Stockport Exploration Inc.

Consolidated Financial Statements
October 31, 2014

January 16, 2015

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of **Stockport Exploration Inc.** (the "Company") have been prepared by the Company's management. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and contain estimates based on management's judgment. Internal control systems are maintained by management to provide reasonable assurances that assets are safeguarded and financial information is reliable.

The Board of Directors of the Company is responsible for ensuring that management fulfils its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements and the accompanying management discussion and analysis. The Board carries out this responsibility principally through its Audit Committee.

The Audit Committee is appointed by the Board of Directors and a majority of its members are independent directors. It meets with the Company's management and auditors and reviews internal control and financial reporting matters to ensure that management is properly discharging its responsibilities before submitting the consolidated financial statements to the Board of Directors for approval.

PricewaterhouseCoopers LLP, appointed as the Company's auditors by the shareholders, has examined these consolidated financial statements and their report follows.

(signed) "*James Megann*"
President and Chief Executive Officer
Halifax, Nova Scotia

(signed) *"Robert Randall"*
Chief Financial Officer
Halifax, Nova Scotia

January 16, 2015

Independent Auditor's Report

To the Shareholders of
Stockport Exploration Inc.

We have audited the accompanying consolidated financial statements of **Stockport Exploration Inc.** and its subsidiaries, which comprise the consolidated statements of financial position as at October 31, 2014 and October 31, 2013 and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years ended October 31, 2014 and October 31, 2013 and the related notes, which comprise 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.

Auditor's 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 auditor's 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 Stockport Exploration Inc. and its subsidiaries as at October 31, 2014 and October 31, 2013 and the results of their operations and their cash flows for the years ended October 31, 2014 and October 31, 2013 in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to note 2 of the consolidated financial statements which describes matters and conditions that indicate the existence of material uncertainties that may cast significant doubt about Stockport Exploration Inc.'s ability to continue as a going concern.

(signed) *"PricewaterhouseCoopers LLP"*

Chartered Accountants

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Stockport Exploration Inc.

Consolidated Statements of Financial Position

As at October 31, 2014 and October 31, 2013

(in Canadian dollars)

	2014 $	2013 $
Assets		
Current assets		
Cash	347,586	325,610
Restricted cash (note 10)	–	897,897
Sales taxes recoverable	11,972	25,530
Prepaid expenses and deposits	13,300	8,871
	372,858	1,257,908
Marketable securities	6,000	7,000
Property and equipment (note 6)	15,255	21,262
Resource properties (note 7)	8,591,481	8,893,845
	8,985,594	10,180,015
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 8)	794,625	922,324
Current portion of convertible debentures (note 10)	275,000	–
	1,069,625	922,324
Long-term portion of convertible debentures (note 10)	1,556,306	967,127
	2,625,931	1,889,451
Shareholders' Equity	6,359,663	8,290,564
	8,985,594	10,180,015

Basis of presentation and going concern (note 2)

Commitment (note 14)

Contingency (note 15)

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

Appoved on behalf of the Board of Directors

(signed) "*Wade K. Dawe*"
Director

(signed) "*Carl Sheppard*"
Director

Stockport Exploration Inc.

Consolidated Statements of Comprehensive Loss

For the years ended October 31, 2014 and October 31, 2013

(in Canadian dollars)

	2014 $	2013 $
Expenses		
Amortization	2,382	4,567
Banking fees	2,950	876
General and administrative	38,947	58,091
Investor relations and marketing	4,316	15,398
Listing and regulatory costs	48,548	46,394
Management salaries and fees	232,025	241,123
Management services (note 17)	59,000	30,000
Professional services	29,176	34,486
Share-based compensation (note 9)	78,980	159,098
Travel	8,802	35,458
Write-down of resource properties (note 7)	863,528	–
	1,368,654	625,491
Other income (expenses)		
Change in fair value of convertible debenture liability (note 10)	(864,179)	–
Loss on disposal of equipment	–	(6,676)
Foreign exchange gain	27,678	2,929
Interest income	54,406	156
Interest expense	(4,565)	–
Gain on settlement of accounts payable (note 8)	133,460	–
	(653,200)	(3,591)
Loss before income taxes	(2,021,854)	(629,082)
Recovery of deferred income taxes (note 13)	–	45,000
Net loss for the year	(2,021,854)	(584,082)
Items that may be reclassified subsequently to net income		
Unrealized loss on marketable securities	(1,000)	(2,000)
Comprehensive loss for the year	(2,022,854)	(586,082)
Loss per share – basic and diluted	(0.025)	(0.007)
Weighted average number of common shares outstanding	80,418,404	78,308,694

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

Stockport Exploration Inc.

Consolidated Statements of Changes in Equity

For the years ended October 31, 2014 and October 31, 2013

(in Canadian dollars)

	Number (note 9)	Share capital $ (note 9)	Equity portion of convertible debentures $	Warrants $ (note 11)	Contributed surplus $ (note 12)	Accumulated other comprehensive loss $	Deficit $	Total $
Balance October 31, 2012	74,781,934	21,802,576	–	318,508	4,003,162	(3,000)	(17,981,321)	8,139,925
Net loss for the year	–	–	–	–	–	–	(584,082)	(584,082)
Other comprehensive loss for the year[1]	–	–	–	–	–	(2,000)	–	(2,000)
Comprehensive loss for the year	–	–	–	–	–	(2,000)	(584,082)	(586,082)
Shares issued pursuant to private placement	5,197,160	519,716	–	–	–	–	–	519,716
Warrants issued in connection with convertible debentures	–	–	–	30,000	–	–	–	30,000
Equity portion of convertible debentures	–	–	75,000	–	–	–	–	75,000
Shares issued as finder's fee	351,406	35,141	–	–	–	–	–	35,141
Share issue costs	–	(50,043)	–	–	–	–	–	(50,043)
Share-based compensation	–	–	–	–	171,907	–	–	171,907
Expiry of warrants, net of tax	–	–	–	(318,508)	273,508	–	–	(45,000)
Balance October 31, 2013	80,330,500	22,307,390	75,000	30,000	4,448,577	(5,000)	(18,565,403)	8,290,564
Net loss for the year	–	–	–	–	–	–	(2,021,854)	(2,021,854)
Other comprehensive loss for the year[1]	–	–	–	–	–	(1,000)	–	(1,000)
Comprehensive loss for the year	–	–	–	–	–	(1,000)	(2,021,854)	(2,022,854)
Shares issued as finder's fee	119,720	11,972	–	–	–	–	–	11,972
Commencement of Phase II (note 10)	–	–	(75,000)	–	75,000	–	–	–
Share-based compensation	–	–	–	–	79,981	–	–	79,981
Balance October 31, 2014	80,450,220	22,319,362	–	30,000	4,603,558	(6,000)	(20,587,257)	6,359,663

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

[1] As at October 31, 2014 and 2013, the other comprehensive loss for the years and the accumulated other comprehensive loss at the end of the years comprises the net unrealized loss on available-for-sale securities.

