Weststar Resources Corp.

Financial Statements

December 31, 2015 and 2014

(Expressed in Canadian Dollars)

Weststar Resources Corp.

December 31, 2015 and 2014

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Smythe CPA

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF WESTSTAR RESOURCES CORP.

We have audited the accompanying financial statements of Weststar Resources Corp., which comprise the statements of financial position as at December 31, 2015 and 2014 and the statements of comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits 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 Weststar Resources Corp. as at December 31, 2015 and 2014, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

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

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
April 29, 2016

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Weststar Resources Corp.

Statements of Financial Position
December 31, 2015 and 2014
(Expressed in Canadian Dollars)

		2015		2014
Assets				
Current				
Cash	$	**168,451**	$	90,004
Receivables (note 6)		**21,120**		18,160
Share subscriptions receivable (note 11)		**-**		57,000
Prepaid expenses		**4,888**		47,250
		194,459		212,414
Advances to North Road Ventures Ltd. (note 7)		**107,500**		-
Investments (note 8)		**-**		60,750
Property and Equipment (note 9)		**1,542**		1,327
Exploration and Evaluation Assets (note 10)		**1**		1
	$	**303,502**	$	274,492
Liabilities				
Current				
Accounts payable and accrued liabilities (note 12)	$	**104,210**	$	147,741
		104,210		147,741
Shareholders' Equity				
Share Capital (note 11)		**14,649,516**		14,278,181
Reserves (note 11)		**4,318,849**		3,901,439
Accumulated Other Comprehensive Income		**-**		27,050
Deficit		**(18,769,073)**		(18,079,919)
		199,292		126,751
	$	**303,502**	$	274,492

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

Approved on behalf of the Board:

"Keith Anderson" ……………………………… Director
Keith Anderson

"William Rascan" ……………………………… Director
William Rascan

Weststar Resources Corp.

Statements of Comprehensive Loss
Years Ended December 31, 2015 and 2014
(Expressed in Canadian Dollars)

		2015		2014
Expenses				
Accounting, legal and audit (note 12)	$	**26,145**	$	19,650
Amortization (note 9)		**641**		720
Consulting fees (note 12)		**482,164**		219,409
Management fees (note 12)		**126,000**		126,000
Office and general		**9,443**		8,618
Rent		**7,500**		-
Share-based payments (note 11)		**1,410**		79,695
Shareholder communications and investor relations (note 12)		**24,303**		6,829
Transfer agent and filing fees		**26,943**		30,260
		704,549		491,181
Realized gain on available-for-sale investments (note 8)		**(19,095)**		(6,472)
Gain on debt settlement (note 13)		**-**		(84,296)
Impairment of exploration and evaluation assets (note 10)		**-**		1,587,457
Loss on sale of exploration and evaluation assets (note 10)		**-**		76,760
Loss Before Income Taxes		**685,454**		2,064,630
Income Taxes				
Deferred income tax expense (recovery)		3,700		(3,700)
Net Loss for the Year		**689,154**		2,060,930
Items that may be reclassified subsequently to profit or loss				
Unrealized loss (gain) on available-for-sale investments (note 8)		27,050		(28,500)
Income tax effect on unrealized gain		**-**		3,700
Comprehensive Loss for the Year	$	**716,204**	$	2,036,130
Basic and Diluted Loss Per Share	$	**0.02**	$	0.10
Weighted Average Number of Common Shares Outstanding – Basic and Diluted		**35,637,869**		21,637,159

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

Weststar Resources Corp.

Statements of Changes in Equity
Years ended December 31, 2015 and 2014
(Expressed in Canadian Dollars)

	Number of Shares	Share Capital	Reserves	Accumulated Other Comprehensive Income	Deficit	Total
Balance, December 31, 2013	**15,686,746**	**$ 13,395,459**	**$ 3,901,080**	**$ 2,250**	**$ (16,018,989)**	**$ 1,279,800**
Private placement	11,080,000	554,000	-	-	-	554,000
Share issue costs	-	(26,762)	-	-	-	(26,762)
Shares issued for exploration and evaluation assets	1,675,000	106,500	-	-	-	106,500
Shares issued for debt settlement	1,462,744	68,398	-	-	-	68,398
Shares issued on the exercise of share options	1,012,500	101,250	-	-	-	101,250
Fair value of share options exercised	-	79,336	(79,336)	-	-	-
Fair value of share options granted	-	-	74,055	-	-	74,055
Re-pricing of share options	-	-	5,640	-	-	5,640
Net loss and comprehensive loss for the year	-	-	-	24,800	(2,060,930)	(2,036,130)
Balance, December 31, 2014	**30,916,990**	**$ 14,278,181**	**$ 3,901,439**	**$ 27,050**	**$ (18,079,919)**	**$ 126,751**

	Number of Shares	Share Capital	Reserves	Accumulated Other Comprehensive Income	Deficit	Total
Balance, December 31, 2014	**30,916,990**	**$ 14,278,181**	**$ 3,901,439**	**$ 27,050**	**$ (18,079,919)**	**$ 126,751**
Private placement	16,640,000	832,000	-	-	-	832,000
Residual value of warrants issued	-	(416,000)	416,000	-	-	-
Share issue costs	-	(44,665)	-	-	-	(44,665)
Stock options granted	-	-	1,410	-	-	1,410
Net loss and comprehensive loss for the year	-	-	-	(27,050)	(689,154)	(716,204)
Balance, December 31, 2015	**47,556,990**	**$ 14,649,516**	**$ 4,318,849**	**$ -**	**$ (18,769,073)**	**$ 199,292**

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

Weststar Resources Corp.
Statements of Cash Flows
Years Ended December 31
(Expressed in Canadian Dollars)

