# FAIRMONT RESOURCES INC.

**Audited Financial Statements**

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

**Expressed in Canadian Dollars**

# INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Fairmont Resources Inc.

We have audited the accompanying financial statements of Fairmont Resources Inc., which comprise the statements of financial position as at October 31, 2014 and 2013, and the statements of comprehensive loss, cash flows and changes in equity for the years then ended, and a summary of significant accounting policies and other explanatory information.

***Management's Responsibility for the Financial Statements***

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

***Auditors' Responsibility***

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

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

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



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***Opinion***

In our opinion, these financial statements present fairly, in all material respects, the financial position of Fairmont Resources Inc. as at October 31, 2014 and 2013 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

***Emphasis of Matter***

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Fairmont Resources Inc.'s ability to continue as a going concern.

**"DAVIDSON & COMPANY LLP"**

Vancouver, Canada Chartered Accountants

January 19, 2015

**FAIRMONT RESOURCES INC.**
**STATEMENTS OF FINANCIAL POSITION**
**(Expressed in Canadian Dollars)**

| | October 31, 2014 | October 31, 2013 |
|---|---|---|
| **ASSETS** | | |
| CURRENT | | |
| Cash | $ 155,065 | $ 3,567 |
| Amounts receivable | 21,576 | 2,459 |
| Prepaid expenses | 16,198 | 1,198 |
| TOTAL CURRENT ASSETS | 192,839 | 7,224 |
| Exploration and evaluation assets (Note 4) | 329,910 | 845,106 |
| TOTAL ASSETS | $ 522,749 | $ 852,330 |
| **LIABILITIES** | | |
| CURRENT | | |
| Accounts payable and accrued liabilities | $ 70,635 | $ 73,695 |
| Due to related parties (Note 6) | 12,647 | 103,481 |
| TOTAL CURRENT LIABILITIES | 83,282 | 177,176 |
| **SHAREHOLDERS' EQUITY** | | |
| Share capital (Note 5) | 4,358,601 | 3,320,679 |
| Equity reserves (Note 5) | 696,935 | 696,935 |
| Deficit | (4,616,069) | (3,342,460) |
| TOTAL SHAREHOLDERS' EQUITY | 439,467 | 675,154 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | $ 522,749 | $ 852,330 |

Nature and continuance of operations (Note 1)

Approved on behalf of the Board January 19, 2015:

“Greg Ball” — Director

“Michael Dehn” — Director

The accompanying notes are an integral part of these financial statements

**FAIRMONT RESOURCES INC.**
**STATEMENTS OF COMPREHENSIVE LOSS**
**(Expressed in Canadian Dollars)**

| | Years ended October 31, | |
|---|---|---|
| | **2014** | **2013** |
| EXPENSES | | |
| Administration | $ 38,000 | $ 30,000 |
| Advertising and promotion | 34,951 | 85 |
| Audit and accounting | 45,560 | 52,200 |
| Consulting | 148,308 | 30,000 |
| Exploration | 16,400 | - |
| Investor relations | 465 | 143,650 |
| Legal | 21,402 | 12,386 |
| Management | 40,500 | 88,500 |
| Office and miscellaneous | 17,550 | 10,676 |
| Rent | - | 12,159 |
| Registration and transfer fees | 25,254 | 21,284 |
| Share-based payments (Note 6) | - | 2,594 |
| Travel | 8,363 | 992 |
| Operating Expenses | (396,753) | (404,526) |
| Loss on write down of exploration and evaluation asset (Note 4) | (876,856) | (963,204) |
| Interest income | - | 537 |
| Loss and comprehensive loss for the year | $ (1,273,609) | $ (1,367,193) |
| LOSS PER SHARE, basic and diluted | $ (0.10) | $ (0.27) |
| Weighted average number of shares outstanding | 13,344,998 | 5,054,511 |

