QUINSAM CAPITAL CORPORATION

FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(EXPRESSED IN CANADIAN DOLLARS)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Quinsam Capital Corporation:

We have audited the accompanying financial statements of Quinsam Capital Corporation, which comprise the statements of financial position as at December 31, 2015 and 2014, and the statements of comprehensive income and 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 required that we comply with ethical requirements and plan and perform the audits 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 auditor's judgment, including the assessment of the risk 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 the 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 Quinsam Capital Corporation 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.

MNP LLP

Chartered Professional Accountants
Licensed Public Accountants

Mississauga, Ontario
April 22, 2016

QUINSAM CAPITAL CORPORATION

STATEMENTS OF FINANCIAL POSITION

	December 31, 2015	December 31, 2014
ASSETS		
CURRENT		
Cash	$ 1,980	$ 45,991
Due from Brokers	135,792	42,946
Investments (Note 4)	2,235,218	2,576,664
Receivables (Note 3)	29,461	21,608
Prepaids and other assets	-	5,000
	$ 2,402,451	$ 2,692,209
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 5)	$ 16,042	$ 16,222
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Note 6)	2,055,625	2,055,625
SHARE-BASED PAYMENT RESERVE (Note 6)	140,206	73,689
RETAINED EARNINGS	190,578	546,673
	2,386,409	2,675,987
	$ 2,402,451	$ 2,692,209

Approved on behalf of the Board

"Michael Newman"
Michael Newman – Director

"Eric Szustak"
Eric Szustak – Director

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

QUINSAM CAPITAL CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME AND LOSS

		Year ended December 31, 2015		Year ended December 31, 2014
NET INVESTMENT REVENUE				
Net realized gain on sale of investments	**$**	**153,154**	$	745,371
Net change in unrealized losses on investments		**(336,457)**		(86,872)
		(183,303)		658,499
OTHER INCOME				
Dividend, interest and advisory services income		**78,838**		18,853
EXPENSES				
General and administrative (Note 8)		**(146,002)**		(106,900)
NET (LOSS) INCOME AND COMPREHENSIVE (LOSS) INCOME	**$**	**(250,467)**	$	570,452
NET (LOSS) INCOME PER SHARE – BASIC	**$**	**(0.01)**	$	0.03
NET (LOSS) INCOME PER SHARE – DILUTED	**$**	**(0.01)**	$	0.03
WEIGHTED AVERAGE SHARES OUTSTANDING – BASIC (Note 6)		**26,407,660**		21,853,199
- DILUTED (Note 6)		**26,407,660**		22,286,770

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

QUINSAM CAPITAL CORPORATION

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Share Capital		Reserve		
	Number of shares	Amount	Option reserve	Retained earnings/ (deficit)	Total
Balance at January 1, 2014	14,570,000	$ 2,311,107	$ 26,949	$ (1,531,009)	$ 807,047
Comprehensive income	-	-	-	570,452	570,452
Issuance of dividends	-	-	-	(23,779)	(23,779)
Stock-based compensation	-	-	46,740	-	46,740
Shares issued for cash	11,837,660	1,315,266	-	-	1,315,266
Share issue costs	-	(39,739)	-	-	(39,739)
Reduction of share capital to deficit (Note 6)	-	(1,531,009)	-	1,531,009	-
Balance at December 31, 2014	**26,407,660**	**$ 2,055,625**	**$ 73,689**	**$ 546,673**	**$ 2,675,987**
Comprehensive loss	-	-	-	(250,467)	(250,467)
Issuance of dividends	-	-	-	(105,628)	(105,628)
Stock-based compensation	-	-	66,517	-	66,517
Balance at December 31, 2015	**26,407,660**	**$ 2,055,625**	**$ 140,206**	**$ 190,578**	**$ 2,386,409**