	2015	2014
Operating Activities		
Net loss for the year	$ **(689,154)**	$ (2,060,930)
Items not involving cash		
Amortization	**641**	720
Share-based payments	**1,410**	79,695
Realized gain on available-for-sale investments	**(19,095)**	(6,472)
Gain on debt settlement	**-**	(84,296)
Impairment of exploration and evaluation assets	**-**	1,587,457
Loss on sale of exploration and evaluation assets	**-**	76,760
Deferred income tax expense	**3,700**	(3,700)
Changes in non-cash working capital		
Receivables	**(2,960)**	(14,542)
Prepaid expenses	**42,362**	(47,250)
Accounts payable and accrued liabilities	**(43,531)**	(16,724)
Cash Used in Operating Activities	**(706,627)**	(489,282)
Investing Activities		
Proceeds from disposal of investments	**49,095**	6,472
Advances to North Road Ventures Ltd.	**(107,500)**	-
Purchase of equipment	**(856)**	-
Exploration and evaluation asset expenditures, net	**-**	(260)
Cash Provided by (Used in) Investing Activities	**(59,261)**	6,212
Financing Activity		
Shares issued for cash, net of issue costs	**844,335**	571,488
Cash Provided by Financing Activity	**844,335**	571,488
Inflow of Cash	**78,447**	88,418
Cash, Beginning of Year	**90,004**	1,586
Cash, End of Year	$ **168,451**	$ 90,004

Supplemental Disclosure with Respect to Cash Flows (note 14)

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

1. NATURE OF OPERATIONS

Weststar Resources Corp. (the "Company") is a Vancouver, British Columbia, based company incorporated on October 27, 2004 in the province of British Columbia. The Company is a junior mining exploration company operating in Canada. The Company's operations include the acquisition and exploration of mineral properties. During the year ended December 31, 2006, the Company completed its initial public offering on the TSX Venture Exchange ("TSX-V"), and the Company's shares were listed for trading on September 22, 2006. On February 10, 2015, the Company de-listed from the TSX-V and began trading on the Canadian Securities Exchange (the "Exchange") under the symbol "WER".

The principal address of the Company is located at 1240 – 789 West Pender, Vancouver, British Columbia, Canada, V6C 1H2.

2. GOING CONCERN

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

Several adverse conditions cast significant doubt on the validity of this assumption. The Company incurred an operating loss during the year ended December 31, 2015 of $689,154 (2014 - $2,060,930) and has a deficit of $18,769,073 (2014 - $18,079,919), has limited resources, no sources of operating cash flow and no assurances that sufficient funding will be available to continue operations for an extended period of time. The Company is in the exploration stage, and accordingly, has not yet commenced revenue-producing operations.

The application of the going concern concept is dependent upon the Company's ability to satisfy its liabilities as they become due and to obtain the necessary financing to complete the exploration and development of its mineral property interests, the attainment of profitable mining operations or the receipt of proceeds from the disposition of its mineral property interests. Management is actively engaged in the review and due diligence on opportunities of merit in the mining sector and is seeking to raise the necessary capital to meet its funding requirements. There can be no assurance that management's plan will be successful. If the going concern assumption were not appropriate for these financial statements then adjustments may be necessary in the carrying value of assets and liabilities, the reported expenses and the statements of financial position classifications used. Such adjustments could be material.

3. BASIS OF PREPARATION

a) Statement of compliance

These financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

b) Basis of measurement

These financial statements have been prepared under the historical cost basis, except for financial instruments classified as available-for-sale ("AFS") and fair value through profit or loss ("FVTPL"). These financial statements have been prepared under the accrual basis of accounting, except for cash flow information.

c) Approval of the financial statements

The financial statements of the Company for the year ended December 31, 2015 were approved and authorized for issue by the Board of Directors on April 29, 2016.

3. BASIS OF PRESENTATION (Continued)

d) Use of estimates and judgments

The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates, which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and may affect both the period of revision and future periods.

The key areas of judgment applied in the preparation of the financial statements that could result in a material adjustment to the carrying amounts of assets and liabilities is as follows:

- The carrying value of the exploration and evaluation assets and the recoverability of the carrying value

  Assets or cash-generating units ("CGUs") are evaluated at each reporting date to determine whether there are any indications of impairment. The Company considers both internal and external sources of information when making the assessment of whether there are indications of impairment for the Company's resource properties.

  Management uses several criteria in its assessments of economic recoverability and probability of future economic benefit, including geologic and metallurgic information, economics assessment/ studies, accessible facilities and existing permits.

- Going Concern

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

The key estimates applied in the preparation of the financial statements that could result in a material adjustment to the carrying amounts of assets and liabilities are as follows:

- The recoverability of deferred tax assets;
- Provision for reclamation costs, among others; and
- Assumptions used to calculate share-based payments.

Actual results could differ from those estimates. Key judgments and estimates made by management with respect to those areas noted previously have been disclosed in the notes to the financial statements, as appropriate.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies have been applied consistently throughout the year to the Company for purposes of these financial statements.

a) Foreign currency translation

The Company's presentation currency and functional currency is the Canadian dollar, as this is the principal currency of the economic environment in which it operates.

Transactions in foreign currencies are initially recorded in the Company's functional currency at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the end of each reporting period.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions and are not subsequently restated.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value is determined.

All gains and losses on translation of these foreign currency transactions are included in profit or loss.

b) Property and equipment

i) Recognition and measurement

On initial recognition, property and equipment are valued at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

Property and equipment are subsequently measured at cost less accumulated amortization, less any accumulated impairment losses.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

ii) Subsequent costs

The cost of replacing part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Property and equipment (continued)

iii) Amortization

The amortization rates applicable to each category of property and equipment are as follows:

Class of equipment	**Amortization rate**
Computer equipment	55% declining-balance
Office equipment	20% declining-balance
Leasehold improvements	20% straight-line

c) Exploration and evaluation assets

i) Exploration and evaluation expenditures

Exploration and evaluation activities involve the search for minerals, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

Exploration and evaluation costs incurred prior to obtaining licenses are expensed in the period in which they are incurred. Once a license to explore an area has been secured, expenditures on exploration and evaluation activities are capitalized to exploration and classified as a component of mineral properties. Such expenditures include, but are not limited to, exploration license expenditures, leasehold property acquisition costs, evaluation costs, including drilling costs directly attributable to a property, and directly attributable to general and administrative costs.

