CANADIAN OREBODIES

# Condensed Interim Financial Statements

## October 31, 2015

## (expressed in Canadian dollars)

## (Unaudited)

Responsibility for Financial Statements

The accompanying unaudited condensed interim financial statements for Canadian Orebodies Inc. ("Canadian Orebodies") have been prepared by management in accordance with International Accounting Standard 34 - Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances. These unaudited condensed interim financial statements do not include all of the disclosures required for annual financial statements and therefore should be read in conjunction with Canadian Orebodies' audited annual financial statements and notes thereto for the year ended January 31, 2015. These statements are presented on the accrual basis of accounting. Accordingly, a precise determination of many assets and liabilities is dependent upon future events. Therefore, estimates and approximations have been made using careful judgement. Recognizing that the Company is responsible for both the integrity and objectivity of the financial statements, management is satisfied that these unaudited condensed interim financial statements have been fairly presented.

The auditors of Canadian Orebodies Inc. have not performed a review of the unaudited condensed interim financial statements for the nine months ended October 31, 2015.

**Canadian Orebodies Inc.**
**Condensed Interim Statements of Financial Position**
**(Unaudited)**

| | October 31, 2015 | January 31, 2015 |
|---|---|---|
| **Assets** | | |
| **Current assets** | | |
| Cash and cash equivalents *(note 2(d))* | $ 113,182 | $ 199,778 |
| Accounts receivable | 5,494 | 3,510 |
| Prepaid expenses | 7,435 | 6,045 |
| Marketable securities *(note 3)* | - | 189,808 |
| **Total Assets** | $ 126,111 | $ 399,141 |
| **Liabilities** | | |
| **Current liabilities** | | |
| Accounts payable and accrued liabilities *(note 9)* | $ 131,191 | $ 37,006 |
| Due to related party *(note 9)* | 233,035 | 233,035 |
| | 364,226 | 270,041 |
| **Shareholders' Equity** | | |
| Share capital *(note 5)* | 20,657,230 | 20,647,230 |
| Contributed surplus *(note 6)* | 4,898,210 | 4,898,210 |
| Warrants *(note 7)* | - | - |
| Accumulated other comprehensive loss | (6,000) | (27,692) |
| Deficit | (25,787,555) | (25,388,648) |
| | (238,115) | 129,100 |
| **Total Equity and Liabilities** | $ 126,111 | $ 399,141 |

*See accompanying notes to the financial statements*

**Canadian Orebodies Inc.**
**Condensed Interim Statements of Operations and Comprehensive Loss**
**(Unaudited)**

| | Three months ended October 31, 2015 | Three months ended October 31, 2014 | Nine months ended October 31, 2015 | Nine months ended October 31, 2014 |
|---|---|---|---|---|
| **Expenses** | | | | |
| Management and administrative services *(note 9)* | $ 88,951 | $ 88,950 | $ 272,198 | $ 272,039 |
| Office and administration | 10,113 | 17,026 | 39,759 | 54,029 |
| Investment loss | (7,710) | 52,500 | 29,708 | 123,300 |
| Professional and consulting fees | 16,774 | 5,309 | 23,216 | 19,181 |
| Shareholder information | 11,425 | 1,486 | 23,197 | 26,244 |
| Exploration expenditures *(note 4)* | 3,678 | 5,000 | 13,678 | 15,000 |
| Share based compensation *(note 6 and 9)* | - | - | - | 108,350 |
| Representation and travel | - | - | - | 4,616 |
| Interest income | (70) | (420) | (349) | (1,882) |
| Recovery of exploration expenditures *(note 4)* | (2,500) | (1,471) | (2,500) | (8,471) |
| Recovery on sale of mineral property *(note 4)* | - | - | - | (400,000) |
| | 120,661 | 168,380 | 398,907 | 212,406 |
| **Net loss for the period** | (120,661) | (168,380) | (398,907) | (212,406) |
| **Other comprehensive income (loss)** | | | | |
| Items that will subsequently be reclassified to profit or loss: | | | | |
| Unrealized loss on available-for-sale marketable securities arising during the period | 15,724 | (115,000) | (8,016) | (210,000) |
| Items reclassified to profit or loss: | | | | |
| Realized loss | (7,710) | 52,500 | 29,708 | 122,500 |
| | 8,014 | (62,500) | 21,692 | (87,500) |
| **Total comprehensive income (loss) for the period** | $ (112,647) | $ (230,880) | $ (377,215) | $ (299,906) |
| **Basic and diluted net loss per share** *(note 8)* | $ (0.004) | $ (0.005) | $ (0.012) | $ (0.006) |

