

# **SGX RESOURCES INC.**

Condensed Interim Financial Statements

For the three and nine months ended September 30, 2015 and 2014

*(in Canadian dollars, unless otherwise stated)*

*(unaudited)*

## **Notice of No Auditor Review of Condensed Interim Financial Statements**

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements; they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The accompanying unaudited condensed interim financial statements of the Company have been prepared by management and approved by the Audit Committee and Board of Directors of the Company. The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

# SGX Resources Inc.

Condensed Interim Statements of Financial Position (*unaudited*)  
(in Canadian dollars)

|   | <b>As at<br/>September 30,<br/>2015</b> | <b>As at<br/>December 31,<br/>2014</b> |
|---|---|--|
| <b>ASSETS</b>                               |   |  |
| <b>Current assets</b>                       |   |  |
| Cash  | \$ 15,739                               | \$ 644                                 |
| GST/HST recoverable                         | 10,307                                  | 32,506                                 |
| Prepaid expenses                            | 7,175                                   | 11,494                                 |
|   | <u>33,221</u>                           | <u>44,644</u>                          |
| <b>Mining claims (Note 5)</b>               | <u>147,239</u>                          | <u>147,239</u>                         |
|   | <u>\$ 180,460</u>                       | <u>\$ 191,883</u>                      |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b> |   |  |
| <b>Current liabilities</b>                  |   |  |
| Accounts payable and accrued liabilities    | \$ 237,297                              | \$ 305,600                             |
| Advance payable (Note 7)                    | 50,000                                  | -                                      |
| Due to related parties (Note 8)             | 1,597,286                               | 1,579,076                              |
| Promissory note payable (Note 8)            | 105,692                                 | 101,942                                |
|   | <u>1,990,275</u>                        | <u>1,986,618</u>                       |
| <b>Equity</b>                               | <u>(1,809,815)</u>                      | <u>(1,794,735)</u>                     |
|   | <u>\$ 180,460</u>                       | <u>\$ 191,883</u>                      |

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

# SGX Resources Inc.

Condensed Interim Statements of Income (loss) and Comprehensive Income (loss) *(unaudited)*  
 For the three and nine months ended September 30, 2015 and 2014 *(in Canadian dollars)*

|   | Three months ended September 30 |              | Nine months ended September 30 |              |
|---|---------------------------------|--------------|--------------------------------|--------------|
|   | 2015                            | 2014         | 2015                           | 2014         |
| Exploration expenditures  | \$ -                            | \$ 17,581    | \$ -                           | \$ 102,564   |
| General and administrative  | 25,833                          | 173,531      | 140,424                        | 698,284      |
| Gain on sale of mining claims (Note 12)                                     | -                               | -            | (129,616)                      | -            |
| Mining claims   | -                               | 40,000       | -                              | 97,030       |
| Interest expense  | 1,305                           | 678          | 4,272                          | 678          |
| Loss before interest income and income tax                                  | (27,138)                        | (231,790)    | (15,080)                       | (898,556)    |
| Interest income   | -                               | -            | -                              | 552          |
| Net loss before income tax  | (27,138)                        | (231,790)    | (15,080)                       | (898,004)    |
| Provision for income taxes  | -                               | -            | -                              | -            |
| Net loss and comprehensive loss   | \$ (27,138)                     | \$ (231,790) | \$ (15,080)                    | \$ (898,004) |
| Loss per share - basic and diluted  | \$ (0.00)                       | \$ (0.00)    | \$ (0.00)                      | \$ (0.01)    |
| Weighted average number of common shares outstanding<br>- basic and diluted | 135,194,169                     | 134,404,604  | 135,194,169                    | 131,399,707  |

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

# SGX Resources Inc.

Condensed Interim Statements of Changes in Equity (*unaudited*)

For the nine months ended September 30, 2015 and 2014 (*in Canadian dollars*)