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

QUINSAM CAPITAL CORPORATION

STATEMENTS OF CASH FLOWS

	Year ended December 31, 2015	Year ended December 31, 2014
Cash flows used in operating activities		
Net (loss) income from continuing operations	**$ (250,467)**	$ 570,452
Items not affecting cash:		
Stock-based compensation	**66,517**	46,740
Unrealized loss on investments	**336,457**	86,872
Net realized gain on sale of investments	**(153,154)**	(745,371)
Changes in non-cash working capital:		
Due from brokers	**(92,846)**	(13,096)
Receivables	**(7,853)**	(15,542)
Prepaid and other assets	**5,000**	(5,000)
Accounts payable and accrued liabilities	**(180)**	(7,794)
Cash flows used in operations	**(96,526)**	(82,739)
Cash flows from financing activities		
Issuance of shares, net	**-**	1,275,527
Cash flows from financing activities	**-**	1,275,527
Cash flows used in investing activities		
Purchase of investments	**(2,244,255)**	(3,906,436)
Proceeds on disposition of investments	**2,402,398**	2,537,411
Issuance of dividends	**(105,628)**	(23,779)
Cash flows from (used in) investing activities	**52,515**	(1,392,804)
Net decrease in cash	**(44,011)**	(200,016)
Cash at beginning of year	**45,991**	246,007
Cash at end of year	**$ 1,980**	$ 45,991

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

NOTE 1- NATURE OF OPERATIONS

Quinsam Capital Corporation (the "Company") was incorporated under the Canada Business Corporations Act on March 18, 2004 in British Columbia. The Company entered into the merchant banking business during 2007 and in 2010, the Company entered into an online learning business which was sold in 2012. The Company was previously in the business of acquisition and development of mineral property interests and other assets or businesses related to the resource industry. At the present time, the Company is an investment and merchant banking firm focused on the small-cap market, with early-stage investments in such areas as resources and technology.

The Company is domiciled in Canada and its registered and records office is located at 390 Bay Street, Suite 806, Toronto, Ontario, M5H 2Y2, Canada.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance with International Financial Reporting Standards
The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the IFRS Interpretations Committee ("IFRIC").

The financial statements were authorized for issue by the Board of Directors on April 22, 2016.

Basis of Presentation
The financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The financial statements are presented in Canadian dollars unless otherwise noted.

Significant Estimates and Assumptions
The preparation of financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Significant judgments
The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies.

The information about significant areas of judgment considered by management in preparing the financial statements are as follows:

Fair value of investment in securities not quoted in an active market or private company investments:

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values.

Fair value of financial derivatives:

Investments in options and warrants that are not traded on a recognized securities exchange do not have a readily available market value. When there are sufficient and reliable observable market inputs, a valuation technique is used; if no such market inputs are available, the warrants and options are valued at intrinsic value.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue

Realized gains and losses on the disposal of investments and unrealized gains and losses on securities classified as fair value through profit and loss are reflected in profit or loss on the trade date and are calculated on an average cost basis. For all financial instruments measured at amortized cost and interest bearing financial assets classified as available-for-sale, interest income or expenses are recorded using the effective interest rate method, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or financial liability. The carrying amount of the Company's financial assets is reviewed at each reporting date to determine whether there is any indication of impairment. Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to the impairment loss, interest income continues to be recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Other investment income is recognized on the accrual basis and is considered operating income for cash flow purposes. Advisory fees are earned on a fixed monthly basis.

Financial Instruments

The Company's financial instruments consist of the following:

Financial assets:
Cash – classified as loans and receivables
Investments – classified at fair value through profit or loss
Due from brokers and receivables – classified as loans and receivables

Classification
All investments are classified upon initial recognition at fair value through profit or loss. The Company's equity component feature of debentures and warrants fall into this category of financial instruments. Assets in this category are measured at fair value with gains or losses recognized in profit (loss).

Recognition, derecognition and measurement
Purchases and sales of investments are recognized on the transaction date.

Investments at fair value through profit or loss are initially recognized at fair value plus transaction costs. Investments are derecognized when the rights to receive cash flows from the investments have expired.