*See accompanying notes to the financial statements*

**Canadian Orebodies Inc.**
**Condensed Interim Statements of Cash Flows**
**(Unaudited)**

| Nine months ended October 31, | 2015 | 2014 |
|---|---|---|
| **Operating Activities** | | |
| **Net loss** | $ (398,907) | $ (212,406) |
| Items not affecting cash and cash equivalents from operating activities: | | |
| Interest income | (349) | (1,882) |
| Share based compensation | - | 108,350 |
| Marketable securities received from sale of mineral property | - | (400,000) |
| Shares issued for mineral properties | 10,000 | 13,000 |
| Investment loss | 29,708 | 123,300 |
| **Changes in non-cash working capital items** | | |
| Accounts receivable | (1,984) | 42,507 |
| Prepaids and deposits | (1,390) | 1,243 |
| Exploration advances | - | 105,000 |
| Accounts payable and accrued liabilities | 94,185 | (35,675) |
| | (268,737) | (256,563) |
| **Financing Activities** | | |
| Recovery of share issue costs | - | 4,550 |
| **Investing Activities** | | |
| Sale of marketable securities | 181,792 | 147,500 |
| Interest income | 349 | 1,882 |
| | 182,141 | 149,382 |
| **Net change in cash and cash equivalents** | (86,596) | (102,631) |
| **Cash and cash equivalents, beginning of period** | 199,778 | 348,427 |
| **Cash and cash equivalents, end of period** | $ 113,182 | $ 245,796 |

*See accompanying notes to the financial statements*

**Canadian Orebodies Inc.**
**Condensed Interim Statements of Changes in Equity**
**(Unaudited)**

| | Share Capital | | Reserves | | Deficit | | |
|---|---|---|---|---|---|---|---|
| | *(note 5)* Number of shares | Amount | Contributed surplus | Warrants | Accumulated other comprehensive (loss) income | Deficit | Total |
| **Balance, January 31, 2014** | **32,634,059** | **$ 20,629,680** | **$ 4,552,962** | **$ 236,898** | **$ (200,000)** | **$(24,798,848)** | **$ 420,692** |
| Recovery of cost of issue of private placements | - | 4,550 | - | - | - | - | 4,550 |
| Issued for mineral properties | 90,000 | 13,000 | - | - | - | - | 13,000 |
| Fair value of warrants expired | - | - | 236,898 | (236,898) | - | - | - |
| Share-based compensation | - | - | 108,350 | - | - | - | 108,350 |
| Unrealized gain (loss) on marketable securities | - | - | - | - | (210,000) | 210,000 | - |
| Reclassification of realized loss on marketable securities | - | - | - | - | 122,500 | (122,500) | - |
| Comprehensive loss for the period | - | - | - | - | - | (299,906) | (299,906) |
| **Balance, October 31, 2014** | **32,724,059** | **$ 20,647,230** | **$ 4,898,210** | **$ -** | **$ (287,500)** | **$(25,011,254)** | **$ 246,686** |
| Unrealized gain (loss) on marketable securities | - | - | - | - | 77,308 | (77,308) | - |
| Reclassification of realized loss and impairment on marketable securities | - | - | - | - | 182,500 | (182,500) | - |
| Comprehensive loss for the period | - | - | - | - | - | (117,586) | (117,586) |
| **Balance, January 31, 2015** | **32,724,059** | **$ 20,647,230** | **$ 4,898,210** | **$ -** | **$ (27,692)** | **$(25,388,648)** | **$ 129,100** |
| Issued for mineral properties *(note 4)* | 200,000 | 10,000 | - | - | - | - | 10,000 |
| Unrealized gain (loss) on marketable securities | - | - | - | - | (8,016) | 8,016 | - |
| Reclassification of realized loss on marketable securities | - | - | - | - | 29,708 | (29,708) | - |
| Comprehensive loss for the period | - | - | - | - | - | (377,215) | (377,215) |
| **Balance, October 31, 2015** | **32,924,059** | **$ 20,657,230** | **$ 4,898,210** | **$ -** | **$ (6,000)** | **$(25,787,555)** | **$ (238,115)** |