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|                                      | <b>Share capital</b> | <b>Contributed surplus</b> | <b>Deficit</b>         | <b>Total</b>          |
|--------------------------------------|----------------------|----------------------------|------------------------|-----------------------|
| <b>Balance at January 1, 2014</b>    | \$ 27,192,486        | \$ 5,012,432               | \$ (26,801,910)        | \$ 5,403,008          |
| Issued for mining claims             | 42,500               |                            |                        | 42,500                |
| Private placement                    | 317,550              |                            |                        | 317,550               |
| Share issue costs                    | (10,371)             |                            |                        | (10,371)              |
| Warrants expired                     | -                    | (2,714,634)                | 2,714,634              | -                     |
| Options expired                      | -                    | (313,890)                  | 313,890                | -                     |
| Net loss                             | -                    |                            | (898,004)              | (898,004)             |
| <b>Balance at September 30, 2014</b> | <b>\$ 27,542,165</b> | <b>\$ 1,983,908</b>        | <b>\$ (24,671,390)</b> | <b>\$ 4,854,683</b>   |
| <b>Balance at January 1, 2015</b>    | \$ 27,567,165        | \$ 1,205,445               | \$ (30,567,345)        | \$ (1,794,735)        |
| Options expired                      |                      | (205,243)                  | 205,243                |                       |
| Net income                           | -                    | -                          | (15,080)               | (15,080)              |
| <b>Balance at September 30, 2015</b> | <b>\$ 27,567,165</b> | <b>\$ 1,000,202</b>        | <b>\$ (30,377,182)</b> | <b>\$ (1,809,815)</b> |

# SGX Resources Inc.

Condensed Interim Statements of Cash Flows (*unaudited*)

For the nine months ended September 30, 2015 and 2014 (*in Canadian dollars*)

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|  | <b>Nine months ended September 30</b> |                  |
|--|---------------------------------------|------------------|
|  | <b>2015</b>                           | <b>2014</b>      |
| Cash flows from operating activities               |                                       |                  |
| Interest income                                    | \$ -                                  | \$ 552           |
| Payments to suppliers                              | (164,521)                             | (337,096)        |
|  | <u>(164,521)</u>                      | <u>(336,544)</u> |
| Cash flows from financing activities               |                                       |                  |
| Advance Received (Note 7)                          | 50,000                                | -                |
| Cash received from related party                   | -                                     | 166,950          |
| Proceeds from private placement                    | -                                     | 100,000          |
| Share issue costs                                  | -                                     | (10,371)         |
|  | <u>50,000</u>                         | <u>256,579</u>   |
| Cash flows from investing activities               |                                       |                  |
| Payments from the sale (purchase) of mining claims | 129,616                               | (62,500)         |
|  | <u>129,616</u>                        | <u>(62,500)</u>  |
| Change in cash                                     | 15,095                                | (142,465)        |
| Cash, beginning of year                            | <u>644</u>                            | <u>144,152</u>   |
| Cash, end of year                                  | <u>\$ 15,739</u>                      | <u>\$ 1,687</u>  |

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

# SGX Resources Inc.

Notes to the condensed interim financial statements (*unaudited*)

For the three and nine months ended September 30, 2015 and 2014

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## 1. Corporate Information

SGX Resources Inc. (the "Company") was incorporated under the Canada Business Corporations Act on December 5, 2008. The Company acquires, explores, and develops mineral properties in the Timmins region of Ontario, Canada.

The Company's corporate head office is located at 365 Bay Street, Suite 400, Toronto ON M5H 2V1. The registered office of the Company is Aikins, MacAulay & Thorvaldson LLP, 30th Floor, 360 Main Street, Winnipeg, MB R3C 4G1. The Company's shares are listed on the TSX Venture Exchange and trade under the symbol "SXR".

These condensed interim financial statements of the Company for the three and nine months ended September 30, 2015 were approved and authorized for issue by the Board of Directors of the Company on November 30, 2015

## 2. Basis of Presentation

These unaudited condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") which the Canadian Accounting Standards Board has approved for incorporation into Part 1 of the Handbook of Chartered Professional Accountants of Canada applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34, Interim Financial Reporting. These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at and for the year ended December 31, 2014.