The accompanying notes are an integral part of these financial statements

**FAIRMONT RESOURCES INC.**
**STATEMENTS OF CASH FLOWS**
**(Expressed in Canadian Dollars)**

| | Years ended October 31, 2014 | 2013 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Net loss | $ (1,273,609) | $ (1,367,193) |
| Adjustments | | |
| Share-based payments | - | 2,594 |
| Interest Income | - | (1,835) |
| Impairment of exploration and evaluation asset | 876,856 | 963,204 |
| Shares issued for consulting | 78,750 | - |
| Changes in non-cash working capital items | | |
| Amounts receivable | (19,117) | 29,189 |
| Prepaid expenses | (15,000) | 68,929 |
| Accounts payable and accrued liabilities | (43,563) | 43,266 |
| Due to related party | (90,834) | 102,486 |
| **Net cash used in operating activities** | (486,517) | (159,360) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Issuance of shares | 828,900 | - |
| Share issuance cost | (6,478) | - |
| **Net cash from financing activities** | 822,422 | - |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Exploration and evaluation asset expenditures | (184,407) | (88,068) |
| Interest received | - | 1,835 |
| **Net cash used in investing activities** | (184,407) | (86,233) |
| Change in cash during the year | 151,498 | (245,593) |
| Cash, beginning of the year | 3,567 | 249,160 |
| **Cash, end of the year** | $ 155,065 | $ 3,567 |
| **SUPPLEMENTAL INFORMATION** | | |
| **NON CASH TRANSACTIONS** | | |
| Shares issued for exploration and evaluation assets (Note 5) | $ 136,750 | $ 14,000 |
| Exploration and evaluation assets included in accounts payable and accrued liabilities | $ 51,097 | $ 9,968 |
| Exploration and evaluation assets included in due to related parties | $ - | $ 626 |

The accompanying notes are an integral part of these financial statements

# FAIRMONT RESOURCES INC.
# STATEMENTS OF CHANGES IN EQUITY
# FOR THE YEARS ENDED OCTOBER 31, 2014 AND 2013
**(Expressed in Canadian Dollars)**

| | Number of shares | Share Capital | Equity Reserves | Deficit | Total equity |
|---|---|---|---|---|---|
| Balance at October 31, 2012 | 4,981,358 | $ 3,306,679 | $ 694,341 | $ (1,975,267) | $ 2,025,753 |
| Adjustment to shares due to consolidation | 2 | - | - | - | - |
| Shares issued for exploration and evaluation assets | 125,000 | 14,000 | - | - | 14,000 |
| Share-based payments | - | - | 2,594 | - | 2,594 |
| Loss for the year | - | - | - | (1,367,193) | (1,367,193) |
| Balance at October 31, 2013 | 5,106,360 | 3,320,679 | 696,935 | (3,342,460) | 675,154 |
| Private placement | 9,581,667 | 907,650 | - | - | 907,650 |
| Finders fees for private placement | 436,000 | 35,900 | - | - | 35,900 |
| Share issuance cost | - | (42,378) | - | - | (42,378) |
| Shares issued for exploration and evaluation assets | 2,225,000 | 124,750 | - | - | 124,750 |
| Shares issued on cancellation of property commitments | 100,000 | 12,000 | - | - | 12,000 |
| Loss for the year | - | - | - | (1,273,609) | (1,273,609) |
| Balance at October 31, 2014 | 17,449,027 | $ 4,358,601 | $ 696,935 | $ (4,616,069) | $ 439,467 |

The accompanying notes are an integral part of these financial statements

## 1. NATURE AND CONTINUANCE OF OPERATIONS

Fairmont Resources Inc. (the "Company") was incorporated on May 25, 2007 under the British Columbia Business Corporations Act as Strike Explorations Corp. On April 23, 2009, the Company changed its name to Fairmont Resources Inc. The Company's head office address is Suite 810 – 789 West Pender Street, Vancouver, BC V6C 1H2, Canada. The registered and records office address is Suite 704 – 595 Howe Street, Vancouver, BC V6C 2T5, Canada. The Company is listed on the TSX Venture Exchange under the symbol "FMR". The Company is primarily engaged in the acquisition, exploration and development of exploration and evaluation assets. At October 31, 2014, the Company had not yet determined whether the properties contain ore reserves that are economically recoverable. The recoverability of amounts shown for exploration and evaluation assets and related deferred exploration costs is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the development, and upon future profitable production from the exploration and evaluation assets or proceeds from the disposition of the exploration and evaluation asset.

At October 31, 2014 and 2013, the Company had an accumulated deficit of $4,616,069 and $3,342,460 respectively, which has been funded by the issuance of equity. The Company expects to incur further losses in the development of its business, all of which cast significant doubt on the Company's ability to continue as a going concern. The Company's ability to continue its operations and to realize its assets at their carrying values is dependent upon obtaining additional financing and generating revenues sufficient to cover its operating costs. These annual financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying annual financial statements.

| | October 31, 2014 | October 31, 2013 |
|---|---|---|
| Working capital (deficiency) | $ 109,557 | $ (169,952) |
| Deficit | $ (4,616,069) | $ (3,342,460) |

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance and basis of presentation

These financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

These financial statements have been prepared on a historical cost basis, except for certain financial instruments classified at fair value through profit or loss which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

These financial statements of the Company are presented in Canadian dollars unless otherwise indicated, which is the functional currency of the Company.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Use of estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the annual financial statements and the reported amount of expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of impairment of exploration and evaluation assets and deferred exploration costs, share-based payments and deferred tax valuation allowance.