*See accompanying notes to the financial statements*

## 1. Nature of Operations and Going Concern

Canadian Orebodies Inc. (the "Company") was incorporated pursuant to the provision of the Business Corporations Act (of Alberta) on January 28, 2008 ("Inception Date"). On July 21, 2008, the Company was authorized to continue its operations from the jurisdiction of Alberta to Ontario. Its principal business activity is the exploration of mineral properties. The address of the Company's registered office is 141 Adelaide Street West, Suite 301, Toronto, Ontario M5H 3L5. The Company is in the process of exploring its mineral properties and has not yet determined whether these properties contain reserves that are economically recoverable. The recoverability of the amount expended on mineral properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete exploration and development, and upon future profitable production or proceeds from disposition of such properties.

The accompanying financial statements have been prepared on the basis of a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The Company is currently in the exploration stage and has not commenced commercial operations. As at October 31, 2015, the Company had working capital (deficiency) of $(238,115) (January 31, 2015 – $129,100), an accumulated deficit of $ 25,787,555 (January 31, 2015 – $ 25,388,648) and is not yet generating operating cash flows. As such, there is significant doubt regarding the Company's ability to continue as a going concern.

In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. The Company's ability to continue operations and fund its mining interest expenditures is dependent on management's ability to secure additional financing. Management is actively pursuing such additional sources of financing, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future. Accordingly, the financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying financial statements.

## 2. Significant Accounting Policies

### *(a) Basis of presentation*

These condensed interim financial statements have been prepared in accordance with IAS 34 - Interim Financial Reporting on the basis of International Financial Reporting Standards ("IFRS") and interpretations as approved by the International Accounting Standards Board ("IASB") and are presented in Canadian dollars. Accordingly, they do not include all of the information required for full annual financial statements as required by IFRS. These condensed interim financial statements should be read in conjuction with the Company's audited annual financial statements for the year ended January 31, 2015. These financial statements have been prepared on a historical cost basis except for the revaluation of certain financial instruments. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The financial statements were approved by the Board of Directors on December 18, 2015.

## 2. Significant Accounting Policies - continued

### *(b) Significant accounting estimates and judgements*

The preparation of these financial statements requires management to make judgments and estimates 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 judgments and estimates. The financial statements include judgments and estimates which, by their nature, are uncertain. The impacts of such judgments and 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 also in future periods when the revision affects both current and future periods.

### *(c) Financial instruments*

**Financial assets**

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

*Fair value through profit or loss* - This category comprises derivatives, or assets acquired or incurred principally for the purpose of being sold or repurchased in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of operations and comprehensive loss.

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

*Held to maturity investments* - These assets are non derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statement of operations and comprehensive loss.

*Available for sale* - These assets are non derivative financial assets not included in the above categories. They are carried at fair value with changes in fair value recognized in other comprehensive income. Where a decline in the fair value of an available for sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in profit or loss.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at the end of each reporting period. Financial assets are impaired when there is

## 2. Significant Accounting Policies - continued

### *(c) Financial instruments - continued*

any objective evidence that the future cash flows associated with a financial asset or a group of financial assets have been negatively impacted. Different criteria to determine impairment are applied for each category of financial assets described above.