Stockport Exploration Inc.

Consolidated Statements of Cash Flows

For the years ended October 31, 2014 and October 31, 2013

(in Canadian dollars)

	2014 $	2013 $
Cash and cash equivalents provided by (used in)		
Operating activities		
Net loss for the year	(2,021,854)	(584,082)
Charges (credits) to income not involving cash		
Amortization	2,382	4,567
Share-based compensation	78,980	159,098
Loss on disposal of equipment	–	6,676
Change in fair value of convertible debenture liability	864,179	–
Gain on settlement of accounts payable	(133,460)	
Recovery of deferred income taxes	–	(45,000)
Write-down of resource properties	863,528	–
	(346,245)	(458,741)
Net change in non-cash working capital balances related to operations		
Decrease (increase) in sales taxes recoverable	(103)	6,819
Decrease (increase) in prepaid expenses and deposits	(4,429)	32,168
Increase (decrease) in accounts payable and accrued liabilities	(54,164)	33,020
	(404,941)	(386,734)
Financing activities		
Common shares issued for cash, net of issuance costs	–	504,814
Restricted cash received	897,897	–
Convertible debentures and warrants issued for cash, net of issuance costs (note 10)	–	299,299
	897,897	804,113
Investing activities		
Resource property interests and options	(483,948)	(449,333)
Sales taxes recoverable related to resource property interests	13,661	6,019
Purchases of equipment	(693)	(258)
Proceeds on disposal of equipment	–	4,400
	(470,980)	(439,172)
Net change in cash during the year	21,976	(21,793)
Cash – beginning of year	325,610	347,403
Cash – end of year	347,586	325,610
Cash is comprised of		
Cash on hand and balances with banks	347,586	26,311
Cash held in trust (note 10)	–	299,299
	347,586	325,610
Non-cash financing activities		
Common shares issued as a cost of financing (note 9)	11,972	35,141
Proceeds of convertible debentures held as restricted cash (note 10)	–	897,897
Issue costs related to convertible debentures included in accounts payable (note 10)	–	125,069

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

1 Nature of operations

Stockport Exploration Inc. (the "Company") is in the process of exploring its resource properties and has not yet determined whether these properties contain ore reserves that are economically recoverable. To date, the Company has not earned significant revenues. The recoverability of the amounts shown for resource properties and related deferred costs is dependent upon the discovery of economically recoverable reserves, obtaining necessary financing and permitting to complete the development, and future profitable production or proceeds from the disposition thereof. The Company is incorporated and domiciled in Canada, and its head office is located at 1969 Upper Water Street, Suite 2001, Halifax, Nova Scotia, Canada.

2 Basis of presentation and going concern

a) Going concern

These consolidated financial statements have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern, which contemplate the realization of assets and settlement of liabilities in the normal course of business as they come due.

For the year ended October 31, 2014, the Company incurred a net loss of approximately $2.0 million (2013 - $0.6 million) and as at October 31, 2014 had an accumulated deficit of approximately $20.6 million (2013 - $18.6 million). The Company has no income or cash inflow from operations and at October 31, 2014 had a negative working capital balance of approximately $0.7 million (2013 – negative working capital balance of $0.6 million, excluding restricted cash). In addition to its working capital requirements, the Company must secure sufficient funding to maintain legal title to its resource properties, to fund its exploration and development activities and to fund its general and administrative costs. Such material uncertainties cast significant doubt as to the ability of the Company to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

Management is evaluating alternatives to secure additional financing so that the Company can continue to operate as a going concern. Nevertheless, there is no assurance that these initiatives will be successful or sufficient.

The Company's ability to continue as a going concern is dependent upon its ability to fund its working capital and exploration requirements and eventually to generate positive cash flows, either from operations or the sale of properties. These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

b) Statement of compliance

The Company prepares its consolidated financial statements in accordance with generally accepted accounting principles in Canada ("GAAP") as set out in the Handbook of Chartered Professional Accountants of Canada – Part 1 ("CPA Canada Handbook"), which incorporates IFRS as issued by the International Accounting Standards Board ("IASB").

The Board of Directors approved the consolidated financial statements for issue on January 15, 2015.

2 Basis of presentation and going concern (continued)

c) Basis of measurement

These consolidated financial statements have been prepared under a historical cost basis except for certain financial instruments recorded at fair value.

3 Significant accounting policies

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

a) Basis of presentation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, 6321593 Canada Inc., Stockport Exploration of Kenya Limited, and Minera Zapoteca, S.A. de C.V. All inter-company transactions and balances have been eliminated on consolidation of the accounts. All amounts are expressed in Canadian dollars, unless otherwise noted.

b) Resource properties and related deferred costs

The Company defers all expenditures related to its resource properties until such time as the properties are put into commercial production, sold, abandoned or considered to be impaired. Under this method, all amounts shown as resource properties represent costs incurred to date less amounts amortized, received from exploration partners and/or written off, and do not necessarily represent present or future values.

If the properties are put into commercial production, the expenditures will be depleted following the unit of production method. If the properties are sold or abandoned, or considered to be impaired in value, the expenditures will be charged to operations. The Company does not accrue the estimated future costs of maintaining its resource properties in good standing.