Significant assumptions about the future and other sources of estimated uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to the following:

1) the carrying value and the recoverability of exploration and evaluation assets, which are included in the statements of financial position;

2) the inputs used in the accounting for the deferred tax assets / liabilities; and

3) the inputs used in the accounting for share-based payment expense included in profit or loss.

c) Exploration and evaluation assets

Pre-exploration costs are expensed in the period in which they are incurred.

Once the legal right to explore a property has been acquired, all costs related to the acquisition, exploration and evaluation of mineral properties are capitalized by property. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general and administrative overhead costs, are expensed in the period in which they occur.

The Company may occasionally enter into farm-out arrangements, whereby the Company will transfer part of a mineral interest, as consideration, for an agreement by the farmee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess cash accounted for as a gain on disposal.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to profit or loss.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.
Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as “mines under construction.” Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Income taxes

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantially enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

e) Impairment

The carrying amounts of the Company’s non-financial assets, other than deferred tax assets if any, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the “cash-generating unit” or “CGU”). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. 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. An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. A reversal of an impairment loss is recognized immediately in profit or loss.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Provision for closure and reclamation

The Company recognizes statutory, contractual or other legal obligations related to the retirement of its exploration and evaluation assets and its tangible long-lived assets when such obligations are incurred, if a reasonable estimate of fair value can be made. These obligations are measured initially at fair value and the resulting costs are capitalized to the carrying value of the related asset. In subsequent periods, the liability is adjusted for any changes in the amount or timing and for the discounting of the underlying future cash flows. The capitalized asset retirement cost is amortized to operations over the life of the asset. Management has determined that there was no provision required for closure and reclamation as at October 31, 2014 and October 31, 2013.

g) Share-based payments

The Company applies the fair value method to share-based payments and all awards that are direct awards of stock, that call for settlement in cash or other assets or are stock appreciation rights that call for settlement by the issuance of equity instruments. Compensation expense is recognized over the applicable vesting period with a corresponding increase in equity reserves. When the options are exercised, the exercise price proceeds together with the amount initially recorded in equity reserves are credited to share capital.

h) Basic and diluted loss per share:

Basic loss per share is computed by dividing the loss available to common shareholders by the weighted average number of common shares outstanding during the year. The computation of the diluted earnings per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on the earnings per share. The dilutive effect of convertible securities is reflected in diluted earnings per share by application of the “if converted” method. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted earnings per share by application of the treasury stock method. Since the Company has losses the exercise of outstanding options and warrants has not been included in this calculation as it would be anti-dilutive.

i) 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 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 expenses being incurred, the Company derecognizes the liability and the premium is recognized as other income.

j) Share issue costs

Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred financing costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise they are expensed as incurred. Share issue costs are charged to share capital when the related shares are issued. Deferred financing costs related to financing transactions that are not completed are charged to operations.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Financial instruments

Financial assets:

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit or loss. The Company's cash is classified as FVTPL.

Financial assets classified as loans and receivables and held to maturity assets are measured at amortized cost. Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income and loss except for losses in value that provide objective evidence of impairment, which are recognized in earnings. The Company's amounts receivable are classified as loans and receivables.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

Financial liabilities:

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period or, where appropriate, a shorter period. The Company's financial liabilities consist of accounts payable and accrued liabilities and due to related parties, which are classified as other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including embedded derivatives, are also classified as held for trading and recognized at fair value with changes in fair value recognized in earnings unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in profit or loss.

Impairment of financial assets:

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

For all financial assets objective evidence of impairment could include:
- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Financial instruments (continued)

For certain categories of financial assets, such as receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of receivables, where the carrying amount is reduced through the use of an allowance account. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date of impairment is reversed does not exceed what the amortized cost would have been had the impairment not be recognized.

## 3. ADOPTED AND FUTURE ACCOUNTING STANDARDS

**New accounting policies adopted**

The following accounting policies were adopted and effective November 1, 2013

IFRS 10 – *Consolidated Financial Statements* establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 replaces the consolidation requirements in SIC-12 – Consolidation – Special Purpose Entities and IAS 27 – Consolidated and Separate Financial Statements.

IFRS 11 – *Joint Arrangements* requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation.