**Financial liabilities**

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

*Fair value through profit or loss* - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of being sold or repurchased in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of operations and comprehensive loss.

*Other financial liabilities* - This category includes all other financial liabilities, all of which are recognized at amortized cost.

The Company's financial instruments consist of the following:

| Financial assets: | Classification: |
|---|---|
| Cash and cash equivalents | Fair value through profit and loss |
| Accounts receivable | Loans and receivables |
| Marketable securities - equity securities | Available for sale |
| **Financial liabilities:** | **Classification:** |
| Accounts payable and accrued liabilities | Other financial liabilities |
| Due to related party | Other financial liabilities |

**Fair value hierarchy**

The Company classifies its financial instruments according to a three level hierarchy that reflects the significance of the inputs used in making the fair value measurements. The three levels of fair value hierarchy are as follows:

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

The Company's cash and cash equivalents and equity securities held as marketable securities are classified within level 1 of the fair value hierarchy and share purchase warrants held as marketable securities are classified within level 2 of the fair value hierarchy.

## 2. Significant Accounting Policies - continued

### *(d) Cash and cash equivalents*

Cash and cash equivalents include money market instruments which are readily convertible into cash or have maturities at the date of purchase of less than ninety days. The breakdown of cash and cash equivalents was:

| | October 31, 2015 | January 31, 2015 |
|---|---|---|
| Cash | $ 47,255 | $ 39,620 |
| Money market instruments | 65,927 | 160,158 |
| | **$ 113,182** | **$ 199,778** |

### *(e) Mineral properties and exploration expenditures*

The Company expenses all costs relating to the acquisition of, exploration for and development of mineral claims and credits all revenues received against the exploration expenditures. Such costs include, but are not limited to geological, geophysical studies, exploratory drilling and sampling.

Once a project has been established as commercially viable and technically feasible, related development expenditures are capitalized; this includes costs incurred in preparing the site for mining operations. Capitalization ceases when the mine is capable of commercial production, with the exception of development costs that give rise to a future benefit.

### *(f) Income taxes*

Income tax on the profit or loss for the periods presented consists of current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income.

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years.

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized and the liability is settled. The effect of a change in the enacted or substantively enacted tax rates is recognized either profit or loss and comprehensive income or loss or in equity depending on the item to which the adjustment relates.

Deferred tax assets are recognized to the extent their future recovery is probable. At the end of each reporting period, deferred tax assets are 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.

## 2. Significant Accounting Policies - continued

### *(g) Flow-through shares*

The Company will from time to time, issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenditures being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resources property exploration expenditures. The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

### *(h) Share issue costs*

Costs incurred for the issue of common shares and warrants are deducted from share capital and warrants respectively.

### *(i) Share-based payment transactions*

The share option plan allows the Company's employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share based payment expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

The fair value is measured at grant date and each tranche is recognized on a graded vesting basis over the period during which the options vest. The fair value of the options granted is measured using the Black Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At the end of each reporting period, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

### *(j) Asset retirement obligation*

The operations of the Company are subject to regulations governing the environment, including future site restoration costs for mineral properties. The Company recognizes the fair value of a liability for an asset retirement obligation in the period in which it is incurred when a reasonable estimate of fair value can be made. If a reasonable estimate of fair value cannot be made in the period the asset retirement obligation is incurred, the liability is recognized when a reasonable estimate of fair value can be made.

## 2. Significant Accounting Policies - continued

### *(j) Asset retirement obligation - continued*

The Company has determined that there are no asset retirement obligations or any other environmental obligations with respect to its mineral properties, and therefore no liability has been recognized in these financial statements.

### *(k) Loss per share*

Basic loss per share is calculated using the weighted average number of common shares outstanding during the period. Diluted loss per share is computed using the treasury stock method. Stock options and warrants outstanding are not included in the computation of diluted loss per share if their inclusion would be anti dilutive.

### *(l) Future changes in accounting standards not yet adopted*

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. The Company intends to adopt those standards when they become effective.