Resource properties are reviewed for impairment on a property by property basis whenever events or changes in circumstances indicate that the carrying amount of a resource property may not be recoverable. If the Company has sufficient information about a resource property to estimate future cash flows expected to be generated by the resource property, then recoverability is measured by a comparison of the carrying amount to the estimated cash flows. If the Company does not have sufficient information about the resource property to estimate future cash flows expected to be generated by the resource property, then the carrying amount is compared to the estimated fair value. If the carrying amount exceeds the estimated future cash flows or estimated fair value, the resource property will be written down to its estimated fair value. The ultimate recoverability of the amounts capitalized for the resource properties is dependent upon the delineation of economically recoverable ore reserves, the Company's ability to obtain the necessary financing to complete their development and realize profitable production or proceeds from the disposition thereof.

Impairment losses for resource properties are reversed if the conditions that gave rise to the impairment are no longer present and it has been determined that the asset is no longer impaired or the impairment has been reduced as a result. This reversal is recognized in the consolidated statement of comprehensive loss and is limited to the carrying value that would have been determined had no impairment charge been recognized in prior years.

3 Significant accounting policies (continued)

b) Resource properties and related deferred costs (continued)

Management's estimates of recoverability of the Company's investment in various projects have been based on current conditions; however, it is possible that changes could occur in the near term which could adversely affect management's estimates and may result in future write-downs of capitalized resource property carrying values. Conversely, properties which have been written down may represent future value of the Company in excess of management's estimates and/or the carrying values of the properties.

c) Property option agreements

From time to time, the Company may acquire or dispose of an interest in a resource property pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable, in accordance with the terms of the options, are not recorded. Option payments are recorded as property costs or recoveries when the payments are made or received.

d) Cash

Cash consists of cash on hand, balances with banks and cash held in trust by a Kenyan law firm related to the financing that closed on October 31, 2013 (see note 10).

e) Foreign currency

Transactions in currencies other than the entity's functional currency, which is the Canadian dollar for all entities, ("foreign currencies") are recognized at the rates of exchange prevailing at the dates of the transactions. Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates in effect at the balance sheet date for monetary items and at exchange rates prevailing at the transaction dates for non-monetary items. Revenues and expenses are translated at the average exchange rates prevailing during the years except for expenses that relate to non-monetary assets or liabilities, which are translated at the same historical exchange rate as the related asset or liability. Gains and losses on translation are included in the determination of loss for the years.

f) Deferred income taxes

Income taxes are comprised of current and deferred tax. Income tax is recognized in the consolidated statement of comprehensive loss except to the extent that it relates to items recognized directly in equity, in which case the income tax is also recognized directly in equity.

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

3 Significant accounting policies (continued)

f) Deferred income taxes (continued)

Deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements, as well as the benefit of losses that are probable to be realized and are available for carry forward to future years to reduce income taxes. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are recognized to the extent that is probable that the assets can be recovered.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

g) Flow-through shares

The Company has financed a portion of its exploration activities prior to October 31, 2012 through the issue of flow-through shares. As permitted under the Income Tax Act (Canada), the tax attributes of eligible expenditures incurred with the proceeds of flow-through share issuances are renounced to the flow-through shareholders.

At the time of share issuance, the proceeds are allocated between share capital and the obligation to deliver the tax deduction. The allocation is based on the difference between the quoted price of the Company's non-flow through shares and the amount the investor pays for the flow-through shares (given no other differences between the securities).

In accordance with IFRS, deferred income taxes related to the temporary differences created by the renouncement of flow-through share tax benefits to subscribers are recorded on a pro-rata basis when the qualified expenditures are incurred. This can occur either before or after the formal renunciation of expenditures is filed with tax authorities. When the qualified expenditures are incurred, the tax value of the renunciation is recorded on a pro-rata basis as a deferred income tax liability with a corresponding charge to income tax expense in the consolidated statement of comprehensive loss. Additionally, as qualified expenditures are incurred, the Company recognizes a pro-rata reduction of the flow-through premium liability as a recovery of deferred income taxes in the consolidated statement of comprehensive loss.

h) Related party transactions

Unless otherwise disclosed herein, all transactions with related parties are in the normal course of business and are measured at the exchange amount.

i) Property and equipment

Property and equipment are recorded at cost less accumulated amortization. Amortization is calculated using the declining-balance method at the annual rate of 30% for office equipment and exploration equipment.

3 Significant accounting policies (continued)

j) Loss per share

Loss per share is computed based on the weighted average number of common shares outstanding during the years. The Company follows the treasury method of calculating diluted earnings per share. This method assumes that any proceeds from the exercise of stock options and other dilutive instruments would be used to purchase common shares at the average market price during the year. Diluted loss per share is equal to loss per share since the exercise of all options and warrants is anti-dilutive.

k) Share-based payments

The Company has a share-based compensation plan. Awards of options under this plan are expensed or recorded as additions to resource properties based on the estimated fair value of the options at the grant date, with a corresponding credit to contributed surplus in shareholders' equity. Fair value is estimated using the Black-Scholes pricing model. If the options are subject to a vesting period, the estimated fair value is recognized over this period on a graded vesting basis, based on the Company's estimate of the shares that will eventually vest.

Equity-settled share-based payment transactions with parties other than employees and those providing similar services are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the estimated fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

Cash consideration received on exercise of options is credited to share capital together with the amounts originally recorded as share-based compensation related to the exercised options.

l) Critical accounting estimates and judgments

The preparation of consolidated financial statements under IFRS requires the Company to make estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of expenses during the period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable. Actual results may differ materially from these estimates. The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows:

Recoverability of resource properties

At the end of each reporting period, the Company assesses each of its mineral resource properties to determine whether any indication of impairment exists. Judgment is required in determining whether indicators of impairment exist, including factors such as, the period for which the Company has the right to explore, expected renewals of exploration rights, whether substantive expenditures on further exploration and evaluation of resource properties are budgeted and results of exploration and evaluation activities on the exploration and evaluation assets.

3 Significant accounting policies (continued)

l) Critical accounting estimates and judgments (continued)

Recoverability of resource properties (continued)

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. The impairment analysis requires the use of estimates and assumptions, such as long-term commodity prices, discount rates, future capital requirements, exploration potential and operating performance. Fair value of mineral assets is generally determined as the present value of estimated future cash flows arising from the continued use of the asset, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may take into account. Cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. If the Company does not have sufficient information about a particular mineral resource property to meaningfully estimate future cash flows, the fair value is estimated by management through the use of, where available, comparison to similar market assets and, where available, industry benchmarks. Actual results may differ materially from these estimates.