These unaudited condensed interim financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due for the foreseeable future. For the nine month period ended September 30, 2015, the Company had a net loss of \$15,080 and, as of that date, the Company's current liabilities exceeded its current assets by \$1,957,054 and the Company had a deficit of \$30,377,182. In addition to ongoing working capital requirements, the Company may be required to secure sufficient funding for exploration and development programs, general and administration costs. Although management may have been successful in the past in undertaking financing, there can be no assurance that management will be able to do so in the future on terms acceptable to the Company.

These unaudited condensed interim financial statements do not reflect any adjustments to carrying values of assets and liabilities and the reported expenses and condensed interim statement of financial position classification that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

These financial statements are presented in Canadian dollars, which is also the Company's functional currency. All reference to dollars (\$) are to Canadian dollars unless otherwise noted.

## 3. Summary of significant accounting policies, judgments and estimates

These condensed interim financial statements have been prepared using the same accounting policies and methods of computation as the annual consolidated financial statements of the Company as at and for the year ended December 31, 2014.

Accordingly, these condensed interim financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2014.

# SGX Resources Inc.

Notes to the condensed interim financial statements (*unaudited*)

For the three and nine months ended September 30, 2015 and 2014

## 4. Recent accounting pronouncements

The following are future changes in accounting policies not yet effective as at June 30, 2015:

- (i) Financial instruments IFRS 9 - Financial Instruments - The standard was issued in its final version by the IASB in July 2014 bringing together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39, "Financial instruments: recognition and measurement" ("IAS 39"). The standard retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The mandatory effective date of IFRS 9 would be annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is assessing the impact of this standard.
- (ii) Revenue from contracts with customers IFRS 15 - Revenue from Contracts with Customers - The final standard on revenue from contracts with customers was issued in May 2014 and is effective for annual reporting periods beginning on or after January 1, 2017 for public entities with early application not permitted. The standard covers principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. Entities have the option of using either a full retrospective or a modified retrospective approach to adopt the guidance. The Company is assessing the impact of this standard.

## 5. Mining claims

| Partner                                      | Location                      | Agreement entered | September 30, 2015 Carrying Value  | Commitment for option                          |
|--|-------------------------------|-------------------|--|--|
| Bristol-Carscallen Claims                    | Timmins, Ontario<br>15 claims | May 2008          | \$nil (December 31, 2014 - \$nil)<br>2% net smelter return with the right to buy back 1% for \$1,000,000   | As at September 30, 2015 commitments were met. |
| Croxall, Kangas, Miller, Salo, Bryant Claims | Timmins Ontario<br>36 claims  | May 2010          | \$nil (December 31, 2014 - \$nil)<br>2% net smelter return with the right to buy back 1% for \$1,000,000 multiplied by the percentage increase in the CPI from the month the property is transferred to the Company to the month the net smelter return is purchased | As at September 30, 2015 commitments were met  |

# SGX Resources Inc.

Notes to the condensed interim financial statements (*unaudited*)

For the three and nine months ended September 30, 2015 and 2014

## 5. Mining claims (continued)

| Partner              | Location                                      | Agreement entered | June 30, 2015 Carrying Value   | Commitment for option  |
|----------------------|---|-------------------|--|--|
| Shoreacres Claim     | Timmins, Ontario<br>1 claim                   | May 2010          | \$nil (December 31, 2014 - \$nil)<br>2% net smelter return with the right to buy back 1% for \$1,500,000   | As at September 30, 2015 commitments were met  |
| Canada Lithium       | Timmins, Ontario<br>50% interest in 18 claims | September 2010    | \$nil (December 31, 2014 - \$nil)  | The properties have a 5% net profits interest with Talisman Energy Inc., and a net profits interest acquisition agreement with Falconbridge Limited where Falconbridge Limited is entitled to a one-time cash payment of 0.1% of the gold price set forth in a feasibility study leading to production on the claims multiplied by the number of recoverable ounces of gold identified in the feasibility study due at the commencement of commercial production as defined by the agreement. Falconbridge Limited is also entitled to a 0.5% net smelter royalty on all ounces produced over and above those identified in the feasibility study. |
| 2205730 Ontario Inc. | Timmins, Ontario<br>3 claims                  | September 2010    | \$nil (December 31, 2014 - \$nil)<br>1% net smelter return with the right to buy back 0.5% for \$1,000,000 | There is no required work commitment from the Company pursuant to the agreement.   |
| Salo Claims          | Cochrane, Ontario<br>5 claims                 | December 2011     | \$nil (December 31, 2014 - \$nil)<br>2% net smelter return with the right to buy back 1% for \$1,000,000   | There is no required work commitment from the Company pursuant to the agreement.   |
| Bremner Claims       | Cochrane, Ontario<br>4 claims                 | December 2011     | \$nil (December 31, 2014 - \$nil)<br>2% net smelter return with the right to buy back 1% for \$1,000,000   | There is no required work commitment from the Company pursuant to the agreement.   |
| Verroneau Claims     | Timmins, Ontario<br>3 claims                  | April 2012        | \$nil (December 31, 2014 - \$nil)  | There is no required work commitment from the Company pursuant to the agreement.   |
| Laurion Claims       | Timmins, Ontario<br>25 claims                 | April 2012        | \$147,239 (December 31, 2014 - \$147,239)<br>2% net smelter return   | There is no required work commitment from the Company pursuant to the agreement.   |