From time to time the Company may acquire or dispose of a mineral 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 are not recorded. Option payments are recorded as property costs or recoveries when the payments are made or received.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets are tested for impairment and transferred to “mines under construction”. No amortization is taken during the exploration and evaluation phase.

ii) Decommissioning liabilities

An obligation to incur decommissioning and site rehabilitation costs occurs when environmental disturbance is caused by exploration, evaluation, development or ongoing production.

Decommissioning and site rehabilitation costs arising from the installation of plant and other site preparation work, discounted to their net present value, are provided when the obligation to incur such costs arises and are capitalized into the cost of the related asset. These costs are charged against operations through depreciation of the asset and unwinding of the discount on the provision.

Depreciation is included in operating costs while the unwinding of the discount is included as a financing cost. Changes in the measurement of a liability relating to the decommissioning or site rehabilitation of plant and other site preparation work are added to, or deducted from, the cost of the related asset.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Exploration and evaluation assets (continued)

ii) Decommissioning liabilities (continued)

The costs for the restoration of site damage, which arises during production, are provided at their net present values and charged against operations as extraction progresses.

Changes in the measurement of a liability, which arises during production, are charged against operating profit. The discount rate used to measure the net present value of the obligations is the pre-tax rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. To date the Company does not have any decommissioning liabilities.

d) Impairment of assets

At the end of each reporting period, the Company reviews the carrying amounts of its noncurrent assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the CGU to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses for assets with a finite useful life, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

e) Share capital

Proceeds from the exercise of stock options and warrants are recorded as share capital in the amount for which the option or warrant enabled the holder to purchase a share in the Company. Share capital issued for non-monetary consideration is valued at the closing market price at the date of issuance. The proceeds from the issuance of units are allocated between common shares and warrants based on the residual value method. Under this method, the proceeds are allocated first to share capital based on the fair value of the common shares at the time the units are priced and any residual value is allocated to the warrants reserve. Consideration received for the exercise of warrants is recorded in share capital and the related reserve value is transferred to share capital.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Flow-through shares

Resource expenditures for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation. A liability is recognized for the premium on the flow-through shares and is subsequently reversed as the Company incurs qualifying Canadian exploration expenses.

In circumstances where the Company has issued flow-through shares by way of a unit offering, the proceeds are allocated first to share capital based on the fair value of the common shares at the time the units are priced and any residual value is allocated to the warrants reserve first based on the fair value of the warrant component using the Black-Scholes option pricing model on grant date. Any remaining residual value is then recognized as a liability for the premium on the flow-through shares.

g) Financial instruments

i) Financial assets

The Company classifies its financial assets in the following categories: FVTPL, held-to-maturity investments ("HTM"), loans and receivables, and AFS. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of assets at recognition.

- Financial assets at fair value through profit or loss
  Financial assets at FVTPL are initially recognized at fair value with changes in fair value recorded through income.

- Held-to-maturity investments
  HTM investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs.

- Loans and receivables
  Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets or non-current assets based on their maturity date. Loans and receivables are carried at amortized cost, less any impairment.

- Available-for-sale financial assets
  AFS financial assets are non-derivatives that are either designated as available-for-sale or not classified in any of the other financial asset categories. Changes in the fair value of AFS financial assets are recognized as other comprehensive income and classified as a component of equity.

  When financial assets classified as AFS are sold, the accumulated fair value adjustments recognized in other comprehensive income are included in profit or loss. Management assesses the carrying value of AFS financial assets at least annually and any impairment charges are recognized in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) Financial instruments (continued)

i) Financial assets (continued)

- Effective interest method
  The effective interest method calculates the amortized cost of a financial asset and allocates interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

  Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as FVTPL.

ii) Financial liabilities

The Company classifies its financial liabilities in the following categories: borrowings and other financial liabilities and derivative financial liabilities.

- Borrowings and other financial liabilities
  Borrowings and other financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs incurred, and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit or loss over the period to maturity using the effective interest method. Borrowings and other financial liabilities are classified as current or non-current based on their maturity date.

- Derivative financial liabilities
  Derivative financial liabilities are initially recognized at their fair value on the date the derivative contract is entered into and are subsequently remeasured at their fair value at each reporting period with changes in the fair value recognized in profit or loss. Derivative financial liabilities include warrants issued by the Company denominated in a currency other than the Company's functional currency.

iii) Fair value hierarchy

Fair value measurements of financial instruments are required to be classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The levels of the fair value hierarchy are defined as follows:

Level 1:	Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2:	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3:	Inputs for assets or liabilities that are not based on observable market data.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Share-based payment transactions

The Company grants share options to acquire common shares of the Company to directors, officers, employees and consultants. The fair value of share-based payments to employees is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the vesting period for employees using the graded vesting method. Fair value of share-based payments for non-employees is recognized and measured at the date the goods or services are received based on the fair value of the goods or services received. If it is determined that the fair value of goods and services received cannot be reliably measured, the share-based payment is measured at the fair value of the equity instruments issued using the Black-Scholes option pricing model.

For both employees and non-employees, the fair value of share-based payments is recognized as either an expense or as mineral property interests with a corresponding increase in option reserves. The amount recognized as expense is adjusted to reflect the number of share options expected to vest. Consideration received on the exercise of stock options is recorded in share capital and the related share-based payment in option reserves is transferred to share capital.