Deferred income taxes

The Company is periodically required to estimate the tax base of assets and liabilities. Where applicable tax laws and regulations are either unclear or subject to varying interpretations, it is possible that changes in these estimates could occur that materially affect the amounts of deferred income tax assets and liabilities recorded in the consolidated financial statements. Changes in deferred tax assets and liabilities generally have a direct impact on earnings in the period of changes.

Each period, the Company evaluates the likelihood of whether some portion or all of each deferred tax asset will not be realized. This evaluation is based on historic and future expected levels of taxable income, the pattern and timing of reversals of taxable temporary timing differences that give rise to deferred tax liabilities, and tax planning initiatives. Levels of future taxable income are affected by, among other things, the market price for gold, production costs, quantities of proven and probable reserves, interest rates, and foreign currency exchange rates.

Share-based payments

The Company makes certain estimates and assumptions when calculating the estimated fair values of stock options granted and warrants issued. The significant assumptions used include estimate of expected volatility, expected life, expected dividend rate and expected risk-free rate of return. Changes in these assumptions may result in a material change to the expense recorded for grants of stock options and the issuance of warrants.

Valuation of convertible debentures and warrants

On October 31, 2013, the Company issued convertible debentures and warrants for gross proceeds of $1,197,196 (see note 10). The fair value of the various components, including the warrants, embedded derivatives, convertible debentures and the equity component of the convertible debentures, must be calculated initially in order to allocate the proceeds to the various components and then the fair value of the liability components are calculated at each reporting date. The valuation is complex, as there is no active trading market for these items and is based on significant unobservable inputs. The valuation considers factors such as limited available market information, management's assumptions of expected cash flows related to the instruments, including reasonably possible alternative assumptions, maturity dates and expected return of capital on a discounted basis.

3 Significant accounting policies (continued)

l) Critical accounting estimates and judgments (continued)

Valuation of convertible debentures and warrants (continued)

Based on management's analysis as at October 31, 2014, the fair value of the liability component of the convertible debenture instrument is $1,831,306. The Company has estimated the fair value of this liability based on the net present value of 75% of projected future cash flows from operating the surface gold recovery program until October 31, 2018, using a discount rate of 20%. If a discount rate of 25% had been used, this would have resulted in the liability and comprehensive loss being $160,000 lower. If a discount rate of 15% had been used, this would have resulted in the liability and comprehensive loss being $188,000 higher. If the projected future cash flows are 20% lower, the liability and comprehensive loss would be $365,000 lower and at maturity $500,000 would be converted to one million common shares of the Company. If the projected future cash flows are 20% higher, the liability and comprehensive loss would be $100,000 higher.

As the instruments were issued on October 31, 2013, there was no impact to the consolidated statement of comprehensive loss during the year ended October 31, 2013. $1,092,196 was initially allocated to the liability components of these instruments and $105,000 was allocated to the equity components as at October 31, 2013. If management determined that there was an increase or decrease of 5% of the total value to the amount allocated to the liability components, the amount initially allocated to the liability would increase or decrease by approximately $60,000, with an offsetting decrease or increase of $60,000 to the equity components as at October 31, 2013.

Valuation processes

The Company's finance department is responsible for performing the valuation of fair value measurements included in the consolidated financial statements, including Level 3 fair values. The valuation processes and results for recurring measurements are reviewed and approved by the President and Chief Executive Officer and the Chief Financial Officer at least once every quarter, in line with the Company's quarterly reporting dates. All Level 3 valuation results are discussed with the Audit Committee as part of its quarterly review of the Company's consolidated financial statements.

m) New and amended standards adopted

IFRS 10, Consolidated Financial Statements

The IASB issued IFRS 10, "Consolidated Financial Statements" ("IFRS 10"), effective for annual periods beginning on or after January 1, 2013. IFRS 10 replaces portions of IAS 27, "Consolidated and Separate Financial Statements" ("IAS 27") that addresses consolidation, and supersedes Standing Interpretations Committee ("SIC") SIC-12 in its entirety. The objective of IFRS 10 is to define the principles of control and establish the basis of determining when and how an entity should be included within a set of consolidated financial statements. IAS 27 has been amended to reflect the issuance of IFRS 10 and retains guidance only for separate financial statements. The Company has determined that the adoption of IFRS 10 did not result in any change on the consolidation status of any subsidiaries.

3 Significant accounting policies (continued)

m) New and amended standards adopted (continued)

IFRS 11, Joint Ventures

The IASB issued IFRS 11, “Joint Ventures” (“IFRS 11”), effective for annual periods beginning on or after January 1, 2013. IFRS 11 supersedes IAS 31, “Interest in Joint Ventures” and SIC-13, “Jointly Controlled Entities – Non Monetary Contributions by Ventures”. Through an assessment of the rights and obligations in an arrangement, IFRS 11 establishes principles to determine the type of joint arrangement and guidance for financial reporting activities required by the entities that have an interest in arrangements which are controlled jointly. As a result of the issuance of IFRS 10 and IFRS 11, IAS 28, “Investments in Associates and Joint Ventures” (“IAS 28”) was amended to reflect the guidance provided in IFRS 10 and IFRS 11. The adoption of this standard did not result in any impact on the Company’s consolidated financial statements.

IFRS 12, Disclosure of Interests in Other Entities

The IASB issued IFRS 12, “Disclosure of Interests in Other Entities” (“IFRS 12”), effective for annual periods beginning on or after January 1, 2013. IFRS 12 requires extensive disclosures relating to a company’s interests in subsidiaries, joint arrangements, associates, and unconsolidated structured entities. IFRS 12 enables users of the financial statements to evaluate the nature and risks associated with its interests in other entities and the effects of those interests on its financial position and performance. As this standard relates to disclosure, there will be no changes to the consolidated statements of comprehensive loss or financial position. The adoption of this standard did not result in any additional disclosures for the Company.

IFRS 13, Fair Value Measurement

The IASB issued IFRS 13, “Fair Value Measurement” (“IFRS 13”), effective for annual periods beginning on or after January 1, 2013. IFRS 13 defines fair value, provides guidance in a single framework for measuring fair value and identifies the required disclosures pertaining to fair value measurement. The adoption of this standard did not impact the Company’s consolidated financial statements. Additional disclosures related to this standard are included in notes 3(l), 4 and 10.