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Notes to the condensed interim financial statements (*unaudited*)

For the three and nine months ended September 30, 2015 and 2014

## 5. Mining claims (continued)

| Partner                       | Location                     | Agreement entered | June 30, 2015<br>Carrying Value  | Commitment for option  |
|-------------------------------|------------------------------|-------------------|--|--|
| Salo, Tremblay, Robert Claims | Timmins, Ontario<br>8 claims | July 2012         | \$nil (December 31, 2014 - \$nil)<br>2% net smelter return with the right to buy back 1% for \$1,000,000 | As at September 30, 2015 commitments were met .                                  |
| Clayton Larche                | Timmins, Ontario<br>1 claim  | June 2013         | \$nil (December 31, 2014 - \$nil)<br>2% net smelter return with the right to buy back 1% for \$1,000,000 | There is no required work commitment from the Company pursuant to the agreement. |
| Total                         |                              |                   | \$147,239(December 31, 2014 - \$147,239)   |  |

## 6. Share capital

Authorized:

Unlimited number of common shares

|                                    | September 30, 2015 |               | December 31, 2014 |               |
|------------------------------------|--------------------|---------------|-------------------|---------------|
|                                    | Number of shares   | Amount        | Number of shares  | Amount        |
| Share capital, beginning of period | 135,194,169        | \$ 27,567,165 | 127,493,169       | \$ 27,192,486 |
| Issued for mining claims           | -                  | -             | 1,350,000         | 67,500        |
| Private placement                  | -                  | -             | 6,351,000         | 317,550       |
| Share issue costs                  | -                  | -             | -                 | (10,371)      |
| Share capital, end of period       | 135,194,169        | \$ 27,567,165 | 135,194,169       | \$ 27,567,165 |

## Share options

The Company may grant options to directors, officers, employees, and technical consultants of the Company. The maximum number of shares reserved for issuance under all securities compensation arrangements is limited to 10% of the total number of issued and outstanding shares exercisable for a period of up to 10 years. The maximum number of shares that may be issued to any officer, director or employee shall not exceed 5% of the total number of issued and outstanding shares. The maximum number of shares that may be issued to technical consultants, including investor relation consultants, shall not exceed 2% of the total number of issued and outstanding shares.

A summary of the status of the Company's outstanding options as at September 30, 2015 and December 31, 2014 and changes during the periods then ended are as follows:

## SGX Resources Inc.

Notes to the condensed interim financial statements (*unaudited*)

For the three and nine months ended September 30, 2015 and 2014

|  | September 30,<br>2015 | Average<br>Price | December 31,<br>2014 | Average<br>Price |
|--|-----------------------|------------------|----------------------|------------------|
| Options, beginning of period                     | 6,800,000             | \$ 0.27          | 8,600,000            | \$ 0.27          |
| Options expired                                  | (2,200,000)           | 0.25             | (1,800,000)          | 0.27             |
| Options outstanding and vested,<br>end of period | 4,600,000             | \$ 0.28          | 6,800,000            | \$ 0.27          |
| Weighted average remaining life (years)          | 0.88                  |                  | 1.63                 |                  |