For those options and warrants that expire or are forfeited after vesting, the recorded value remains in the reserve.

i) Income taxes

Income tax expense consisting of current and deferred tax expense is recognized in the statement of comprehensive loss. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year-end, adjusted for amendments to tax payable with regard to previous years.

Deferred tax assets and liabilities and the related deferred income tax expense or recovery are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the year that substantive enactment occurs.

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

j) Earnings (loss) per share

The Company presents basic earnings (loss) per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of shares outstanding during the year. The Company uses the treasury stock method for calculating diluted earnings (loss) per share. Under this method the dilutive effect on earnings per share is calculated on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to purchase common shares at the average market price during the year. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) New and revised accounting standards issued but not yet effective

At the date of authorization of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been early-adopted by the Company.

Management anticipates that all of the pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's financial statements is provided below. Certain other new standards and interpretations have been issued, but are not expected to have an impact on the Company's financial statements.

IFRS 9 Financial Instruments

Issued by the IASB July 2014, effective for annual periods beginning January 1, 2018.

IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement* and IFRIC 9 *Reassessment of Embedded Derivatives*. The final version of this new standard supersedes the requirements of earlier versions of IFRS 9. However, for annual periods beginning before January 1, 2018, an entity may elect to apply those earlier versions instead of applying the final version of this new standard if its initial application date is before February 1, 2015.

The main features introduced by this new standard compared with predecessor IFRS are as follows:

- Classification and measurement of financial assets:
  Debt instruments are classified and measured on the basis of the entity's business model for managing the asset and its contractual cash flow characteristics as either: "amortized cost", "fair value through other comprehensive income", or "fair value through profit or loss" (default). Equity instruments are classified and measured as "fair value through profit or loss" unless upon initial recognition elected to be classified as "fair value through other comprehensive income".
- Classification and measurement of financial liabilities:
  When an entity elects to measure a financial liability at fair value, gains or losses due to changes in the entity's own credit risk is recognized in other comprehensive income (as opposed to previously profit or loss). This change may be adopted early in isolation of the remainder of IFRS 9.
- Impairment of financial assets:
  An expected credit loss impairment model replaced the incurred loss model and is applied to financial assets at "amortized cost" or "fair value through other comprehensive income", lease receivables, contract assets or loan commitments and financial guarantee contracts. An entity recognizes twelve-month expected credit losses if the credit risk of a financial instrument has not increased significantly since initial recognition and lifetime expected credit losses otherwise.
- Hedge accounting:
  Hedge accounting remains a choice, however, is now available for a broader range of hedging strategies. Voluntary termination of a hedging relationship is no longer permitted. Effectiveness testing now needs to be performed prospectively only. Entities may elect to continue to applying IAS 39 hedge accounting on adoption of IFRS 9 (until the IASB has completed its separate project on the accounting for open portfolios and macro hedging).

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) New and revised accounting standards issued but not yet effective (continued)

Annual Improvements 2012-2014 Cycle

Issued by the IASB September 2014, effective for annual periods beginning January 1, 2016.

The following standards have been revised to incorporate amendments issued by the IASB:

- IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* – Clarifies the application of guidance when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution (or vice versa), and the circumstances in which an asset (or disposal group) no longer meets the criteria for held for distribution.
- IFRS 7 *Financial Instruments: Disclosures* – Clarifies guidance on servicing contracts and the applicability of the amendments to IFRS 7 regarding offsetting financial assets and financial liabilities to interim financial statements.
- IAS 19 *Employee Benefits* – Clarifies the application of the discount rate requirements for currencies for which there is no deep market in high quality corporate bonds.
- IAS 34 *Interim Financial Reporting* – Clarifies the meaning of disclosure of information "elsewhere in the interim financial report".

Equity Method in Separate Financial Statements (Amendments to IAS 27)

Issued by the IASB August 2014, effective for annual periods beginning January 1, 2016.

Amends IAS 27 *Separate Financial Statements* to permit investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.

Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 and IAS 38)

Issued by the IASB May 2014, effective for annual periods beginning January 1, 2016.

Amends IAS *16 Property, Plant and Equipment* and IAS 38 *Intangible Assets* to:

- clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment.
- introduce a rebuttable presumption that an amortization method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.
- add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

5. FINANCIAL INSTRUMENTS

Financial instruments are agreements between two parties that result in promises to pay or receive cash or equity instruments. The Company classifies its financial instruments as follows: cash is classified as financial asset at FVTPL; share subscription receivable and advances, as loans and receivables; investments, as AFS; and accounts payable and accrued liabilities, as other financial liabilities, which are measured at amortized cost. The carrying value of these instruments approximates their fair values due to their short term to maturity.

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk.

a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company manages credit risk, in respect of cash, by placing cash with major Canadian financial institutions. The Company has minimal credit risk.

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquid funds to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The contractual financial liabilities of the Company as of December 31, 2015 equal $104,210 (2014 - $147,741). All of the liabilities presented as accounts payable are due within 90 days of December 31, 2015.

c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimizing the return on capital.

As at December 31, 2015, the Company is not exposed to significant market risk.

d) Capital management

The Company considers its capital to be comprised of shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares. Although the Company has been successful at raising funds in the past through the issuance of share capital, it is uncertain whether it will continue this method of financing due to the current difficult market conditions.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

5. FINANCIAL INSTRUMENTS (Continued)

(d) Capital management (continued)

Management reviews the capital structure on a regular basis to ensure that the above objectives are met. There have been no changes to the Company's approach to capital management during the year ended December 31, 2015. The Company is not subject to external restrictions on its capital.

6. RECEIVABLES

Receivables at December 31, 2015 consists of GST recoverable of $21,120 (2014 - $18,160).