Amendments to standards

IAS 1, “Presentation of Financial Statements,” has been amended to require entities to separate items presented in other comprehensive income (“OCI”) into two groups, based on whether or not items may be recycled in the future. Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately. The amendment was effective for annual periods beginning on or after July 1, 2012 with earlier application permitted. There were no changes to the consolidated statement of income and financial position as a result of the adoption of these changes.

n) Accounting standards issued but not yet applied

The Company does not expect to early adopt the following new, revised or amended standards and amendments. Accordingly, the Company expects to adopt these standards as set forth below.

IFRS 9, Financial Instruments

The IASB issued IFRS 9, “Financial Instruments” (“IFRS 9”), effective no earlier than for annual periods beginning on or after January 1, 2015, with early adoption permitted. IFRS 9 introduces new classification and measurement requirements for financial instruments. The Company has not yet assessed the impact of IFRS 9 on its consolidated statements of comprehensive loss and financial position.

4 Financial instruments

The Company recognizes financial instruments based on their classification. Depending on the financial instruments' classification, changes in subsequent measurements are recognized in net income (loss) or comprehensive income (loss).

If a financial instrument is measured at fair value, changes in its fair value shall usually be recognized in net income (loss) in the period in which the change occurs, with some exceptions, such as for cash flow hedges and available-for-sale investments. For investments designated as being available-for-sale, changes in the fair value shall be recorded directly in Shareholders' Equity in a separate account called "Accumulated Other Comprehensive Income (Loss)" until the asset is disposed of or becomes impaired. At that time, the gains and losses are transferred to net loss.

The Company has implemented the following classifications:

- Cash and restricted cash are classified as "Loans and Receivables." After their initial fair value measurement, they are measured at amortized cost using the effective interest method.
- Marketable securities are classified as "Available-for-Sale". Financial assets classified as Available-for-Sale are recognized initially at fair values plus transaction costs and are subsequently carried at fair value, with changes in the fair value recorded in other comprehensive income. The fair value measurements are based on quoted prices in active markets for identical instruments (Level 1).
- Accounts payable and accrued liabilities are classified as "Other Financial Liabilities." After their initial fair value measurement, they are measured at amortized cost using the effective interest method.
- Convertible debentures are classified as "Financial Assets or Financial Liabilities at Fair Value through Profit or Loss". The convertible debentures issued on October 31, 2013 included certain embedded derivatives, which are included in convertible debentures on the consolidated statement of financial position. After initial recognition at fair value, the convertible debentures are remeasured each period at fair value with changes in fair value recognized in non-operating income in the consolidated statement of comprehensive loss. As these convertible debentures were issued on October 31, 2013, there was no impact to the consolidated statement of comprehensive loss for the year ended October 31, 2013. The fair value measurements are based on significant unobservable inputs (Level 3). See notes 3(l) and 10 for further details.

a) Fair value

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

The carrying values of cash, restricted cash and accounts payable and accrued liabilities approximate their fair value because of the short-term nature of these instruments.

4 Financial instruments (continued)

b) Foreign currency rate risk

A portion of the Company's transactions occur in United States, Mexican and Kenyan currencies; accordingly, the related financial assets are subject to fluctuations in the respective exchange rates.

For the year ended October 31, 2014, the sensitivity of the Company's net income due to charges in the exchange rate between the Canadian dollar and foreign currencies (primarily the United States dollar and the Kenyan shilling) would have impacted net income by $11,495 for a 5% increase or decrease in the Canadian dollar.

c) Concentration of credit risk

Management does not believe it is exposed to any significant concentration of credit risk except that a significant portion of its cash and restricted cash are on deposit with major Canadian and Kenyan banks or held in trust by a Kenyan law firm. All of the sales taxes recoverable are with either the government of Canada or the government of Mexico.

d) Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due (see note 2).

e) Interest rate risk

The Company has cash; accordingly, the Company's interest income is susceptible to fluctuations in interest rates. The convertible debentures were issued on October 31, 2013. The payments required on the convertible debentures are subject to a number of factors, as outlined in note 10, which results in interest rate risk.

5 Capital management

The Company's capital structure consists of share capital, equity portion of convertible debentures, warrants and contributed surplus, which at October 31, 2014 totalled $27.0 million (2013 - $26.9 million). The Company's objective when managing capital is to maintain adequate levels of funding to support the acquisition and exploration of resource properties and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity financing. Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future.

There were no changes to the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements.

6 Property and equipment

	Office equipment $	Exploration equipment $	Total $
Cost			
Balance as at October 31, 2012	83,419	65,473	148,892
Additions	–	258	258
Disposals	(53,242)	(33,795)	(87,037)
Balance as at October 31, 2013	30,177	31,936	62,113
Additions	–	693	693
Balance as at October 31, 2014	30,177	32,629	62,806
Accumulated amortization			
Balance as at October 31, 2012	64,206	42,071	106,277
Additions	4,567	5,968	10,535
Disposals	(46,535)	(29,426)	(75,961)
Balance as at October 31, 2013	22,238	18,613	40,851
Additions	2,382	4,318	6,700
Balance as at October 31, 2014	24,620	22,931	47,551
Carrying amounts			
As at October 31, 2013	7,939	13,323	21,262
As at October 31, 2014	5,557	9,698	15,255

Amortization of exploration equipment is recorded an addition to resource properties.

7 Resource properties

The Company's resource properties consist of the following:

	Kenya	Canada		Mexico	
	Nyanza $	KM61 $	Seymour Lake $	La Morena and Other $	Total $
Balance as at October 31, 2012	2,653,937	4,008,400	1,127,718	753,572	8,543,627
Additions incurred during the year	247,633	14,734	2,636	85,215	350,218
Balance at October 31, 2013	2,901,570	4,023,134	1,130,354	838,787	8,893,845
Additions incurred during the year	531,123	5,300	–	24,741	561,164
Write-off of resource properties	–	–	–	(863,528)	(863,528)
Balance at October 31, 2014	3,432,693	4,028,434	1,130,354	–	8,591,481

Kenya

i) Nyanza

The Company has an agreement with East African Pure Gold Limited ("EAPG") and B&M Mining Company Limited ("B&M") to earn an interest in three mineral exploration concessions located in Kenya. Under the terms of the agreement, the Company has:

- A first option to earn a 70% interest on completing exploration expenditures of US $600,000 and making cash payments of US $300,000 to EAPG and B&M by August 2016. The required exploration expenditures have been incurred, and cash payments of US $28,000 have been made to date.

