes other than risk management. The financial risks are evaluated regularly with due consideration to changes in the key economic indicators and up-to-date market information.

Market Risk

Market risk is the risk or uncertainty arising from possible market price movements and their impact on the future performance of the business. The Company may use derivative financial instruments such as foreign exchange contracts and interest rate swaps to manage certain exposures. These market risks are evaluated by monitoring changes in key economic indicators and market information on an on-going basis.

Liquidity Risk

Liquidity risk encompasses the risk that a company cannot meet its financial obligations in full. The Company's main sources of liquidity is derived from its common stock issuances. These funds are primarily used to finance working capital, operating expenses, capital expenditures, and acquisitions.

The Company manages its liquidity risk by regularly monitoring its cash flows from operating activities and holding adequate amounts of cash. The 2015 budget is planned to be funded by additional financing.

Accounts payable and accrued liabilities are current financial instruments, are due within 30 days expected to be settled in the normal course of operations. Long-term debt is due in 2017 (Note 8)

As at December 31, 2015 the Company held cash of $7,476 (December 31, 2014 - $6,102) to settle current liabilities of $82,543 (December 31, 2014 - $118,135).

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Cash bears interest at market rates. Management believes that the risk that the Company will realize a loss on interest rates due to the long-tem debt is remote due to current market prices and its fixed rate. Other current financial assets and liabilities are not exposed to interest rate risk because of their short-term nature.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist of cash and accounts receivable. The Company has reduced its credit risk by investing its cash with a Canadian chartered bank.

(Expressed in Canadian Dollars)

Fair Value

The Company has designated its cash as FVTPL, which is measured at fair value. Accounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities and HST payable are classified as other financial liabilities, which are measured at amortized cost.

The carrying value and fair value of financial instruments excluding long-term debt held at December 31, 2015 and December 31, 2014 approximate fair value due to their short term nature. Long-term debt is carried at its fair value, which is the amortized cost and is accreted to its face value over the term of the debt.

5. CAPITAL MANAGEMENT

The Company defines capital management in the manner it manages its share capital. As at December 31, 2015 the Company's share capital was $9,802,643 (December 31, 2014 - $9,735,762).

There were no changes in the Company's approach to capital management during the year ended December 31, 2015 and the Company is not subject to any externally imposed capital requirements.

The Company's objectives when managing capital are:

a) To safeguard the Company's financial capacity and liquidity for future earnings in order to continue to provide an appropriate return to shareholders and other stakeholders;

b) To maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk; and

c) To enable the Company to maximize growth by meeting its capital expenditure budget, to expand its budget to accelerate projects, and to take advantage of acquisition opportunities.

The Company regularly monitors and reviews the amount of capital in proportion to risk and future development and exploration opportunities. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new debt or equity or similar instruments, reduce debt levels from, or make adjustments to, its capital expenditure program.

6. EXPLORATION AND EVALUATION ASSET

	December 31, 2015	December 31, 2014
Total exploration and evaluation asset	**$ 290,000**	$ 290,000

Hurdman Property

On September 4, 2013, the Company closed the acquisition of the Hurdman property with Eloro Resources Ltd. ("Eloro"), whereby the Company acquired Eloro's wholly owned Hurdman Property, comprising 14 contiguous mining claims covering 2,944 hectares in Hurdman Township, 120 kilometres north northwest of the City of Timmins, Ontario. The acquisition was completed by issuing 5,000,000 common shares (post consolidation - 1,250,000 common shares) and paying $40,000 in cash to Eloro.

(Expressed in Canadian Dollars)

7. EQUIPMENT

Cost	Office equipment
Balance at December 31, 2013	$ 4,438
Additions	-
Balance at December 31, 2014	$ 4,438
Additions	-
Balance at December 31, 2015	$ 4,438
Accumulated Depreciation	
Balance at December 31, 2013	$ 2,106
Amortization for the period	466
Balance at December 31, 2014	$ 2,572
Amortization for the period	373
Balance at December 31, 2015	$ 2,945
Carrying Amounts	
As at December 31, 2013	$ 2,332
As at December 31, 2014	$ 1,866
Balance at December 31, 2015	**$ 1,493**

8. LONG-TERM DEBT

In March 2015, a director of the Company converted $46,307 of accounts payable to a long-term note. The note bears interest at 10% per annum and due March 31, 2017. The fair value of the note on the date of issuance was $35,811 based on the present value of cash out flows using a discount rate of 25%, the Company recorded a gain on extinguishment of $10,496 to administrative expenses in the statement of operations and comprehensive loss. During the year the Company recorded accretion expense of $3,911.

9. SHARE CAPITAL

a) Authorized:
Unlimited number of common shares
Unlimited number of special shares, issuable in series

b) Total outstanding shares:
Issued:
13,048,312 Common shares
To be issued: 24,000 Common shares

On December 17, 2014 the Company converted preference shares at a rate of 100 for 1 common share. 8,000,000 Class A preference shares were converted for 80,000 common shares and 1,600,000 Class B preference shares were converted for 16,000 common shares.