7. ADVANCES TO NORTH ROAD VENTURES LTD.

On July 21, 2015, the Company signed a letter of intent to purchase shares of North Road Ventures Inc. ("North Road"), a private British Columbia company, representing up to a 50% interest in North Road. North Road is in the process of submitting a Health Canada application for a license issued under the Medicinal Marihuana for Medical Purposes Regulations ("MMPR").

Subsequent to December 31, 2015, the Company entered into a definitive agreement to acquire a 50% interest in North Road (note 18(d)).

During the year ended December 31, 2015, the Company advanced $107,500 to North Road in order to further the MMPR license application. The amount advanced was without interest. If North Road submitted a MMPR license application by June 30, 2016, based on the MMPR rules in place when the letter of intent with North Road was signed July 21, 2015, the amount advanced would be forgiven. If the MMPR license application was not submitted by June 30, 2016, then the amount advanced would be repaid to the Company by July 20, 2016. All expenses directly or indirectly incurred by North Road in relation to preparing the MMPR license application would be forgiven.

Subsequent to December 31, 2015, the MMPR application was submitted by North Road and the Company forgave repayment of the advance (note 18(c)).

8. INVESTMENTS

Canada Coal Inc. ("CCK")

The Company received 500,000 common shares of CCK pursuant to the disposition of exploration and evaluation assets during the year ended December 31, 2010. The 500,000 common shares are subject to escrow and are released on a staged basis, with 10% released February 29, 2012, and 15% to be released every six months thereafter for a period of 36 months. As at January 1, 2014, the Company has 225,000 common shares of CCK.

During the year ended December 31, 2014, the Company sold 150,000 common shares of CCK for proceeds of $6,472, resulting in a realized gain of $6,472. As at December 31, 2014, the fair value of the remaining 75,000 common shares of CCK held was $750, and an unrealized loss of $1,500 was recorded in other comprehensive income (loss) for the year ended December 31, 2014.

During the year ended December 31, 2015, the Company sold 75,000 common shares of CCK for proceeds of $1,400, resulting in a realized gain of $1,400. The Company also realized a gain of $3,700 previously recorded in accumulated other comprehensive income (loss) during the year ended December 31, 2014 related to the common shares of CCK. At December 31, 2015, there were no shares of CCK held.

(Expressed in Canadian Dollars)

8. INVESTMENTS (Continued)

Saint Jean Carbon Inc. ("SJL")

The Company received 3,000,000 common shares of SJL, valued at $30,000, pursuant to the disposition of exploration and evaluation assets during the year ended December 31, 2014 (note 10).

At December 31, 2014, the fair value of the 3,000,000 common shares of SJL held was $60,000, and an unrealized gain of $30,000 was recorded in other comprehensive income (loss) during the year ended December 31, 2014.

During the year ended December 31, 2015, the Company sold the 3,000,000 common shares of SJL for proceeds of $47,695, resulting in a realized gain of $17,695. At December 31, 2015, there were no shares of SJL held.

9. PROPERTY AND EQUIPMENT

	Computer Equipment	Office Equipment	Total
Cost			
Balance, December 31, 2013 and 2014	$ 2,724	$ 2,032	$ 4,756
Addition	856	-	856
Balance, December 31, 2015	$ 3,580	$ 2,032	$ 5,612
Amortization			
Balance, December 31, 2013	$ 1,835	$ 874	$ 2,709
Amortization	489	231	720
Balance, December 31, 2014	2,324	1,105	3,429
Amortization	456	185	641
Balance, December 31, 2015	$ 2,780	$ 1,290	$ 4,070
Net Book Value, December 31, 2014	$ 400	$ 927	$ 1,327
Net Book Value, December 31, 2015	$ 800	$ 742	$ 1,542

10. EXPLORATION AND EVALUATION ASSETS

Axe Property

Pursuant to an option agreement dated July 19, 2005, the Company acquired a 70% interest (originally 66%, but amended by mutual consent) in the Axe claims situated in the Similkameen Mining District, British Columbia. As consideration for the property, the Company paid $5,000, issued 150,000 common shares at a fair value of $243,500 and incurred exploration costs of $500,000.

10. EXPLORATION AND EVALUATION ASSETS (Continued)

Axe Property (continued)

Pursuant to an agreement dated March 23, 2007, the Company acquired four additional claims. As consideration for the claims, the Company paid $15,000. The claims are subject to a 2% net smelter royalty (“NSR”), and under the terms of the agreement the Company has the right to purchase the NSR in stages for up to $3,000,000.

On August 23, 2013, the Company and Bearclaw Capital Corp. (“Bearclaw”), the holder of the remaining 30% participating interest in the Axe property, entered into a Letter of Intent ("LOI") to enter into an option agreement with Copper Mountain Mining Corp. ("Copper Mountain"). The option agreement was completed with an effective date of February 12, 2014. Under the terms of the option agreement, the Company and Bearclaw agreed to grant Copper Mountain an option to earn a 75% undivided interest in and to the Axe Property.

Copper Mountain could earn a 51% interest in the Axe Property by incurring $3,000,000 of expenditures in exploration activities on the Axe Property during a five-year period, with a minimum of $100,000 per year. Copper Mountain was to pay to the Company and Bearclaw (collectively, in proportion to their participating interests in the Axe Property, which are 70% for the Company and 30% for Bearclaw):

- $5,000 upon signing the LOI (received);
- $20,000 upon completion of the agreement (received);
- $30,000 on February 12, 2015;
- $50,000 on February 12, 2016;
- $100,000 on February 12, 2017;
- $150,000 on February 12, 2018; and
- $200,000 on February 12, 2019.

If Copper Mountain exercised the option, the Company, Bearclaw and Copper Mountain would enter into a formal joint venture agreement. Copper Mountain would be the initial operator holding a 51% participating interest, and the Company and Bearclaw, a 34.3% and 14.7% participating interest, respectively.