- A second option to earn a further 10% interest for a cumulative 80% interest by exercising the first option and incurring cumulative exploration expenditures of US $4 million.

- Within 90 days of completion of the second option, EAPG and B&M can deliver a one-time joint election to fund its 20% share of exploration costs, or EAPG and B&M can grant the Company a further option to acquire an additional 10% interest by funding additional exploration expenditures of US $10 million. The Company will remain the operator on the concessions and is not obligated to incur additional exploration expenditures.

- Within 90 days of completion of a positive feasibility study and receipt of a production notice from the Company for each project, EAPG and B&M can deliver a one-time joint election to fund its 10% share of the construction costs, or EAPG and B&M can grant the Company a further option to acquire an additional 5% interest by funding additional costs of US $10 million. The Company is not obligated to advance a project, covered by a feasibility study, to production.

- The Company maintains a 100% right to any surface mineralization to a depth of 1 meter below saprolite.

SPL 214, which is part of the Nyanza property, is subject to a 2% net smelter royalty. 1% of the net smelter royalty is payable to African Queen Mines Limited ("AQ"), and 1% is payable to AQ's partner, Abba Mining Company Limited.

7 Resource properties (continued)

Canada

i) KM61

The Company holds a 100% interest in the KM61 property, which is a molybdenum-copper-silver prospect, located in northwestern Ontario, contiguous with the Seymour Lake project. The majority of the KM61 property, including the mineralized zone, is subject to a 0.5% net smelter royalty. Of the remaining claims on the KM61 property, certain portions are subject to a 3% net smelter royalty and the balances are not subject to any royalties. The Company can repurchase 50% of the 0.5% net smelter royalty for $250,000 and/or 50% of the 3% net smelter royalty for $1.0 million.

During the year ended October 31, 2012, the Company identified various indicators of impairment of the property, including declines in the prices of molybdenum, copper and silver, a lack of recent exploration work with no significant exploration work planned in the foreseeable future, as well as a strategic shift in the Company's exploration focus towards its Kenyan operations. Given the stage of exploration of the property, the estimated fair value of $4 million was determined based on a review of comparable sale transactions of resource properties. The resulting impairment charge of $4.4 million was charged to expenses. This write-down was approximately 50% of the carrying value prior to the recorded impairment.

As at October 31, 2014, the Company determined that there were no indicators of additional impairment or impairment reversals. Management is currently assessing options to fund additional exploration of KM61.

As at October 31, 2014 or 2013, if it were determined that the estimated fair value of the property should have been 10% higher or lower, this would result in an increase or decrease of the impairment charge by approximately $400,000. The manner and amount of the ultimate realisation of the KM61 property remains subject to significant uncertainty.

ii) Seymour Lake

The Company holds a 100% interest in the Seymour Lake property, which is a tantalum-lithium-beryllium prospect located in northwestern Ontario, in the Crescent Lake area of the Thunder Bay Mining District. Certain portions of the Seymour Lake property are subject to a 3% net smelter return royalty, of which 1.5% can be purchased by the Company for $1.0 million. Management is currently assessing options to fund additional exploration of Seymour Lake.

Mexico

i) La Morena and Other

During the year ended October 31, 2014, the Company wrote-off its Mexican resource properties in the amount of $863,528.

8 Accounts payable and accrued liabilities

	2014 $	2013 $
Trade accounts payable and accrued liabilities	676,854	618,548
Amounts payable to related parties	109,040	296,887
Withholdings and taxes payable	8,731	6,889
	794,625	922,324

During the year ended October 31, 2014, the Company settled certain accounts payable for less than the amounts previously recorded. As a result, the Company recorded a gain on settlement of accounts payable in the amount of $133,460.

9 Capital stock

a) Authorized

Unlimited number of common shares without par value.

b) Changes in the Company's issued common share capital during the years ended October 31, 2014 and 2013 were as follows:

	2014		2013	
	Number	Amount $	Number	Amount $
Opening balance	80,330,500	22,307,390	74,781,934	21,802,576
Shares issued pursuant to private placements	–	–	5,197,160	519,716
Shares issued as finder's fees	119,720	11,972	351,406	35,141
	80,450,220	22,319,362	80,330,500	22,357,433
Less: Share issue costs	–	–	–	(50,043)
Closing balance	80,450,220	22,319,362	80,330,500	22,307,390

c) Shares and units issued for cash

On March 14, 2013, the Company completed a non-brokered private placement of 5.2 million common shares priced at $0.10 per share, for total gross proceeds of $519,716. In connection with the financing, 351,406 shares of the Company were issued as finders' fees, valued at $35,141. Other share issuance costs to complete the financing were $14,902, consisting of professional fees, regulatory costs, and a 7% finders' fee valued at $1,240. A director of the Company subscribed for 1,004,016 common shares pursuant to the private placement.

On October 31, 2013, the Company completed a private placement of 1,196 units at a price of $1,001 per unit, for gross proceeds of $1,197,196 (see note 10). Pursuant to this private placement, a finder's fee of 7%, or $83,804, was payable. 3% of the fee was payable in cash, and 4% is payable in shares at a value of $0.10 per share. During the year ended October 31, 2014, the Company issued 119,720 common shares valued at $11,972 and paid cash of $8,979 to the finders. The remaining balance of cash and shares owing related to the finder's fee has been included in accounts payable as at October 31, 2014.

9 Capital stock (continued)

d) Stock option plan

The Company has adopted a stock option plan (the "Plan"), providing the Board of Directors with the discretion to issue an equivalent number of options of up to 10% of the issued and outstanding share capital of the Company. Stock options are granted with an exercise price of not less than closing share price of the day preceding the date of grant.