IFRS 12 *Disclosure of Involvement with Other Entities* requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

IFRS 13 *Fair Value Measurement* defines fair value, sets out in a single IFRS framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except for: share-based payment transactions within the scope of IFRS 2 Share-based Payment; leasing transactions within the scope of IAS 17 Leases; measurements that have some similarities to fair value but that are not fair value, such as net realizable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets.

IAS 27 *Separate Financial Statements* has the objective of setting standards to be applied in accounting for investments in subsidiaries, joint ventures, and associates when an entity elects, or is required by local regulations, to present separate (non-consolidated) financial statements.

IAS 28 *Investments in Associates and Joint Ventures* prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. IAS 28 applies to all entities that are investors with joint control of, or significant influence over, an investee (associate or joint venture).

The adoption of the above standards did not have an impact on the financial statements.

## 3. ADOPTED AND FUTURE ACCOUNTING STANDARDS (continued)

**New standards, interpretations and amendments not yet effective**

Effective for annual periods beginning on or after January 1, 2014:

IFRS 10, IFRS 12, IAS 27, Exception from Consolidation for “Investment Entities”
IFRS 10 is amended to define an “investment entity” and introduce an exception from consolidation for investment entities. IFRS 12 and IAS 27 are amended to introduce disclosures that an investment entity needs to make.

IAS 32, Financial Instruments: Presentation
IAS 32 is amended to clarify requirements for offsetting of financial assets and financial liabilities.

Effective for annual periods beginning on or after January 1, 2015:

IFRS 7, Financial Instruments – Disclosure
Amended to require additional disclosures on transition from IAS 39 to IFRS 9.

Effective for annual periods beginning on or after January 1, 2018

IFRS 9, Financial Instruments – Classification and Measurement. IFRS 9 is a new standard on financial instruments that will replace IAS 39, Financial Instruments: Recognition and Measurement.

IFRS 9 addresses classification and measurement of financial assets and financial liabilities as well as derecognition of financial instruments. IFRS 9 has two measurement categories for financial assets: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit or loss.

The Company has initially assessed that there will be no material reporting changes as a result of adopting the above new standards; however, enhanced disclosure requirements are expected.

## 4. EXPLORATION AND EVALUATION ASSETS

**Title to exploration and evaluation assets**

Title to exploration and evaluation asset interests involve certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral claims. The Company has investigated title to all of its exploration and evaluation assets and, to the best of its knowledge, title to all of its interests are in good standing. However, this should not be construed as a guarantee of title. The concessions may be subject to prior claims, agreements or transfers and rights of ownership may be affected by undetected defects.

**Lac Elan Property (Quebec)**

On November 26, 2013, the Company entered into a letter agreement with an arm’s length party (the “Optionor”) to earn a 40% interest in certain mineral claims known as the Lac Elan property in the province of Quebec. To acquire the 40% interest, the Company agreed to issue a total of 1,000,000 common shares in the capital stock of the Company within five days of December 6, 2013 (issued at a value of $50,000) and incur a total of $100,000 in exploration expenditures before the second anniversary of the agreement, with $25,000 of that being spent before the first anniversary.

On November 24, 2014, the Company and the optionor agreed to amend the agreement and the minimum expenditure requirement to be spent by the first anniversary was removed.

## 4. EXPLORATION AND EVALUATION ASSETS (continued)

### Buttercup Property (Quebec)

On January 28, 2014 the Company entered into a purchase agreement with an arm's length party (the "Vendor") to earn a 100% interest in certain mineral claims known as the Buttercup property in the province of Quebec. To acquire the 100% interest, the Company agreed to pay $50,000 (paid) to certain suppliers of the Vendor, issue a total of 1,000,000 common shares (issued at a value of $50,000) and pay a total of $150,000 to the Vendor. The $150,000 payment is to be paid in an installment of $50,000 within 60 days of receiving final permits to commence commercial production on the property and $100,000 to be paid on commencement of commercial production. Further the net profits from production will be split 80% to the Vendor and 20% to the Company until the Vendor has received a total payment of $3,000,000. Thereafter the Vendor will receive 5% of the net profits and the Company will receive 95%. The Company also issued 100,000 common shares in the capital stock of the Company (issued at a value of $5,000) as a finders fee for the property.

### Hearth Property (Quebec)

On February 20, 2014, the Company announced that it staked 96 claims, for $4,380, the Hearth Property, in the Buttercup-Lac Elan area.