Upon exercise of the option, Copper Mountain would have the option to acquire an additional 24% undivided interest in the Axe Property (increasing its interest to 75%, absent other adjustments) by incurring an additional $6,000,000 in expenditures on the Axe Property in two stages of $3,000,000 per stage. In the event Copper Mountain exercised the second option and acquires an undivided 75% interest in the Axe Property, the Company and Bearclaw would have a 17.5% and 7.5% participating interest, respectively.

The $30,000 payment was not received and the Company determined that Copper Mountain was in default of the agreement. The Company does not plan to further develop the Axe Property without a joint venture partner. Accordingly, the property was deemed to be impaired at December 31, 2014 and written down to $1.

East Miller Claims and Page Property

On September 25, 2013 (amended December 10, 2013), the Company entered into an agreement to acquire a 100% interest in nine mineral claims in Quebec, Canada. On January 6, 2014, the Company issued 1,250,000 common shares (valued at $75,000) as consideration for the acquisition and 125,000 common shares (valued at $7,500) as finder’s fees.

On December 16, 2013, the Company entered into an agreement to acquire a 100% interest in the Page Property comprising 16 mineral claims in the Porcupine Mining Division of Ontario. On January 8, 2014, the Company issued 300,000 common shares (valued at $24,000) as consideration for the acquisition.

(Expressed in Canadian Dollars)

10. EXPLORATION AND EVALUATION ASSETS (Continued)

East Miller Claims and Page Property (continued)

On December 10, 2014, the Company sold its interests in the East Miller Claims and the Page Property to SJL in exchange for 3,000,000 common shares of SJL (valued at $30,000). The sale resulted in a loss on sale of $76,760.

Environmental

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company.

Environmental legislation is becoming increasingly stringent and the expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company’s operations may cause additional expenses and restrictions.

If the restrictions adversely affect the scope of exploration and development on the mineral properties, the potential for production on the property may be diminished or negated.

Title to exploration and evaluation interests

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

	Axe Property	East Miller Claims and Page Property	Total
Balance, December 31, 2013	**$ 1,587,458**	**$ -**	**$ 1,587,458**
Acquisition costs	-	106,760	106,760
Sale of exploration and evaluation assets		(106,760)	(106,760)
Impairment of acquisition and exploration costs	(1,587,457)	-	(1,587,457)
Balance, December 31, 2014 and 2015	**$ 1**	**$ -**	**$ 1**

11. SHARE CAPITAL

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

During the year ended December 31, 2015

On July 22, 2015, the Company closed a non-brokered private placement and issued 6,460,000 units at a price of $0.05 per unit for gross proceeds of $323,000. Each unit consists of one common share in the capital of the Company and one share purchase warrant. Each warrant is exercisable by the holder to acquire one additional common share of the Company for a period of two years from issuance at an exercise price of $0.075. The Company allocated $161,500 of the proceeds to the common shares and $161,500 of the proceeds to the warrants based on the residual value method. The Company paid finder's fees of $12,100 and other share issue costs of $992.

On October 26, 2015, the Company closed a non-brokered private placement and issued 10,180,000 units at a price of $0.05 per unit for gross proceeds of $509,000. Each unit consists of one common share in the capital of the Company and one share purchase warrant. Each warrant is exercisable by the holder to acquire one additional common share of the Company for a period of two years from issuance at an exercise price of $0.075. The Company allocated $254,500 of the proceeds to the common shares and $254,500 of the proceeds to the warrants based on the residual value method. The Company paid finder's fees of $30,800 and other share issue costs of $773.

Share subscriptions receivable of $57,000 outstanding at December 31, 2014 were collected.

During the year ended December 31, 2014

On January 6, 2014, the Company issued 1,375,000 common shares of the Company as payment and finder's fees for the East Miller Claims (note 10).

On January 8, 2014, the Company issued 300,000 common shares of the Company as payment for the Page Property (note 10).

On February 28, 2014, the Company issued 1,225,800 common shares of the Company in order to settle debts of $122,580 with directors, officers, consultants and a company with common directors. The Company recognized a gain on debt settlement of $61,290 (note 13).

On September 18, 2014, the Company closed the first tranche of a non-brokered private placement and issued 8,140,000 units at a price of $0.05 per unit for gross proceeds of $407,000. Each unit consists of one common share in the capital of the Company and one share purchase warrant. Each warrant is exercisable by the holder to acquire one additional common share of the Company for a period of two years from issuance at an exercise price of $0.075. The Company paid finder's fees of $13,900 and other share issue costs of $2,907.

On December 16, 2014, the Company closed the second tranche of a non-brokered private placement and issued 2,940,000 units at a price of $0.05 per unit for gross proceeds of $147,000. Each unit consists of one common share in the capital of the Company and one share purchase warrant. Each warrant is exercisable by the holder to acquire one additional common share of the Company for a period of two years from issuance at an exercise price of $0.075. The Company paid finder's fees of $9,000 and other share issue costs of $955. Share subscriptions proceeds of $57,000 were received subsequent to December 31, 2014.

(Expressed in Canadian Dollars)

11. SHARE CAPITAL (Continued)

Issued share capital (continued)

On December 23, 2014, the Company issued 236,944 common shares of the Company in order to settle debts of $19,777 with directors, officers, consultants and a company with common directors. The Company recognized a gain on debt settlement of $12,669 (note 13).

During the year ended December 31, 2014, the Company received $101,250 on the exercise of 1,012,500 share options. The Company transferred $79,336 from the share-based payments reserve to share capital on the exercise of the options.

Warrants

Warrant transactions and the number of warrants outstanding are summarized as follows:

	December 31, 2015		**December 31, 2014**	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of year	12,135,250	$ 0.09	1,055,250	$ 0.14
Issued	16,640,000	$ 0.075	11,080,000	$ 0.075
Expired	(1,055,250)	$ 0.20	-	-
Outstanding, end of year	27,720,000	$ 0.075	12,135,250	$ 0.09

During the year ended December 31, 2014, the exercise price of the warrants granted February 22, 2013 increased from $0.14 to $0.20 as per the original terms.