The estimated fair value of options recognized has been estimated at the grant date using the Black-Scholes option pricing model. Option pricing models require the input of highly subjective assumptions, including the expected volatility. Changes in the assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable estimate of the fair value of the Company's stock options. Weighted average assumptions used in the pricing model for the years ended October 31, 2014 and 2013 are as follows:

	2014	**2013**
Risk-free rate	1.08%	1.17%
Expected volatility of the Company's share price	162%	156%
Expected dividend yield	0%	0%
Expected life of each option	4.4 years	4.2 years
Weighted average grant date fair value per option		
Exercise price equal to stock price on date of grant	$0.05	$0.05
Exercise price exceeds stock price on date of grant	N/A	$0.07

Option activity for the years ended October 31, 2014 and 2013 is as follows:

	2014		**2013**	
	Number	**Weighted average exercise price $**	**Number**	**Weighted average exercise price $**
Opening balance	6,490,000	0.17	5,425,000	0.27
Granted	1,750,000	0.06	1,620,000	0.09
Expired/forfeited	(3,125,000)	0.18	(555,000)	0.95
Ending balance	5,115,000	0.12	6,490,000	0.17

9 Capital stock (continued)

d) Stock option plan (continued)

As at October 31, 2014, the Company had outstanding stock options entitling the holders to acquire additional common shares as follows:

Weighted average exercise price per share $	Number outstanding	Expiry date	Weighted average remaining contractual life (years)	Number exercisable
0.04	50,000	July 23, 2018	3.73	25,000
0.05	50,000	August 20, 2018	3.81	25,000
0.05	1,200,000	June 5, 2019	4.60	–
0.07	350,000	July 4, 2019	4.68	–
0.07	200,000	September 11, 2019	4.87	–
0.07	100,000	April 12, 2018	3.45	75,000
0.10	700,000	September 30, 2017	2.92	700,000
0.10	990,000	January 17, 2018	3.22	742,500
0.10	100,000	January 21, 2018	3.23	75,000
0.10	100,000	March 13, 2018	3.37	75,000
0.14	150,000	August 3, 2015	0.76	150,000
0.25	600,000	December 1, 2016	2.09	600,000
0.27	150,000	November 8, 2015	1.02	150,000
0.30	375,000	June 7, 2016	1.60	375,000
0.12	5,115,000		3.28	2,992,500

As at October 31, 2014, 2,930,022 options were available for granting under the Plan (2013 – 1,543,050 options).

The estimated value of options earned during the year ended October 31, 2014 was $79,981 (2013 - $171,907). The Company capitalized $1,001 (2013 - $12,809) in non-cash share-based compensation expense to resource properties with the balance of $78,980 (2013 - $159,098) charged to operations.

10 Convertible debentures

On October 31, 2013, the Company completed a private placement of 1,196 units at a price of $1,001 per unit for aggregate gross proceeds of $1,197,196. The proceeds of the financing will be used to fund expenditures, including a two-phased exploration and potential surface gold recovery program at the Company's Nyanza Project:

- Phase I - sampling, metallurgy, permitting and plant equipment procurement; and

- Phase II – capital investment and plant operation for the surface gold recovery program. Until the Company advanced to Phase II, 75% of the gross proceeds, being $897,897, were held in trust with a Kenyan law firm. At the Company's discretion, it was entitled to advance to Phase II with the completion of a successful Phase I.

During the year ended October 31, 2014, the Company elected to proceed with Phase II. As a result, the convertible debenture holders are now entitled to receive:

- a repayment of the convertible debenture in the amount of 100% of the investment ($1,000 per unit) based on 75% of free cash flow generated from the surface gold recovery project;

- a right to purchase a preferred share in Stockport Mining Kenya ("SMK"), a subsidiary of the Company to be incorporated. $1 per unit will be allocated to the cost of the preferred share. The preferred share will pay a premium entitlement of 110% of the original investment ($1,100 per unit) from 75% of free cash flow generated from the gold recovery project and is then redeemed by SMK; and

- if the amount of the debenture plus the 110% premium entitlement is not paid within the five year maturity date of October 31, 2018, then the amount of debt and premium entitlement, less any repayments to that date, will be converted into common shares of the Company at a conversion price of $0.50 per share.

Under the terms of this financing, the Company also issued 1,000 warrants with each unit. The 1,196,000 warrants are exercisable at the commencement of Phase II at a price of $0.10 per share and expire on October 31, 2018. An initial value of $30,000 was assigned as the fair value of the warrants.

Details of amounts repayable related to the convertible debenture are as follows:

	October 31, 2014 $
Phase I	299,299
Phase II	897,897
Total financing proceeds after Phase I and Phase II	1,197,196
Premium entitlement (110%)	1,316,916
Total amount to be repaid by October 31, 2018	2,514,112

The Company has estimated the fair value of this liability based on the net present value of 75% of projected future cash flows from operating the surface gold recovery program until October 31, 2018, using a discount rate of 20%, resulting in a fair value of $1,831,306.

10 Convertible debentures (continued)

At the date of financing of October 31, 2013, the Company assessed the fair value of the convertible debenture liability as $967,127, as the Company did not have a premium entitlement obligation at that time. At October 31, 2014, the Company had an obligation for the premium entitlement and the fair value of the convertible debenture liability was assessed as $1,831,306. The proceeds and issue costs of the convertible debenture financing and subsequent fair value remeasurement were as follows:

	$
On issuance	
Proceeds	1,197,196
Allocated to equity portion of convertible debentures	(75,000)
Allocated to warrants	(30,000)
	1,092,196
Less issue costs, including legal and listing fees and finders' fee (3% in cash and 4% in shares)	(125,069)
Liability component of convertible debentures – October 31, 2013	967,127
Change in fair value of convertible debenture liability	864,179
Liability component of convertible debentures – October 31, 2014	1,831,306

The Company has estimated the fair value of this liability based on the net present value of 75% of projected future cash flows from operating the surface gold recovery program until October 31, 2018, using a discount rate of 20%. See notes 3(l) and 4.

The equity portion of convertible debentures expired with the Company's decision to advance to Phase II. As a result, this amount of $75,000 has been transferred to Contributed Surplus.