Subsequent to the conversion of preference shares, effective December 17, 2014, the Company also executed the consolidation of the outstanding common shares on the basis of four existing common shares for one new common share. This resulted in a reduction of outstanding shares from 44,629,247 to 11,157,312. The 4 to 1 consolidation affected all of the Company's outstanding common shares as at the effective date; as a result, the prior year presentation in the financial statements has been restated.

(Expressed in Canadian Dollars)

Additionally, the Company has authorized a new class of shares ("Special Shares") which can be issued in series.

(i) In May 2015, the Company completed a private placement of 1,600,000 shares at a price of $0.05 per share for aggregate proceeds of $80,000. Each unit consist of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder thereof to acquire one common share at a price of $0.10 per a common share for a period of 24 months from the date of issuance.

(ii) In June 2015, the Company completed a private placement of 315,000 units at a price of $0.05 per unit for aggregate proceeds of $15,750. Each unit consist of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder thereof to acquire one common share at a price of $0.10 per common share for a period of 24 months from the date of issuance. In connection with this financing, the Company paid cash commissions of $787 and issued 15,750 broker warrants where each broker warrant entitles the holder to acquire one additional common share at a price of $0.10 for a period of 24 months from the date of issuance.

(c) Warrants

The following table summarizes warrants that have been issued during the period ended December 31, 2015:

	Number of Warrants	Black-Scholes Value	Weighted Average Exercise Price
Balance, January 1, 2015			
Issued	1,600,000	$ 23,234	$ 0.10
Issued	315,000	4,573	0.10
Issued (Broker)	15,750	275	0.10
Balance, December 31, 2015	1,930,750	$ 28,082	$ 0.10

The fair value of warrants issued in for the year ended December 31, 2015 of $28,082 (2014 - $Nil) has been estimated using the Black-Scholes pricing model and this value has been disclosed as a separate component of shareholders' equity. The assumptions used for the valuation of warrants were consistent with the assumptions used in the valuation of stock options and are as follows:

	December 31, **2015**	2014
Risk-free interest rate	0.62 - 0.64	-
Time to maturity	2 years	-
Estimated volatility in the market price of the common shares	110%	-
Dividend yield	Nil	-

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

Warrants	Exercise Price	Fair Value	Expiry date
1,600,000	$ 0.10	$ 23,234	May 27, 2017
315,000	0.10	4,573	June 3, 2017
15,750	0.10	275	June 3, 2017
1,930,750	$ 0.10	$ 28,082	

(Expressed in Canadian Dollars)

10. RELATED PARTY TRANSACTIONS

The following related party transactions occurred and were reflected in the financial statements during the period ended December 31, 2015 and 2014 as follows:

		December 31, 2015		December 31, 2014
Management fees and consulting fees expense:				
Management fees were charged by the CFO for corporate administrative and financial management services (note b)	$	31,500	$	36,000
Consulting fees were charged by the CEO for corporate administration (note b)	$	38,000	$	15,000
	$	69,500	$	51,000
Professional fees expense:				
Legal fees were charged by an officer/director for legal and corporate secretarial services	$	38,603	$	26,283
Rent fees expense:				
Rent fees (office premises) were charged by an officer/director	$	6,038	$	12,000

a) Included in accounts payable and accrued liabilities are management fees of $22,700 (December 31, 2014 - $39,000) to a company controlled by the CFO in common with the Company and legal fees of $35,833 (December 31, 2014 - $46,308) due to a company controlled by a director in common with the Company.

b) CEO and CFO compensation was incurred of $69,500 (December 31, 2014 - $51,000). During the year ended December 31, 2015, $24,000 (December 31, 2014 - $25,000) of accrued compensation was forgiven by the CEO and CFO.

c) In March 2015, the Company has negotiated with the CEO and CFO for the forgiveness of accounts payable due to them. The outstanding indebtedness of the Company was reduced in the amount of $78,000 including $27,000 of expenses generated in the December 31, 2015 year end and $51,000 of expenses generated in the December 31, 2014 year end.

d) Included in long-term debt is with a principal balance of $48,780 (carrying value $43,195) (December 31, 2014 - $Nil) due to a company controlled by an officer/director in common with the Company.

e) As at December 31, 2015, amounts due to related party consist of $225 to company controlled by an officer/director of the Company.

(Expressed in Canadian Dollars)

11. INCOME TAXES

(a) Tax loss carry-forwards

The Company has approximately $850,150 (2014 - $735,396) of net operating losses as at December 31, 2015 available to be carried forward against future taxable income. These non-capital losses will expire as follows:

2030	$	141,880
2031		181,000
2032		187,120
2033		174,400
2034		93,030
2035		72,720
	$	850,150