### Lac Bouchette Property (Quebec)

On October 24, 2014, the Company entered into an agreement with an arm's length party (the "Optionor") to earn a 100% interest in certain mineral claims known as the Lac Bouchette property in the province of Quebec. Under the terms of the option agreement, the Company will be required to make the following payments to the Vendors in order to exercise its option:

(i) $50,000 (of which $25,000 may be settled in shares of the Company) within five days of TSX Venture Exchange acceptance of the agreement (paid $25,000 and issued 135,135 common shares at a price of $0.175 per share subsequent to year end),
(ii) $50,000 on or before December 31, 2014,
(iii) $50,000 on or before June 1, 2015, and
(iv) $50,000 on or before December 1, 2015.

At the election of the Company, the payments set out in paragraphs (ii) to (iv) may be settled by the issuance of common shares of the Company, subject to TSX Venture Exchange Acceptance. The Vendors will also receive a $2 per tonne royalty for all ore currently stockpiled on the Lac Bouchette Quartz Property and a 2% production royalty for any new mined ore. The option agreement and the transactions contemplated therein are subject to the acceptance of the TSX Venture Exchange.

The Optionor agreed with the Company to extend the December 31, 2014 payment until January 2015. On January 14, 2015 344,827 common shares were issued at a price of $0.155 per share.

### Clay and Powell Properties (Ontario)

On September 14, 2010, the Company entered into a Letter of Intent with Rainy Mountain Royalty Corp. and Mega Uranium Ltd. (the "Optionors") for an option to purchase a 70% undivided interest in certain mineral tenures comprising the Powell property and the Clay property (the "Properties") located near Thunder Bay, Ontario.

Under the original agreement the Company may exercise the option by the issuance to the Optionors of 100,000 common shares in the capital stock of the Company, and by incurring a total of $1,000,000 in exploration and development expenditures on the properties. On March 31, 2014 the Company agreed to issue an additional 100,000 shares to extend the option to purchase the property to December 31, 2014. Minimum expenditure obligations for the year ended October 31, 2013 were extended by the optionors to December 31, 2014.

(Expressed in Canadian Dollars)

## 4. EXPLORATION AND EVALUATION ASSETS (continued)

**Clay and Powell Properties (Ontario) (continued)**

| Date of Completion | Number of Common Shares | Minimum Expenditures |
|---|---|---|
| Within 10 days of October 15, 2010 (shares issued at a value of $35,000) | 25,000 | $ - |
| Before October 15, 2011 (minimum expenditures of $250,000 incurred; shares issued at a value of $11,000) | 25,000 | 250,000 |
| Before October 15, 2012 (minimum expenditures of $250,000 incurred; shares issued at a value of $6,000) | 25,000 | 250,000 |
| Before May 2, 2014 (shares issued at a value of $3,750) | 25,000 | - |
| Within 10 days of June 4, 2014 (shares issued at a value of $16,000) | 100,000 | - |
| Before December 31, 2014 (expenditures of $229,042 incurred) | - | 500,000 |
| | 200,000 | $ 1,000,000 |

In the event that the Company decides to abandon the Option and the Properties, the Company will provide thirty days prior written notice and will provide payment of rental fees for a period of at least six months from the effective date of such abandonment.

Pursuant to the Letter of Intent, the Clay and Powell properties are subject to a 2% net smelter return (“NSR”) royalty of which 1% can be purchased for $500,000 and the other 1% for $1,000,000. The Company and the Optionors will pay the amount in proportion to their respective interest in the Properties.

On July 31, 2014 the property was written down to a value of $1,000 pursuant to an agreement with the Optionors that the option on the property could be bought back by them for $1,000 if they find a bona fide third party offer for the property.

Subsequent to year end, the Company terminated its option for the Clay Powell property in order to focus on its Quebec properties. All remaining capitalized costs were written-off as of October 31, 2014.

**Marmion South Contact Property (Ontario)**

On January 7, 2011, the Company entered into a letter agreement with an arm’s length party (the “Optionor”) to earn a 100% interest in certain mineral claims known as the Marmion South Contact property. The property is located in the Thunder Bay Mining Division, Ontario.

On January 7, 2013 the Optionor of the Marmion property agreed to defer the cash payment of $60,000 that was due on January 7, 2013 until June 7, 2013. In exchange, the 37,500 shares that were to be issued on January 7, 2014 were issued on January 7, 2013 at the same time as the current years share issuance was made.

On January 29, 2014 the Company abandoned its Marmion South Contact group of claims so that it could focus on those properties that showed more promising results. In order to abandon the property with no further obligations the Company agreed to issue the optionors 100,000 common shares (issued at a value of $12,000). All capitalized costs were written-off as of October 31, 2013.