11 Warrants

a) Warrant activity for the years ended October 31, 2014 and 2013 was as follows:

	2014			2013		
	Number	Exercise price per warrant $	Amount $	Number	Exercise price per warrant $	Amount $
Opening balance	1,196,000	0.10	30,000	3,074,375	0.35	318,508
Issued for cash (note 10)	–	–	–	1,196,000	0.10	30,000
Expired	–	–	–	(3,074,375)	0.35	(318,508)
Closing balance	1,196,000	0.10	30,000	1,196,000	0.10	30,000

b) Warrants outstanding as of October 31, 2014:

Expiry date	Number	Weighted average exercise price $	Number of exercisable warrants
October 31, 2018	1,196,000	0.10	1,196,000

12 Contributed surplus

	$
Balance at October 31, 2012	4,003,162
Value of options earned	171,907
Value of warrants expired, net of tax	273,508
Balance at October 31, 2013	4,448,577
Value of options earned	79,981
Commencement of Phase II	75,000
Balance at October 31, 2014	4,603,558

13 Income taxes

a) Reconciliation of total tax recovery

	2014 $	2013 $
Loss before income taxes	(2,021,854)	(629,082)
Income tax rate	28%	28%
Expected income tax recovery	(566,000)	(176,000)
Non-deductible share based compensation	22,000	45,000
Unutilized losses	465,000	41,000
Other	79,000	45,000
Income tax recovery	–	(45,000)

b) Deferred income taxes

The following reflects deferred income tax assets (liabilities):

	2014 $	2013 $
Deferred tax assets (liabilities)		
Non-capital losses carried forward	334,000	699,000
Deductible share issue costs	34,000	47,000
Accounting value of mineral resources properties in excess of tax value	(630,000)	(778,000)
Accounting value of convertible debentures in excess of tax value	242,000	–
Tax value of property and equipment and prepaid expenses in excess of accounting value	20,000	32,000
Net deferred income tax liability recognized	–	–

The Company also has the following approximate net deferred tax assets, primarily related to foreign operations which have not been recognized:

	2014 $	2013 $
Net deferred tax assets – not recognized	3,620,000	2,884,000

13 Income taxes (continued)

The Company has accumulated losses for Canadian income tax purposes of approximately $5,013,000 which may be carried forward and used to reduce taxable income in future years. These losses expire as follows:

	$
Year ending October 31, 2028	1,241,000
2029	672,000
2030	676,000
2031	825,000
2032	842,000
2033	351,000
2034	406,000
	5,013,000

The Company has undeducted share issuance costs of approximately $120,000, which will be deducted from Canadian taxable income over the next four years. The Company has also incurred resource expenditures of approximately $6,426,000, which may be carried forward indefinitely and used to reduce Canadian taxable income in future years.

The Company has accumulated Mexican tax losses of approximately $8,378,000, which may be carried forward and used to reduce taxable income from Mexico in future years. These losses expire as follows:

	$
Year ending October 31, 2017	3,445,000
2018	3,791,000
2021	1,044,000
2023	83,000
2024	15,000
	8,378,000

In addition, the Company has accumulated Kenya tax losses of approximately $123,000, which may be carried forward and used to reduce taxable income from Kenya in future years. These losses expire as follows:

	$
Year ending October 31, 2016	71,000
2017	52,000
	123,000

14 Commitment

The Company has entered a Letter of Intent, dated October 15, 2014, with Akili Mineral Services Limited (“AMS”) whereby AMS will construct and operate a small-scale extraction project on the Company’s Nyanza project - SPL 214. AMS will prepare and monitor a capital budget which will be approved and funded by the Company. AMS will charge a fee of US $39,000 (US $13,000 per month for three months) during the preparation and construction period.

Once the gold recovery project is operational, AMS will provide administrative and management services from its Nairobi head office for a fee estimated to be US $10,000 per month.

14 Commitment (continued)

AMS will be entitled to a performance bonus of 15% of net cash flow under US $100,000 per month and 20% on any amounts exceeding US $100,000 per month. The performance bonus will be calculated and paid on a quarterly basis.

15 Contingency

The Company has an employment arrangement with the President and CEO of the Company which provides that, should a change in control event occur, the President may elect to terminate his employment with the Company, in which event the Company is required to pay the President a lump sum payment equal to 2.5 times his annual salary. The Company also has a consulting arrangement with the Chairman of the Company which provides that, should a change in control event occur, the Chairman may elect to terminate his arrangement with the Company, in which event the Company is required to pay the Chairman a lump sum payment equal to 2.0 times his annual remuneration. The payment of these change in control settlements would be subject to the Company maintaining an average market capitalization in excess of CDN$25 million, based on any 10-day volume weighted trading price within the three-month period following the effective date of the change in control.

16 Segmented information

The Company conducts mineral operations in Canada, Kenya and Mexico and is searching for mineral exploration opportunities worldwide. There is no segmented revenue or operating results to report however, the geographical information regarding the Company's total assets is as follows:

					2014
		Mineral Operations			
	Corporate Canada $	Canada $	Mexico $	Kenya $	Total $
Current assets	361,577	–	3,137	8,144	372,858
Marketable securities	6,000	–	–	–	6,000
Property and equipment	5,558	–	–	9,697	15,255
Resource properties	–	5,158,788	–	3,432,693	8,591,481
	373,135	5,158,788	3,137	3,450,534	8,985,594

					2013
		Mineral Operations			
	Corporate Canada $	Canada $	Mexico $	Kenya $	Total $
Current assets	37,063	–	21,037	1,199,808	1,257,908
Marketable securities	7,000	–	–	–	7,000
Property and equipment	7,939	231	–	13,092	21,262
Resource properties	–	5,153,488	838,787	2,901,570	8,893,845
	52,002	5,153,719	859,824	4,114,470	10,180,015

17 Related party transactions

There were no transactions with related parties outside the normal course of business operations during the year ended October 31, 2014. During the year ended October 31, 2014, the Company paid management services fees of $59,000 and rent of $6,000 to a company owned by an officer. Amounts payable to officers, directors and companies owned thereby were $109,040 as at October 31, 2014 (2013 - $296,887).

During the year ended October 31, 2013, a director of the Company subscribed for 1,004,016 common shares as part of the non-brokered private placement financing completed by the Company on March 14, 2013.

18 Compensation of key management

Key management includes all Directors, including Executive and Non-Executive Directors, as well as the President and Chief Executive Officer and the Chief Financial Officer. Compensation earned by key management is summarized as follows:

	2014 $	2013 $
Salaries and director fees earned	239,175	243,238
Share-based compensation	64,357	151,835
	303,532	395,073

19 Subsequent event

Subsequent to the year-ended October 31, 2014, the Company issued 179,579 common shares, valued at $0.10 per share, as a partial payment of finders' fees owing on the convertible debenture financing.