When the Company holds debentures that are convertible into the issuer's equity shares at the Company's option, the equity conversion feature represents an embedded option written by the issuer on its equity shares. The Company records the combined instrument at fair value through profit and loss.

Subsequent to initial recognition, all investments are measured at fair value. Gains and losses arising from changes in the fair value of the investments at fair value through profit or loss category are presented in the statements of comprehensive (loss) income within net change in unrealized gains or losses on investments in the period in which they arise.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Determination of fair values

The determination of fair value requires judgment and is based on market information, where available and appropriate. At the end of each financial reporting period, the Company's management estimates the fair value of investments based on the criteria below and reflects such valuations in the financial statements. The Company is also required to disclose details of its investments (and other financial assets and liabilities for which fair value is measured or disclosed in the financial statements) within three hierarchy levels (Level 1, 2, or 3) based on the transparency of inputs used in measuring or disclosing the fair value, and to provide additional disclosure in connection therewith (Note 4).

1) Publicly-traded investments (i.e., securities of issuers that are public companies):

    a. Securities including shares, options and warrants which are traded in an active market, such as on a recognized securities exchange and for which no sales restrictions apply, are presented at fair value based on quoted closing trade prices at the end of the reporting period or the closing trade price on the last day the security traded if there were no trades at the end of the reporting period. These are included in Level 1 in Note 4.

    b. For warrants and options which are not traded on a recognized securities exchange, no market value is readily available. When there are sufficient and reliable observable market inputs, a valuation technique is used; if no such market inputs are available or reliable, the warrants and options are valued at intrinsic value, which is equal to the higher of the closing trade price at the end of the reporting period of the underlying security less the exercise price of the warrant or option, and zero. These are included in Level 2 in Note 4.

2) Private company investments (securities of issuers that are not public companies):

    All privately-held investments (other than warrants) are initially recorded at the transaction price, being the fair value at the time of acquisition. Thereafter, at each reporting period, the fair value of an investment may (depending upon the circumstances) be adjusted using one or more of the valuation indicators described below. These are included in Level 3 in Note 4. Warrants of private companies are carried at their intrinsic value.

    The determinations of fair value of the Company's privately-held investments at other than initial cost are subject to certain limitations. Financial information for private companies in which the Company has investments may not be available and, even if available, that information may be limited and/or unreliable.

    Use of the valuation approach described below may involve uncertainties and determinations based on the Company's judgment and any value estimated from these techniques may not be realized or realizable.

    Company-specific information is considered when determining whether the fair value of a privately-held investment should be adjusted upward or downward at the end of each reporting period. In addition to company-specific information, the Company will take into account trends in general market conditions and the share performance of comparable publicly-traded companies when valuing privately-held investments.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments (continued)

The fair value of a privately-held investment may be adjusted if:

a. there has been a significant subsequent equity financing provided by outside investors at a valuation different than the current value of the investee company, in which case the fair value of the investment is set to the value at which that financing took place;

b. there have been significant corporate, political or operating events affecting the investee company that, in management's opinion, have a material impact on the investee company's prospects and therefore its fair value. In these circumstances, the adjustment to the fair value of the investment will be based on management's judgment and any value estimated may not be realized or realizable;

c. the investee company is placed into receivership or bankruptcy;

d. based on financial information received from the investee company, it is apparent to the Company that the investee company is unlikely to be able to continue as a going concern;

e. release by the investee company of positive/negative exploration results; and

f. important positive/negative management changes by the investee company that the Company's management believes will have a very positive/negative impact on the investee company's ability to achieve its objectives and build value for shareholders.

Adjustments to the fair value of a privately-held investment will be based upon management's judgment and any value estimated may not be realized or realizable. The resulting values for non-publicly traded investments may differ from values that would be realized if a ready market existed.