**IFRS 9 - Financial Instruments**

*IFRS 9, Financial Instruments ("IFRS 9")* was issued by the IASB on November 12, 2009 and will replace *IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39")*. IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

## 3. Marketable Securities

During the nine months ended October 31, 2015 the Company sold the majority of its equity securities for gross proceeds of $181,792. The following is a summary of the Company's marketable securities:

| | October 31, 2015 | January 31, 2015 |
|---|---|---|
| Equity securities | $ - | $ 189,808 |

## 4. Mineral Properties and Exploration Expenditures

The total expenditures on each property in the Company's mineral property portfolio are as follows:

| | Belcher Islands Iron Project | Lithium and Rare Metals Project | Trump & Hawkins Projects | Total |
|---|---|---|---|---|
| **January 31, 2015** | **$ 14,196,238** | **$ 1,285,724** | **$ 750,984** | **$ 16,232,946** |
| Expenditures | 3,678 | 10,000 | - | 13,678 |
| Recoveries | (2,500) | - | - | (2,500) |
| **October 31, 2015** | **$ 14,197,416** | **$ 1,295,724** | **$ 750,984** | **$ 16,244,124** |

**Belcher Islands Iron Project**

On February 14, 2011 the Company entered into a non-arm's length purchase agreement (the "Agreement") to acquire a 100% legal and beneficial interest in an Inuit Owned Lands Mineral Exploration Agreement (the "NTI Agreement") with Nunavut Tunngavik Incorporated which covers the Haig Inlet Iron Project with an area of approximately 1,226 hectares, located on the Belcher Islands, Nunavut, Canada. The Company now holds a 100% interest in the NTI Agreement and the vendors retain a 3% gross overriding royalty, of which one-third can be purchased by the Company for a maximum of $3,000,000. In addition to the lands acquired under the NTI Agreement, the Company staked 29 claims covering 21,816 hectares of Municipal Land.

**Lithium & Rare Metals**

*Falcon Lake Property*

On November 20, 2009, the Company entered into an option agreement to acquire a 100% interest in various mining claims known as the Falcon Lake and Barbara Lake Properties that make up its lithium and rare metals properties. The vendor retains a 2% net smelter return royalty on the property, one-half of which can be purchased for $1,000,000.

*Zig Zag Property*

On March 3, 2010, the Company signed a property acquisition agreement with Ultra Lithium Inc. ("Ultra") and the underlying property owners (the "Owners") to acquire an 80% interest in the Zig Zag Property located approximately 60 kilometers northeast of Armstrong, Ontario. On October 15, 2013, the Company acquired Ultra's remaining 20% interest in the Zig Zag Property. The Owners retain a 2% NSR, one-half of which can be purchased by the Company for $1,000,000. Commencing on the fourth anniversary, the Company will be required to pay $10,000 per annum in pre-production royalties in either cash or shares. On March 3, 2015, the Company issued 200,000 shares to the Owners, valued at $10,000, to pay the pre-production royalty.

## 4. Mineral Properties and Exploration Expenditures - continued

### Hawkins Property

The Hawkins property is comprised of 111 claim units covering 1,776 hectares located in the Hawkins and Walls Townships, approximately 200 kilometers east of Timmins. On August 11, 2014 the Company signed an Exploration Agreement with the Missanabie Cree First Nation ("MCFN"), relating to the Company's continuing exploration work on the Hawkins Property. Pursuant to the agreement, the company issued 40,000 common shares valued at $3,000 to the MCFN and contributed $2,000 toward the MCFN's legal fees as consideration for unobstructed access to certain portions of the MCFN's traditional lands.

### Trump Property

On July 8, 2008, the Company announced it had entered into a letter of intent with Rainy Mountain Royalty Corp. ("Rainy Mountain", formally East West Resource Corporation) granting the Company the option to acquire an 80% legal and beneficial interest in 96 claim units comprising more than 1,536 hectares in the James Bay Lowlands. In order to earn its 80% legal and beneficial interest, the Company was required to:

1. Pay to Rainy Mountain $10,000 (paid);
2. Issue to Rainy Mountain an aggregate amount of 56,000 common shares of Orebodies (issued);
3. Commission a VTEM airborne survey on the property (completed);
4. Rainy Mountain will hold a 20% carried interest in the property until a Bankable Feasibility study is produced.