The share options outstanding as at September 30, 2015 are as follows:

| Exercise<br>price | Number<br>outstanding<br>and vested | Remaining<br>outstanding<br>contractual<br>life (years) |
|-------------------|-------------------------------------|---|
| \$ 0.27           | 1,750,000                           | 0.80  |
| 0.28              | 2,850,000                           | 1.86  |
| \$ 0.28           | 4,600,000                           | 0.88  |

### Warrants

A summary of the status of the Company's outstanding warrants as of September 30, 2015 and 2014 and changes during the periods then ended are as follows:

|   | September 30,<br>2015 | Average<br>Price | December 31,<br>2014 | Average<br>Price |
|---|-----------------------|------------------|----------------------|------------------|
| Warrants, beginning of period                     | -                     | \$ -             | 23,964,970           | \$ 0.53          |
| Warrants expired                                  | -                     | -                | (23,964,970)         | \$ 0.53          |
| Warrants outstanding and vested,<br>end of period | -                     | \$ -             | -                    | \$ -             |

### 7. Advance payable

The advance payable is from a director of the Company and is non-interest bearing, unsecured with no specified terms of repayment.

# SGX Resources Inc.

Notes to the condensed interim financial statements (*unaudited*)

For the three and nine months ended September 30, 2015 and 2014

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## 8. Advances to related party, due to related parties and related party transactions

Due to related parties includes \$870,552 (December 31, 2014 - \$870,552) due to Shoreline Gold Inc. (formerly San Gold Corporation) for exploration expenditures incurred on behalf of the Company. Shoreline Gold Inc also advanced a \$100,000 promissory note to the Company. The promissory note bears interest at 5% and is due on demand. The promissory note is secured against the Companies 50% interest in certain mining claims. The promissory note payable includes \$5,692 (December 31, 2014 - \$1,942 of accrued interest due to Shoreline Gold Inc.. Shoreline Gold Inc. owns and exercises control over approximately 32% of the issued and outstanding Common Shares and exerts significant influence over the Company.

Included in due to related parties includes \$20,000 (December 31, 2014 - \$20,000) due to Wynnex Ltd. for advances to the Company that are unsecured, non-interest bearing and have no set terms of repayment. Wynnex is related as the owner is a director of the Company. Also, included in due to related parties is \$21,000 (December 31, 2014 - \$21,000) payable to a director for director's fees.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the group, directly and indirectly, include any director (whether executive or otherwise) of the Company. Total salaries and other short-term compensation expense for the three and nine months ended September 30, 2015 are \$NIL (2014 - \$104,251) and \$9,460 (2014 - \$312,753), respectively. Included in due to related parties are amounts owed to key management personnel for \$678,354 (December 31, 2014 - \$660,144).

The Company paid \$nil to a spouse of a member of key management for services during the three and nine months ended September 30, 2015 (2014 - \$5,821 and \$21,740), respectively.

The Company purchased \$nil of promotional merchandise from IceTime Sports Inc. during the three and nine months ended September 30, 2015 (2014 - \$ nil and \$5,259), respectively. IceTime Sports Inc. is a related party as a director of the Company exerts significant influence over IceTime Sports Inc.

## 9. Commitments

The Company has entered into lease commitments for equipment and premises with minimum lease payments as follows

|      |        |
|------|--------|
| 2015 | 13,000 |
|------|--------|

## 10. Capital management

The Company's total capital of \$(1,809,815) (December 31, 2014 - \$(1,794,735)) consists of \$27,567,165 (December 31, 2014 - \$27,567,165) of share capital, \$1,000,202 (December 31, 2014 - \$1,205,445) of contributed surplus and an offsetting deficit of \$30,377,182 (December 31, 2014 - \$30,567,345).