(Expressed in Canadian Dollars)

## 4. EXPLORATION AND EVALUATION ASSETS (continued)

### Houghton Creek Property (Ontario)

On July 25, 2012, the Company entered into a letter agreement with an arm's length party (the "Optionor") to earn a 100% interest in certain mineral claims known as the Houghton Creek property. The property is located in the Patricia Mining Division, Ontario. To acquire the 100% interest, the Company agreed to pay $22,000, issue a total of 56,250 common shares and incur a total of $150,000 in exploration expenditures.

On July 31, 2014 the Company abandoned its mineral claims of the Houghton Creek Property so that it can focus its resources on those properties that show more promising results. All capitalized costs were written-off.

### Total exploration and evaluation assets

The following acquisition and deferred exploration costs were incurred on the Company's exploration and evaluation assets:

| Current year | Lac Elan | Buttercup | Hearth |
|---|---|---|---|
| Acquisition costs, October 31, 2013 | $ - | $ - | $ - |
| Additions during the period | 50,000 | 107,672 | 4,380 |
| Acquisition costs, October 31, 2014 | 50,000 | 107,672 | 4,380 |
| Deferred exploration costs, October 31, 2013 | - | - | - |
| Additions during the period | - | 167,858 | - |
| Deferred exploration cost October 31, 2014 | - | 167,858 | - |
| Total exploration and evaluation assets, October 31, 2014 | $ 50,000 | $ 275,530 | $ 4,380 |

| Current year (continued) | Clay and Powell | Houghton Creek | Total |
|---|---|---|---|
| Acquisition costs, October 31, 2013 | $ 52,000 | $ 13,036 | $ 65,036 |
| Impairment during the period | (71,750) | (13,036) | (84,786) |
| Additions during the period | 19,750 | - | 181,802 |
| Acquisition costs, October 31, 2014 | - | - | 162,052 |
| Deferred exploration costs, October 31, 2013 | 729,042 | 51,028 | 780,070 |
| Impairment during the period | (729,042) | (51,028) | (780,070) |
| Additions during the period | - | - | 167,858 |
| Deferred exploration costs, October 31, 2014 | - | - | 167,858 |
| Total exploration and evaluation assets, October 31, 2014 | $ - | $ - | $ 329,910 |

(Expressed in Canadian Dollars)

## 4. EXPLORATION AND EVALUATION ASSETS (continued)

| **Prior year** | Clay and Powell | Marmion South Contact | Houghton Creek | Total |
|---|---|---|---|---|
| Acquisition costs, October 31, 2012 | $ 52,000 | $ 142,000 | $ 12,036 | $ 206,036 |
| Additions during the period | - | 13,000 | 1,000 | 14,000 |
| Write-off acquisition of properties | - | (155,000) | - | (155,000) |
| Acquisition costs, October 31, 2013 | 52,000 | - | 13,036 | 65,036 |
| | | | | |
| Deferred exploration costs, October 31, 2012 | 727,357 | 801,366 | 48,637 | 1,577,360 |
| Additions during the period | | | | |
| Administration | - | 3,575 | 1,788 | 5,363 |
| Assays | - | 344 | - | 344 |
| Field personnel and expenses | - | 60 | - | 60 |
| Geological consulting | 585 | 2,716 | 603 | 3,904 |
| Mapping | 1,100 | 144 | - | 1,244 |
| Write-off exploration of properties | - | (808,205) | - | (808,205) |
| Deferred exploration costs, October 31, 2013 | 729,042 | - | 51,028 | 780,070 |
| | | | | |
| Total exploration and evaluation assets, October 31, 2013 | $ 781,042 | $ - | $ 64,064 | $845,106 |

## 5. SHARE CAPITAL

The authorized share capital consists of an unlimited number of common shares without par value.

**Private Placements**

Year ended October 31, 2014

On November 21, 2013 5,290,000 common shares were issued in a private placement at a price of $0.05 per common share for gross proceeds of $264,500. In conjunction with the private placement 295,000 shares at a price of $0.05 per common shares were issued as a finder’s fee.

On December 6, 2013, the Company issued a total of 1,000,000 common shares at a price of $0.05 in payment for a 40% option on the Lac Elan property (Note 4).

On December 13, 2013 the Company issued a total of 100,000 common shares at a price of $0.05 as a finder’s fee for the Lac Elan property (Note 4).

On January 28 2014 the Company issued a total of 1,000,000 common shares at a price of $0.05 in payment for a 100% option on the Buttercup property (Note 4).