3) Other investment instruments:

Convertible debentures and convertible notes are initially recorded at the transaction price, being the fair value at the time of acquisition. Thereafter, eat each reporting period, the combined instrument is adjusted to fair value based on the higher of the fair value of the debt or the equity instruments that would be received if converted.

In addition, the amounts at which the Company's privately-held investments could be disposed of currently may differ from the carrying value assigned.

Financial liabilities:
Accounts payable and accrued liabilities – classified as other financial liabilities.

The fair value of the Company's financial assets and liabilities measured at amortized cost approximates the carrying amount.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

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

The classification of financial instruments is detailed in Note 4 to the financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Earnings (loss) per Share

Basic earnings (loss) per share is calculated by dividing the comprehensive income or loss attributable to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, the earnings (loss) attributable to common shareholders equals the reported earnings attributable to owners of the Company. Diluted earnings (loss) per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted earnings (loss) per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

Share-based Payments

The Company operates an employee stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received, or at the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using a Black–Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount ultimately recognized for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

Income Taxes

Current income tax:

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the end of the reporting period, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax:

Deferred tax is provided using the asset and liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(Expressed in Canadian dollars)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Changes in accounting policies

There have been no changes in accounting policies for the year ended December 31, 2015.

Future Accounting Policies

IFRS 9 – Financial Instruments was issued by the IASB to establish principles for the financial reporting of financial assets and financial liabilities, including requirements for classification and measurement, impairment, and hedge accounting. This standard is mandatorily effective from January 1, 2018, with earlier application permitted.

IFRS 15 - Revenue from Contracts with Customers, effective for annual periods beginning on or after January 1, 2018, with early adoption permitted, specifies how and when to recognize revenue and enhances relevant disclosures to be applied to all contracts with customers.

The Company is currently assessing the effects of these new standards and intends to adopt them on their effective dates.

NOTE 3 – RECEIVABLES

	December 31, 2015	December 31, 2014
Sales tax receivable	$ 3,104	$ 12,851
Trade receivables	26,357	8,757
	$ 29,461	$ 21,608

NOTE 4 – INVESTMENTS

Investments consist of the following as at December 31, 2015:

			Fair Value		
Investments	**Cost**	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Equities	$ 2,220,537	$ 1,355,452	$ -	$ 496,936	$ 1,852,388
Warrants	52,710	-	-	-	-
Convertible Debentures	382,830	-	-	382,830	382,830
Total Investments	$ 2,656,077	$ 1,355,452	$ -	$ 879,766	$ 2,235,218

The following table presents the changes in fair value measurements classified as Level 3. The financial instruments are measured at fair value utilizing non-observable market inputs. The net realized losses and net change in unrealized gains (losses) are recognized in the financial statements of comprehensive income (loss).

(Expressed in Canadian dollars)

NOTE 4 – INVESTMENTS (CONTINUED)

	Opening Balance, January 1 ($)	Purchases /loans ($)	Conversions ($)	Proceeds ($)	Net Realized Gains/(losses) ($)	Net unrealized Gains/ (losses) ($)	Transfer out of Level 3 ($)	Ending Balance ($)
December 31, 2015	500,000	643,270	(200,000)	(17,170)	-	(46,334)	-	879,766
December 31, 2014	0	500,000	-	-	-	-	-	500,000

Within Level 3, the Company included private company investments and other investment instruments such as convertible debentures which are not quoted on an exchange. The key assumptions used in the valuation of these instruments include (but are not limited to) the value at which a recent financing was done by the investee, company-specific information, trends in general market conditions and the share performance of comparable publicly-traded companies.