The Company's objectives when managing capital, which consists of shareholders' equity, are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the

# SGX Resources Inc.

Notes to the condensed interim financial statements (*unaudited*)

For the three and nine months ended September 30, 2015 and 2014

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Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The Company monitors capital from time-to-time using a variety of measures. Monitoring procedures are typically performed as a part of the overall management of the Company's operations. The Company's strategy during the period, which was unchanged from the prior period, was to maintain its ability to secure access to financing at a reasonable cost. The requirements and terms of sources of capital cannot be predicted and change in ways the Company cannot predict.

## 11. Risk management and fair values

Management's risk management policies are typically performed as a part of the overall management of the Company's operations. Management is aware of risks related to these objectives through direct personal involvement with employees and outside parties. In the normal course of its business, the Company is exposed to a number of risks that can affect its operating performance. Management's close involvement in operations helps identify risks and variations from expectations. The Company has not designated transactions as hedging transactions to manage risk. As a part of the overall operation of the Company, management considers the avoidance of undue concentrations of risk. The risks and the actions taken to manage them include the following:

### Liquidity risk

Liquidity risk is the risk that the Company cannot meet its financial obligations associated with financial liabilities in full. The Company's main sources of liquidity are external sources of debt and equity. The funds are primarily used to finance working capital and capital expenditure requirements. The Company's current liabilities exceed its current assets by \$1,957,054 (December 31, 2014 - \$1,941,974).

Accounts payable, due to related parties and promissory note payable are due within one year.

### Credit risk

Credit risk arises from the possibility that debtors may be unable to fulfill their commitments. For a financial asset, this is typically the gross carrying amount, net of any amounts offset and any impairment losses. The Company has credit policies to address credit risk on accounts receivable, which may include the analysis of the financial position of the debtor and review of credit limits. The Company also may review credit history before establishing credit and review credit performance. An allowance for doubtful accounts or other impairment provisions are established based upon factors surrounding credit risk, historical trends and other information.

A financial asset is past due when a debtor has failed to make a payment when contractually due. The Company has no financial assets that are past due and does not have an allowance for doubtful accounts receivable.

### Currency risk

Currency risk is the risk that changes in foreign exchange rates may have an effect on future cash flows associated with financial instruments. Changes in the applicable exchange rate may result in a decrease or increase in foreign exchange income or expense. The Company only enters into transactions in Canadian dollars and is not exposed to currency risk.

# SGX Resources Inc.

Notes to the condensed interim financial statements (*unaudited*)

For the three and nine months ended September 30, 2015 and 2014

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## **Interest rate risk**

Interest rate risk is the risk that changes in market interest rates may have an effect on the cash flows associated with some financial instruments, known as interest rate cash flow risk, or on the fair value of other financial instruments, known as interest rate price risk. Obtaining a promissory note with a fixed interest rate minimizes cash flow risk.

## **Other price risk**

Other price risk is the risk that changes in market prices, including commodity or equity prices, will have an effect on future cash flows associated with financial instruments. Mineral prices are affected by numerous factors such as the sale or purchase by various central banks and financial institutions, interest rates, exchange rates, inflation or deflation, fluctuations in the value of the US dollar and other foreign currencies, global and regional supply and demand, and the political and economic conditions of major gold-producing countries throughout the world.

## **Fair values**

The fair values of the Company's financial assets and liabilities consisting of cash, accounts receivable, advances to related party, accounts payable, due to related parties and promissory note payable approximate their recorded values as at September 30, 2015 and December 31, 2014 due to their short-term nature.

Fair value is an estimate of the amount at which items might be exchanged in an arm's length transaction between knowledgeable willing parties who are under no compulsion to act. Fair value should not be interpreted as an amount that could be realized in immediate settlement of the instruments. The estimate of fair value at the end of the periods may not represent fair values at any other date. The determination of fair value is also affected by the use of judgment and by uncertainty.

## **12. Sale of mining claim**

On April 21, 2015, the Company sold its 31.5% interest in its Davidson Tisdale property and its 100% interest in its North Tisdale Property to Lexam VG Gold Inc. ("Lexam"). The Davidson Tisdale Property and the North Tisdale Property are located in the Timmins gold district. The aggregate consideration paid to the Company for these claims consisted of a cash payment of \$129,616 and the forgiveness of certain amounts owed by the Company to Lexam for development work on such properties.