The following warrants are outstanding and exercisable at December 31, 2015:

Expiry Date	Weighted Average Remaining Contractual Life in Years	Exercise Price	**December 31, 2015**	**December 31, 2014**
February 22, 2015	-	$ 0.20	-	1,055,250
September 16, 2016	0.71	$ 0.075	8,140,000	8,140,000
December 16, 2016	0.96	$ 0.075	2,940,000	2,940,000
July 27, 2017	1.56	$ 0.075	6,460,000	-
October 26, 2017	1.82	$ 0.075	10,180,000	-
	1.34	$ 0.075	27,720,000	12,135,250

(Expressed in Canadian Dollars)

11. SHARE CAPITAL (Continued)

Share options

The Company has adopted a share option plan pursuant to which the Board of Directors of the Company may, from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees and consultants of the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares at the time of grant and the options are exercisable for a period not to exceed 10 years from the date of grant. The number of common shares reserved for issuance to any individual director or officer will not exceed 5% of the issued and outstanding common shares and the number of common shares reserved for issuance to all technical consultants will not exceed 2% of the issued and outstanding common shares. Options may be exercised within 90 days following cessation of the optionee's position with the Company, provided that if the cessation of office, directorship, employment or consulting arrangement was by reason of death, the option may be exercised within a maximum period of one year after such death, subject to the expiry date of such option.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest, except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

Options granted to directors, employees and consultants vest immediately. Options granted to consultants engaged in investor relations activities will vest in stages over a minimum period of 12 months with no more than one-quarter of the options vesting in any three-month period.

Share option transactions and the number of share options outstanding are summarized as follows:

	December 31, 2015		**December 31, 2014**	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	2,012,500	$ 0.06	1,550,000	$ 0.23
Granted	100,000	$ 0.05	1,830,000	$ 0.06
Exercised	-	-	(1,012,500)	$ 0.10
Expired	-	-	(355,000)	$ 0.30
Outstanding, end of year	2,112,500	$ 0.06	2,012,500	$ 0.06

During the year ended December 31, 2015

During the year ended December 31, 2015, the Company granted 100,000 share options to a consultant with an expiry date of one year from the date of grant and exercise price of $0.05 per share. The options granted are fully vested and exercisable upon grant.

The Company applied the fair value method using the Black-Scholes option pricing model in accounting for its share options granted with the following weighted-average assumptions: risk-free interest rate of 0.57%; expected dividend yield of zero; expected share price volatility of 260%; and expected life of 1 year. The Company used historical volatility to estimate the volatility of the share price. The weighted average grant date fair value of each option was $0.014. Accordingly, $1,410 was recognized as share-based payment expense during the year ended December 31, 2015.

(Expressed in Canadian Dollars)

11. SHARE CAPITAL (Continued)

Share options (continued)

During the year ended December 31, 2014

During the year ended December 31, 2014, the Company granted 1,830,000 share options to consultants with expiry dates of two to three years from the date of grant and exercise prices ranging from $0.05 to $0.10 per share. All the options granted are fully vested and exercisable upon grant.

The Company applied the fair value method using the Black-Scholes option pricing model in accounting for its share options granted with the following weighted-average assumptions: risk-free interest rate of 1.11%; expected dividend yield of zero; expected share price volatility of 148%; and expected life of 2.08 years. The Company used historical volatility to estimate the volatility of the share price. The weighted average grant date fair value of each option was $0.04. Accordingly, $74,055 was recognized as share-based payment expense during the year ended December 31, 2014.

During the year ended December 31, 2014, the Company received $101,250 on the exercise of 1,012,500 share options. The Company transferred $79,336 from the share-based payments reserve to share capital on the exercise of the options.

During the year ended December 31, 2014, the Company amended the exercise price of 645,000 share options granted on July 9, 2012, from $0.30 to $0.10. To calculate the incremental value of the amendment, the Company used the Black-Scholes option pricing model with the following assumptions: risk-free interest rate of 1.15%; expected dividend yield of zero; expected share price volatility of 149%; expected life of 3.23 years. The Company used the historical volatility to estimate the volatility of the share price. The incremental value of $5,640 was recorded as share-based payment expense.

The following share options were outstanding and exercisable at December 31, 2015:

Expiry Date	Weighted Average Remaining Contractual Life in Years	Exercise Price	**December 31, 2015**	**December 31, 2014**
March 11, 2016(1)	0.19	$ 0.05	100,000	-
April 7, 2016(1)	0.27	$ 0.10	57,500	57,500
June 13, 2016	0.45	$ 0.055	150,000	150,000
July 2, 2016	0.50	$ 0.05	750,000	750,000
July 4, 2016	0.51	$ 0.055	50,000	50,000
August 22, 2016	0.64	$ 0.05	300,000	300,000
September 5, 2016	0.68	$ 0.05	100,000	100,000
July 9, 2017	1.52	$ 0.10	315,000	315,000
November 25, 2017	1.90	$ 0.07	140,000	140,000
April 7, 2019(2)	3.27	$ 0.10	150,000	150,000
	0.95	$ 0.06	2,112,500	2,012,500

(1) 157,500 share options expired unexercised subsequent to December 31, 2015.
(2) On May 1, 2015, the Company extended the life of 150,000 existing share options expiring on April 7, 2016, for three additional years. The pricing of the share options remained unchanged. There was no significant incremental value.

(Expressed in Canadian Dollars)

12. RELATED PARTY TRANSACTIONS

Key management compensation are included in the amounts shown on the statements of comprehensive loss:

	2015	2014
Short-term compensation	$ 138,500	$ 135,500

The amounts charged to the Company for the services provided have been determined by negotiation among the parties, and in certain cases, by signed agreements. These transactions were in the normal course of operations.