## 5. Share Capital

### Authorized share capital

On July 9, 2015, the Company completed a share consolidation on the basis of one post-consolidation common share for every five pre-consolidation common shares (the "Share Consolidation"). The Share Consolidation reduced the Company's 164,620,290 issued and outstanding common shares to 32,924,059 post-consolidation common shares. The exercise price of outstanding share options, and the number of such options, were also proportionately adjusted based upon the Share Consolidation. All historical information presented in the financial statements has been adjusted to reflect the Share Consolidation.

At October 31, 2015, the authorized share capital consisted of an unlimited number of common shares and the issued share capital amounted to $20,657,230. The common shares do not have a par value. All issued shares are fully paid.

## 6. Share Options

The Company has a Share Option Plan (the "Plan") under which it is authorized to grant options to purchase common shares of the Company to directors, senior officers, employees and/or consultants of the Company. The aggregate number of shares of the Company which may be issued and sold under the Plan will not exceed 10% of the total number of common shares issued and outstanding from time to time. Share options are granted with a maximum term of five years with vesting requirements at the discretion of the Board of Directors.

The Company records a charge to the statements of operations and comprehensive loss using the Black-Scholes fair valuation option pricing model with respect to a share option grant. The valuation is dependent on a number of estimates, including the risk free interest rate, the level of share volatility, together with an estimate of the level of forfeiture. The level of share volatility is calculated with reference to the historic traded daily closing share price at the date of issue. Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable measure of the fair value of the Company's share purchase options.

The following table reflects the continuity of share options for the period ended October 31, 2015:

| | Options | Weighted Avg. Exercise Price |
|---|---|---|
| Balance, January 31, 2014 | 1,755,000 | 0.80 |
| Granted | 985,000 | 0.25 |
| Expired | (280,000) | 0.70 |
| Balance, January 31, 2015 | 2,460,000 | 0.60 |
| Expired | (325,000) | 0.50 |
| Cancelled | (2,135,000) | 0.61 |
| **Balance, October 31, 2015** | **-** | **-** |

The Company had no share options outstanding as at October 31, 2015.

## 7. Warrants

A summary of the Company's outstanding warrants for the nine months ended October 31, 2015 and year ended January 31, 2015 are as follows:

| | October 31, 2015 | January 31, 2015 |
|---|---|---|
| Balance, beginning of period | - | 1,614,000 |
| Issued | - | - |
| Exercised | - | - |
| Expired | - | (1,614,000) |
| **Balance, end of period** | **-** | **-** |

The Company had no warrants outstanding as at October 31, 2015.

## 8. Loss Per Common Share

The following table sets forth the computation of basic and diluted earnings per share.

| | Three months ended Oct. 31, 2015 | Three months ended Oct. 31, 2014 | Nine months ended Oct. 31, 2015 | Nine months ended Oct. 31, 2014 |
|---|---|---|---|---|
| Loss attributable to common shareholders | $ (120,661) | $ (168,380) | $ (398,907) | $ (212,406) |
| Weighted-average common shares outstanding - basic and diluted | 32,924,059 | 32,717,391 | 32,824,059 | 32,686,836 |
| **Basic and diluted loss per common share** | **$ (0.004)** | **$ (0.005)** | **$ (0.012)** | **$ (0.006)** |

## 9. Related Party Transactions and Balances

### *(a) Director and Executive Management Compensation*

Directors and executive management's compensation for the three months and nine months ended October 31, 2015 and 2014 consisted of the following:

| | Three months ended Oct. 31, 2015 | Three months ended Oct. 31, 2014 | Nine months ended Oct. 31, 2015 | Nine months ended Oct. 31, 2014 |
|---|---|---|---|---|
| Cash compensation | $ - | $ 88,950 | $ 153,900 | $ 266,850 |
| Deferred compensation | 88,950 | - | 112,950 | - |
| Fair value of stock options | - | - | - | 106,700 |
| | **$ 88,950** | **$ 88,950** | **$ 266,850** | **$ 373,550** |