On February 26, 2014 the Company issued 100,000 common shares at a price of $0.12, to the optionors of the Marmion South Contact property (Note 4).

On May 2, 2014 the Company issued a total of 25,000 common shares at a price of $0.15 in payment for a 70% option on the Clay and Powell properties (Note 4).

On June 17, 2014 the Company issued a total of 100,000 common shares at a price of $0.16 in payment for an extension of the option on the Clay and Powell properties (Note 4).

(Expressed in Canadian Dollars)

## 5. SHARE CAPITAL (continued)

On June 23, 2014 the Company issued in a private placement a total of 1,291,667 units at a price of $0.15 per unit, 766,667 units were issued for gross proceeds of $115,000, and 525,000 units were issued in payment for consulting fees. Each unit consists of one common share and one half of one non-transferable share purchase warrant. Each whole share purchase warrant entitles the holder to purchase one common share at $0.25 before the expiry date of June 23, 2015.

On September 5, 2014 3,000,000 common shares were issued in a private placement at a price of $0.15 per common share for gross proceeds of $449,400. In conjunction with the private placement 141,000 shares at a price of $0.15 were issued as a finder's fee.

Year ended October 31, 2013

On January 7, 2013, 75,000 shares were issued at a price of $0.16 per share in payment for the Marmion Contact property (Note 4).

On April 25, 2013 the Company proceeded with its proposed share consolidation on the basis of four (4) pre-consolidation common shares for one (1) post-consolidation common share. All common shares and per share amounts have been adjusted to give retroactive effect to the 4 for 1 consolidation that took place April 25, 2013.

On July 31, 2013 25,000 common shares were issued at a price of $0.04 per common share in payment for the Marmion Contact property (Note 4).

On August 16, 2013 25,000 common shares were issued at a price of $0.04 per common share in payment for the Houghton Creek property (Note 4).

**Stock options**

The Company has a rolling stock option plan under which it is authorized to grant options to directors, employees and consultants, to acquire up to 10% of the issued and outstanding shares. The exercise price of each option is based on the market price of the Company's stock at the date of grant. The options can be granted for a maximum term of 10 years and vest as determined by the board of directors.

The following table summarizes the stock option activity:

| | Number of Stock Options | Weighted Average Exercise Price |
|---|---|---|
| Balance at October 31, 2012 | 387,500 | 0.60 |
| Expired | (25,000) | 0.60 |
| Balance at October 31, 2013 and October 31, 2014 | 362,500 | 0.60 |
| Exercisable at October 31, 2014 | 362,500 | 0.60 |

(Expressed in Canadian Dollars)

## 5. SHARE CAPITAL (continued)
### Stock Options (continued)

As at October 31, 2014, the following incentive stock options are outstanding:

| Number of Stock Options | Exercise Price | Expiry Date |
|---|---|---|
| 25,000 | 0.60 | December 9, 2014 (expired unexercised subsequent to year end) |
| 12,500 | 1.24 | November 3, 2015 |
| 50,000 | 0.46 | October 24, 2016 |
| 262,500 | 0.60 | February 8, 2017 |
| 12,500 | 0.60 | February 14, 2017 |
| 362,500 | | |

**Share-based payments**
For the year ended October 31, 2014 there were no stock options granted. For the year ended October 31, 2013, the Company expensed $2,594 for the vesting portion of the stock options that were granted in prior periods.

**Warrants**

The following table summarizes the warrants and agent warrants activity.

| | Number of Warrants | Weighted Average Exercise Price |
|---|---|---|
| Balance at October 31, 2012 | 1,878,916 | $ 1.33 |
| Expired | (933,250) | 1.80 |
| Balance at October 31, 2013 | 945,666 | 0.80 |
| Expired | (945,666) | 0.80 |
| Issued | 2,145,833 | 0.25 |
| Balance at October 31, 2014 | 2,145,833 | 0.25 |

As at October 31, 2014 there are a total of 2,145,833 warrants outstanding at an exercise price of $0.25 with 645,833 expiring on June 23, 2015 and 1,500,000 expiring on September 5, 2015.

## 6. RELATED PARTY TRANSACTIONS
In the years ended October 31, 2014 and 2013 the following amounts were paid or accrued to related parties:

a) Paid or accrued $28,500 (2013 – $nil) in management fees and $10,000 (2013 - $nil) in administrative fees to a company controlled by the CEO and president of the Company.
b) Paid or accrued $12,000 (2013 – $12,000) in management fees to a director of the Company.
c) Paid or accrued $nil (2013 – $76,500) in management fees to a company controlled by two directors of the Company.
d) Paid or accrued $nil (2013 – $8,645) in deferred exploration expenses to a company controlled by two directors of the Company.