The following table presents the fair value, categorized by key valuation techniques and the unobservable inputs used within Level 3 as at:

	December 31, 2015		December 31, 2014	
	Fair Value ($)	**Unobservable Inputs ($)**	Fair Value ($)	Unobservable Inputs ($)
Recent financings	316,686	Transaction price		Transaction price
Trends in comparable publicly traded companies and general market conditions	563,080	-	500,000	-
Discounted cash flows	-	-	-	-
	879,766	-	500,000	-

For those investments valued based on recent financing, management has determined that there are no reasonably possible alternative assumptions that would change the fair value significantly as at December 31, 2015 and December 31, 2014, For those investments valued based on trends in comparable publicly -traded companies and general market conditions, the inputs can be highly judgmental. A 10% change in the fair value of these investments would result in a corresponding +/- $87,977 (December 31, 2014 +/- $50,000) change to the fair value of the investments.

The sensitivity analysis is intended to reflect the uncertainty inherent in the valuation of these investments under current market conditions, and its results cannot be extrapolated due to non-linear effects that changes in valuation assumptions may have on the fair value of these investments. Furthermore, the analysis does not indicate a probability of such changes occurring and it does not necessarily represent the Company's view of expected future changes in the fair value of these investments.

(Expressed in Canadian dollars)

NOTE 4 – INVESTMENTS (CONTINUED)

Investments consist of the following as at December 31, 2014:

Investments	Cost	Level 1	Fair Value Level 2	Level 3	Total Fair Value
Equities	$ 2,160,586	$ 1,961,964	$ -	$ 50,000	$ 2,011,964
Warrants	52,710	200	114,500	-	114,700
Convertible Debentures	450,000	-	-	450,000	450,000
Total Investments	$ 2,663,296	$ 1,962,164	$ 114,500	$ 500,000	$ 2,576,664

NOTE 5 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2015	December 31, 2014
Trade payables	$ 3,042	$ 8,722
Accrued liabilities	13,000	7,500
	$ 16,042	$ 16,222

All trade payables are current as at December 31, 2015. Accrued liabilities reflect accrual of professional fees incurred in the normal course of business.

NOTE 6 - SHARE CAPITAL

Authorized:
Unlimited number of common shares without par value.
Unlimited number of preferred shares without par value.

Issued:

At December 31, 2015 there were 26,407,660 issued and fully paid common shares (December 31, 2014 – 26,407,660).

	Number of Common Shares	Amount
Balance as at December 31, 2014	26,407,660	$ 2,055,625
Balance as at December 31, 2015	**26,407,660**	**$ 2,055,625**

Preferred Shares

The preferred shares may be issued in one or more series and the directors are authorized to fix the number of shares in each series and to determine the designation, rights, privileges, restrictions, and conditions attached to the shares of each series. The Company has not issued any preferred shares to date.

(Expressed in Canadian dollars)

NOTE 6 - SHARE CAPITAL (CONTINUED)

Reduction of share capital to deficit

At the annual meeting of shareholders on June 26, 2014, a shareholders' resolution was passed to reduce the stated share capital of the common shares to an amount more representative of the value of the Company's net assets. The Company elected to remove the $1,531,009 cumulative impacts of the previous operations involving the acquisition and development of mineral property interests and other assets or businesses related to the resource industry.

Normal course issuer bid

During the year the Company proceeded with the commencement of a normal course issuer bid to acquire up to 1,320,383 common shares representing 5% of the Company's outstanding shares. The bid will be terminated on November 22, 2016 or on an earlier date in the event that the number of common shares sought in the bid has been repurchased. As at December 31, 2015, no shares have been repurchased.

Share Issuances

There were no share issuances in the current year. During the year ended December 31, 2014, the Company issued 11,837,660 common shares via two non-brokered private placements at $0.10 per share (9,207,660 shares) and $0.15 per share (2,630,000 shares).

Basic and diluted (loss) earnings per share

The calculations of basic and diluted (loss) earnings per share for the year ended December 31, 2015 was based on the loss from operations attributable to common shareholders of ($250,467) (2014 income - $570,452) and the weighted average number of basic common shares outstanding of 26,407,660 (2014 – 21,853,199) and diluted of 27,407,660 (2014 - 22,286,770).