Of the $138,500 recorded as short-term compensation for the year ended December 31, 2015 (2014 - $135,500), $6,500 (2014 - $6,500) was recorded as accounting, legal and audit fees, $126,000 was recorded as management fees (2014 - $126,000) and $6,000 (2014 - $3,000) was recorded as shareholder communications and investor relations.

As at December 31, 2015, accounts payable and accrued liabilities included $24,132 (2014 - $44,000) due to companies controlled by directors and officers and former directors and officers, and an officer and director for services included above. The amounts due are non-interest-bearing, unsecured and without stated terms of repayment.

On February 28, 2014, the Company issued 430,000 common shares of the Company in order to settle debts of $43,000 with directors and officers of the Company and 441,070 common shares of the Company in order to settle debts of $44,107 with a company with common directors and officers (note 13).

13. GAIN ON SETTLEMENT OF DEBTS

During the year ended December 31, 2015, the Company recorded a gain on settlement of debts of $nil (2014 - $84,296) consisting of $nil (2014 - $73,959) recognized on shares for debt agreements with directors, officers and consultants (notes 11 and 12) and $nil (2014 - $10,337) as a result of a debt settlement agreement with a vendor.

14. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

	2015	2014
Income tax paid	$ -	$ -
Interest paid	$ -	$ -
Private placement proceeds allocated to warrants	$ 416,000	$ -
Shares issued for exploration and evaluation assets	$ -	$ 106,500
Investments received on sale of exploration and evaluation assets	$ -	$ 30,000
Shares issued for debt settlement	$ -	$ 68,398
Fair value of options exercise	$ -	$ 79,336

15. SEGMENTED DISCLOSURE

The Company currently operates in one industry segment, being mineral exploration, and in one geographic area, being Canada.

(Expressed in Canadian Dollars)

16. COMMITMENTS

The Company entered into management services and consulting agreements with officers, directors and consultants expiring on various dates from August 1, 2015 to June 1, 2016 with a total monthly commitment of $16,000. All the management services and consulting agreements can be terminated with 90 days' notice.

17. INCOME TAXES

Income tax expense differs from the amount that would be computed by applying the Canadian statutory income tax rate of 26% (2014 - 26%) to income before income taxes.

A reconciliation of income taxes at statutory rates with reported taxes is as follows:

	2015	2014
Loss before income taxes	$ (685,454)	$ (2,064,630)
Statutory income tax rate	26.00%	26.00%
Income tax benefit computed at statutory tax rate	(178,218)	(536,804)
Items not deductible for income tax purposes	840	15,039
Change in timing differences	13,181	(8,641)
Unrecognized benefit of deferred income tax assets	167,897	526,706
Deferred income tax expense (recovery)	$ 3,700	$ (3,700)

Significant unrecognized tax benefits and unused tax losses for which no deferred tax asset is recognized as of December 31 are as follows:

	2015	2014
Non-capital losses carried forward	$ 6,296,099	$ 5,603,301
Excess of tax value over carrying value of exploration and evaluation assets	10,160,822	10,160,822
Excess of tax value over carrying value of property and equipment	4,070	3,429
Share issue costs	63,914	63,370
AFS investment	-	62,455
Unrecognized deductible temporary differences	$ 16,524,905	$ 15,893,377

The Company has non-capital losses of $6,296,000 available for carry-forward to reduce future years' income for income tax purposes. These losses expire as follows:

(Expressed in Canadian Dollars)

17. INCOME TAXES (Continued)

2026	$ 92,000
2027	404,000
2028	607,000
2029	1,385,000
2030	727,000
2031	1,111,000
2032	580,000
2033	238,000
2034	407,000
2035	745,000
	$ 6,296,000

18. SUBSEQUENT EVENTS

a) The Company issued 3,770,000 units at a price of $0.05 per unit for gross proceeds of $188,500. Each unit consists of one common share in the capital of the Company and one share purchase warrant. Each warrant is exercisable by the holder to acquire one additional common share of the Company for a period of two years from issuance at an exercise price of $0.075.

b) The Company granted 300,000 share options to consultants with an expiry date of one year from the date of grant and an exercise price of $0.05 per share.

c) Subsequent to December 31, 2015, the MMPR application was submitted by North Road, and the Company forgave repayment of the advance.

d) On April 28, 2016, the Company signed a definitive agreement to acquire a 50% interest in North Road by loaning North Road $600,000, paying $30,000 in cash or common shares of the Company, and issuing an aggregate 15,000,000 common shares of the Company over a series of milestones while obtaining the MMPR license as follows:

- Non-refundable payment of $30,000 on April 28, 2016 (paid);
- Issuance of 3,500,000 common shares of the Company immediately upon Exchange approval of the transaction for the purchase of 15% of North Road;
- Issuance of 2,000,000 common shares of the Company within 10 days of North Road receiving Security Clearance to and as defined in the MMPR application for the purchase of an additional 5% of North Road (cumulative 20%);
- Issuance of 2,000,000 common shares of the Company within 10 days of North Road receiving a Pre-License Inspection pursuant to the MMPR application for the purchase of an additional 5% of North Road (cumulative 25%). The Company must also provide North Road with a $600,000 unsecured loan repayable from positive cash flows of North Road over a period of five years and bearing interest at the Bank of Canada prime rate; and
- Issuance of 7,500,000 common shares of the Company within ten days of North Road receiving a Pre-License Inspection pursuant to the MMPR application for the purchase of an additional 25% of North Road (cumulative 50%).

The definitive agreement constitutes a change of business and is subject to approval by the Exchange. As of April 29, 2016, the release date of these financial statements, the Company had not received approval from the Exchange.