At October 31, 2014, the following amounts were outstanding to related parties:

a) $1,052 (October 31, 2013 – $nil) in due to related parties was outstanding to a director of the Company.
b) $1,000 (October 31, 2013 – $9,000) in due to related parties was outstanding to a director of the Company.

(Expressed in Canadian Dollars)

## 6. RELATED PARTY TRANSACTIONS (continued)

c) $10,594 (October 31, 2013 – $94,111) in due to related parties was outstanding to a company controlled by two directors of the Company.
d) $nil (October 31, 2013 – $370) in due to related parties was outstanding to an officer of the Company.

The amounts owing are unsecured, non-interest bearing and with no stated payment date.

The total remuneration for directors fees and to other key management personnel (included in amounts disclosed above) during the year ended October 31, 2014 was $40,500 (2013 – $88,500).

## 7. CAPITAL MANAGEMENT

The Company considers its capital to be a component of shareholders' equity. The Company's objective when managing capital is to maintain adequate levels of funding to support the development of its businesses and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through debt and equity financing. Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future.

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

## 8. FINANCIAL INSTRUMENTS

a) Fair Values

The Company's financial instruments consist of cash, amounts receivable, accounts payable and accrued liabilities and due to related parties. The fair values of these financial instruments approximate their carrying values because of their current nature.

The following table summarizes the carrying values of the Company's financial instruments:

| | October 31, 2014 | October 31, 2013 |
|---|---|---|
| Fair value through profit or loss (i) | $ 155,065 | $ 3,567 |
| Loans and receivables (ii) | $ 21,576 | $ 2,459 |
| Other financial liabilities (iii) | $ 83,282 | $ 177,176 |

(i) Cash
(ii) Amounts receivable
(iii) Accounts payable and accrued liabilities and due to related parties

The Company classifies its fair value measurements in accordance with the three level fair value hierarchy 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 the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3 – Inputs that are not based on observable market data.

## 8. FINANCIAL INSTRUMENTS (continued)

a) Fair Values (continued)

The following table sets forth the Company's financial assets measured at fair value by level within the fair value hierarchy as follows:

| Assets | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Cash | $ 155,065 | - | - | $ 155,065 |

b) Credit Risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash. To minimize the credit risk the Company places these instruments with a high credit quality financial institution.

c) 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 manages liquidity risk through the management of its capital structure and financial leverage as outlined above.

The Company monitors its ability to meet its short-term exploration and administrative expenditures by raising additional funds through share issuances when required. All of the Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms. The Company does not have investments in any asset backed deposits.

d) Foreign Exchange Risk

The Company does not have significant foreign exchange risk as most of its transactions are in Canadian dollars.

e) Interest Rate Risk

The Company is not exposed to significant interest rate risk.

f) Price risk

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors the commodity prices of precious metals and the stock market to determine the appropriate course of action to be taken by the Company.

## 9. SEGMENT INFORMATION

The Company conducts all of its business activities in Canada, in one reportable operating segment, being the acquisition and exploration of exploration and evaluation assets.

(Expressed in Canadian Dollars)

## 10. INCOME TAX

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

| | 2014 | 2013 |
|---|---|---|
| Loss for the year | $ (1,273,609) | $ (1,367,193) |
| Expected income tax (recovery) | $ (331,000) | $ (350,000) |
| Change in statutory rates and other | (2,000) | (6,000) |
| Permanent Difference | - | 1,000 |
| Share issue cost | (2,000) | - |
| Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses | - | (82,000) |
| Change in unrecognized deductible temporary differences | 335,000 | 437,000 |
| **Total income tax expense (recovery)** | **$ -** | **$ -** |

The significant components of the Company's deferred tax assets and liabilities are as follows:

| | 2014 | 2013 |
|---|---|---|
| Deferred Tax Assets (liabilities) | | |
| Exploration and evaluation assets | $ 176,000 | $ (55,000) |
| Share issue costs | 16,000 | 40,000 |
| Non-capital losses | 658,000 | 530,000 |
| **Net deferred income tax assets** | **$ 850,000** | **$ 515,000** |

No net deferred tax asset has been recognized in respect of the above for the years ended October 31, 2014 and 2013 because the amount of future taxable profit that will be available to realize such assets is not probable.

The Company has non-capital losses for Canadian income tax purposes of approximately $2,532,000 which may be carried forward and applied against taxable income in the future. These losses, if not utilized, will expire starting in 2029 through 2034.