Stock Options

The Company has a stock option plan to grant options to employees, directors and consultants to acquire common shares, up to an amount equivalent to 10% of the outstanding common shares. Under the plan, the exercise price of each option may not be less than the market price of the Company's stock as calculated on the date of grant less an applicable discount. The options can be granted for a maximum term of 5 years and vesting periods are determined by the Board of Directors.

The changes in options during the year ended December 2015 and 2014 are as follows:

	Year ended December 31, 2015			Year ended December 31, 2014		
	Number of options		**Weighted average exercise price**	Number of options		Weighted average exercise price
Options outstanding, beginning of year	**2,376,000**	**$**	**0.10**	450,000	$	0.10
Options issued	**200,000**	**$**	**0.13**	1,926,000	$	0.10
Options expired	**-**	**$**	**-**	-	$	-
Options outstanding, end of year	**2,576,000**	**$**	**0.10**	2,376,000	$	0.10
Options exercisable, end of year	**941,500**	**$**	**0.10**	546,300	$	0.10

(Expressed in Canadian dollars)

NOTE 6 - SHARE CAPITAL (CONTINUED)

Option Reserve

Option reserve records items recognized as stock-based compensation until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital.

On July 27, 2014, 1,926,000 options, vesting equally over a period of five years, were issued to directors, officers and consultants of the Company. The options were valued using the Black-Scholes valuation model with the following assumptions: expected dividend yield of 0%, expected volatility of 141%, risk free return of 1.50% and an expected remaining life of 5 years. The Company has recorded a total of $60,517 (2014 - $46,740) as stock based compensation in connection with the vesting of these options.

On July 1, 2015, 200,000 options, vesting equally over a period of five years, were issued to directors of the Company. The options were valued using the Black-Scholes valuation model with the following assumptions: expected dividend yield of 3%, expected volatility of 146%, risk free return of 0.82% and an expected remaining life of 5 years. The total value attributable to the options is $19,966 of which $6,000 was recorded as stock-based compensation in connection with the vesting of these options during the year.

The following are the options outstanding as at December 31, 2015:

Security Type	Number of Options Issued		Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Expiry Date
Options	450,000	$	0.10	2.83	October 29, 2018
Options	1,926,000	$	0.10	3.57	July 26, 2019
Options	200,000	$	0.13	4.50	July 1, 2020
Total	2,576,000	$	0.10	3.52	

NOTE 7 – RELATED PARTY TRANSACTIONS

All transactions with related parties have occurred in the normal course of operations.

Type of Service	Nature of Relationship		**December 31, 2015**		December 31, 2014
Salaries, consulting fees and other benefits	Officers	$	5,175	$	-
Director fees	Directors		-		-
Stock-based compensation expense	Directors and officers		66,517		46,740
		$	71,692	$	46,740

(Expressed in Canadian dollars)

NOTE 8 - EXPENSES BY NATURE

Included in general and administrative expenses for the years ended December 31:

	December 31, 2015	December 31, 2014
Stock-based compensation expense (Notes 6 and 7)	$ 66,517	$ 46,740
Professional fees	24,720	17,846
Other office and administrative	19,666	5,678
Transfer agent, filing fees	15,287	17,296
Travel and promotion	14,637	3,340
Salaries, bonuses, and other employment benefits (Note 7)	5,175	-
Consulting and directors' fees (Note 7)	-	16,000
	$ 146,002	$ 106,900

NOTE 9 – INCOME TAXES

Unrecognized Deferred Tax Assets

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	December 31, 2015	December 31, 2014
Non-capital losses carried forward	**$ 1,300,330**	$ 1,369,830
Share issuance costs	**$ 27,360**	$ 37,060
Mineral properties	**$ 102,050**	$ 102,050
Marketable securities	**$ 421,810**	$ 85,900

The Canadian non-capital loss carry forwards expire as noted in the table below.

Share issue costs will be fully amortized in 2018.

The remaining deductible temporary differences may be carried forward indefinitely.