### *(b) Director and Executive Management Transactions*

The aggregate value of transactions and outstanding balances relating to entities over which directors and executive management have control or significant influence were as follows:

| | | Transaction value | | Balance outstanding | |
|---|---|---|---|---|---|
| | | Nine months ended Oct. 31, | | as at Oct. 31, | |
| **Account** | **Note** | **2015** | **2014** | **2015** | **2014** |
| Due to related party | (i) | $ - | $ - | $ 233,035 | $ 233,035 |
| Deferred compensation | (ii) | $ 112,950 | $ - | $ 112,950 | $ - |
| | | **$ 112,950** | **$ -** | **$ 345,985** | **$ 233,035** |

(i) The Company has a loan from 695202 Ontario Limited, a corporation controlled by a relative of Gordon McKinnon, the Chief Executive Officer and a director of the Board, in the amount of $233,035 and is due on demand as at October 31, 2015. The loan is interest free and unsecured.

(ii) Effective April 1, 2015, the Company's executive management voluntarily began deferring a portion of the monthly cash compensation and on August 1, 2015, began deferring all cash compensation. The deferred amount will be accrued until such time that the executive management elects to no longer defer it, at which time it will become due and payable.

## 10. Capital Risk Management

The Company's capital is composed of shareholders' equity. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

## 10. Capital Risk Management - continued

The properties in which the Company currently has an interest are in in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the nine months ended October 31, 2015. The Company is not subject to externally imposed capital requirements.

**Financial Risk Factors**

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

***(a) Credit risk***

The Company's credit risk is primarily attributable to accounts receivable which consist primarily of Harmonized Sales Tax receivable. The Company has no significant concentration of credit risk arising from operations. Management believes that the credit risk concentration with respect to financial instruments included in accounts receivable is remote.

***(b) Liquidity risk***

The Company is currently in the exploration stage and has not commenced commercial operations. As at the date of issue of these financial statements, the Company had an accumulated deficit of $25,787,555.

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to fund its liabilities as they become due. As at October 31, 2015, the Company was not yet generating operating cash flows, and has working capital (deficiency) of $(238,115). Within this amount, it had a cash balance of $113,182 (January 31, 2015: $199,778) to settle current liabilities of $364,226 (January 31, 2015: $270,041). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company will be required to obtain additional capital to continue its progress toward recovering the amount expended on its mineral properties, and although success in this regard is not assured, management is of the opinion that additional capital can be raised as required for the foreseeable future.

## 10. Capital Risk Management - continued

**Financial Risk Factors - continued**

***(c) Market risk***

*(i) Interest rate risk*

The Company has cash balances and no interest-bearing debt. Interest rate risk is remote.

*(ii) Price risk*

The Company is indirectly exposed to price risk with respect to the price of base metals. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company. Price risk is remote since the Company is not a producing entity.

Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company.

***(d) Fair Value***

The fair values of the Company's cash and cash equivalents, accounts receivable and accounts payables approximate their carrying values because of the short term-nature of these instruments.

***(e) Sensitivity analysis***

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a twelve month period. The Company's investments in public companies are sensitive to a plus or minus 50% change in Canadian equity prices which would affect comprehensive income (loss) by approximately nil.

## 11. Subsequent Events

On November 12, 2015 the Company signed an option agreement with Pavey Ark Minerals Inc. ("Pavey Ark") whereby Pavey Ark can acquire a 100% legal and beneficial interest in the Company's Hawkins property, subject to a 0.5% NSR retained by the Company. Under the terms of the option agreement, Pavey Ark must make 13 monthly payments of $8,000 for total consideration of $104,000 in cash. Pavey Ark has the option to reduce the total consideration to $96,000 by paying that amount in full on or before February 12, 2016.