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

The Company's Canadian non-capital income tax losses expire as follows:

Year of Expiry	Amount
2026	$ 110,970
2027	165,500
2028	167,810
2029	116,460
2030	142,630
2031	185,880
2032	366,560
2033	44,520
2034	-
	$ 1,300,330

NOTE 10 – RISK MANAGEMENT

The Company is exposed in varying degrees to a variety of financial instrument related risks.

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. The Company's primary exposure to credit risk is on its cash . The risk in cash and due from brokers is managed through the use of major financial institutions which have high credit qualities as determined by rating agencies. The Company's secondary exposure to credit risk is on its receivables. This risk is minimal as receivables consist primarily of refundable government tax credits.

Foreign Exchange Risk
Foreign exchange risk is the risk that the Company will be subject to foreign currency fluctuations in satisfying obligations related to its foreign activities. The Company operates only in Canada and in Canadian dollars and therefore is not exposed to foreign exchange risk.

Interest Rate Risk
Interest rate risk is the risk that the fair value of future cash flows from a financial instrument will fluctuate because of changes in market interest rate. The Company's exposure to interest rate risk relates to its ability to earn interest income on cash at variable rates. The fair value of the Company's cash and investments affected by changes in short term interest rates will be minimal. A 1% change in interest rates impacts net income by $1,378 based upon balances as at December 31, 2015.

Liquidity Risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash and investments. As at December 31, 2015, the Company was holding cash and monies at deposit in brokers' accounts of $137,772.

The following table summarizes the carrying amount and the contractual maturities of both the interest and principal portion of significant financial liabilities as of December 31, 2015:

	Carrying Amount	Within 1 year	1 year to 3 years	3 years to 5 years
Accounts payable and accrued liabilities	$ 16,042	$ 16,042	$ -	$ -

The following table summarizes the carrying amount and the contractual maturities of both the interest and principal portion of significant financial liabilities as of December 31, 2014:

	Carrying Amount	Within 1 year	1 year to 3 years	3 years to 5 years
Accounts payable and accrued liabilities	$ 16,222	$ 16,222	$ -	$ -

Market Risk
Market risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate due to changes in market prices. The value of the financial instruments can be affected by changes in interest rates, foreign exchange rates, and equity and commodity prices. The Company is exposed to market risk in trading its investments and unfavorable market conditions could result in dispositions of investments at less than favorable prices. A 1% change in closing trade price of the Company's investments would impact net income by $22,352 based upon balances as at December 31, 2015.

NOTE 11 – CAPITAL MANAGEMENT

The Company manages its capital, consisting of shareholders' equity, in a manner consistent with the risk characteristics of the assets it holds.

The Company's objectives when managing capital are:

a) to maintain a high degree of liquidity to allow the Company to pursue business opportunities expeditiously; and
b) to earn investment returns while managing risk.

The Company is meeting its objective of managing capital through its detailed review and performance of due diligence on all potential investments and acquisitions. Management reviews its capital management approach on an on-going basis and believes that this approach, given the small size of the Company, is reasonable. The Company is not subject to externally imposed capital requirements and there were no changes in its approach to capital management during the year ended December 31, 2015.

NOTE 12 – OPERATING SEGMENT INFORMATION

The management of the Company is responsible for the Company's entire portfolio and considers the business to have a single operating segment. The management's investment decisions are based on a single, integrated investment strategy, and the performance is evaluated on an overall basis.

The Company has a single reportable geographic segment, Canada, and all of the Company's management are located in Canada.

The internal reporting provided to management of the Company's assets, liabilities, and performance is prepared on a consistent basis with the measurement and recognition principles of IFRS. There were no changes in the reportable segments during the year ended December 31, 2015. As at December 31, 2015 the Company has a diversified portfolio of investments where no single investment accounts for more than 12% of the portfolio.

NOTE 13 – SUBSEQUENT EVENT

Subsequent to year end, in connection with the normal course issuer bid (Note 6), the Company repurchased 30,000 shares at $0.08 per share for total consideration of $2,400.