Phoenix Gold Resources Corp.

CONSOLIDATED FINANCIAL STATEMENTS

PHOENIX GOLD RESOURCES CORP.

(An exploration stage company)
(Formerly Zuri Capital Corp.)

For the year ended January 31, 2015 and period from inception (March 11, 2013) to January 31, 2014

(Expressed in Canadian dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Phoenix Gold Resources Corp.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **Phoenix Gold Resources Corp.** and its subsidiary, which comprise the consolidated statements of financial position as at January 31, 2015, and 2014, and the consolidated statements of loss and comprehensive loss, changes in shareholders' deficiency and cash flows for the periods then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Phoenix Gold Resources Corp.** and its subsidiary as at January 31, 2015 and January 31, 2014, and its financial performance and its cash flows for the periods then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to note 2 in the consolidated financial statements which indicates that **Phoenix Gold Resources Corp.** has incurred a net loss of $1,894,149 for the year ended January 31, 2015 and, as of that date, the company's current liabilities exceed current assets by $1,151,716. These conditions, along with other matters as set forth in note 2, indicate the existence of a material uncertainty that may cast significant doubt about **Phoenix Gold Resources Corp.**'s ability to continue as a going concern.

SF Partnership, LLP

Toronto, Canada — **LICENSED PUBLIC ACCOUNTANTS**
May 28, 2015

Phoenix Gold Resources Corp.
(An exploration stage company)
(Formerly Zuri Capital Corp.)
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	January 31, 2015	January 31, 2014
ASSETS		
Current Assets		
Cash	$ 624	$ 1,464
Other receivables	56,951	39,315
Prepaid expense	31,889	135
Short-term investment (note 5)	134,128	-
	223,592	40,914
Mineral Rights (note 6)	965,246	65,322
Total Assets	$ 1,188,838	$ 106,236
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	$ 1,043,536	$ 515,682
Promissory note payable (note 7)	4,285	-
Advances from related company (note 8)	327,487	2,591
Total Liabilities	$ 1,375,308	$ 518,273
SHAREHOLDERS' DEFICIENCY		
Share Capital (note 9)	$ 1,414,719	$ 60,016
Share-based Payment Reserve (note 9)	275,382	-
Warrants Reserve (note 9)	489,631	-
Deficit	(2,366,202)	(472,053)
Total Shareholders' Equity (Deficiency)	(186,470)	(412,053)
Total Liabilities and Shareholders' Deficiency	$ 1,188,838	$ 106,236

Commitments and Contractual Arrangements (note 10)

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS:

"Glenn Laing"	*"Andrew Lee"*
Director	Director

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

Phoenix Gold Resources Corp.
(An exploration stage company)
(Formerly Zuri Capital Corp.)
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

	Year ended January 31, 2015	From inception (March 11, 2013) to January 31, 2014
Revenue	**$ -**	**$ -**
Expenses		
Consulting fees	255,752	20,000
RTO expense (note 4)	250,259	-
Investor relations	245,700	-
Stock-based compensation	213,531	-
Management fees	213,296	165,000
Professional fees	130,457	271,094
Foreign exchange loss	113,571	(165)
Office and administration	44,113	16,124
Travel	12,134	-
Filing fees	2,064	-
Loss before the undernoted	**1,480,877**	**472,053**
Other loss		
Unrealized loss on short-term investment (note 5)	413,272	-
Net Loss and Comprehensive Loss	**$ 1,894,149**	**$ 472,053**
Weighted Average Number of Shares Outstanding	29,465,429	15,017,948
Loss per Share - Basic and Diluted	$ (0.06)	$ (0.03)

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

Phoenix Gold Resources Corp.
(An exploration stage company)
(Formerly Zuri Capital Corp.)
Consolidated Statements of Changes in Shareholders' Equity (Deficiency)
(Expressed in Canadian dollars)

	Number of Shares	Common Shares	Share-based Payment Reserve	Warrants Reserve	Deficit	Shareholders' Equity (Deficiency)
Balance – Beginning of period	**-**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Shares issued on inception (March 11, 2013)	100	1	-	-	-	1
Shares issued for cash	15,149,900	15	-	-	-	15
Shares issued for acquisition of mineral properties	600,000	60,000	-	-	-	60,000
Loss for the period	-	-	-	-	(472,053)	(472,053)
Other comprehensive loss	-	-	-	-	-	-
Balance – January 31, 2014	**15,750,000**	**$ 60,016**	**$ -**	**$ -**	**$ (472,053)**	**$ (412,037)**
Reverse Takeover Transaction (note 4 and 8):						
Redeemed and cancelled by the Company	(4,250,000)	(4)	-	-	-	(4)
Private placements – concurrent financing	15,544,000	1,554,400	-	-	-	1,554,400
Warrants valuation – subscription warrants	-	(337,305)	-	337,305	-	-
Share issue cost – in cash	-	(197,529)	-	-	-	(197,529)
Share issue cost – broker's warrants	-	(32,076)	-	32,076	-	-
Share issue cost – agent's options	-	(19,796)	19,796	-	-	-
Share issue cost – RTO transaction	-	(191,859)	-	-	-	(191,859)
Shares exchanged for Zuri Capital Corp. common shares (note 4)	(27,044,000)	-	-	-	-	-
Shares issued pursuant to acquisition (note 4 and 9(b)(vi))	27,044,000	-	-	-	-	-
Zuri Capital Corp. shares recognized (note 4 and 9(b)(vi))	4,000,000	313,200	20,680	-	-	333,880
Private placements	3,745,000	374,500				374,500
Warrants valuation - subscription warrants	-	(113,053)	-	113,053	-	-
Share issue cost - in cash	-	(36,968)	-	-	-	(36,968)
Share issue cost - brokers' warrants	-	(7,197)	-	7,197	-	-
Stock options issued for services	-	-	21,375	-	-	21,375
Shares issued for debt settlement	483,900	48,390	-	-	-	48,390
Stock-based compensation	-	-	213,531	-	-	213,531
Loss for the period	-	-	-	-	(1,894,149)	(1,894,149)
Other comprehensive loss	-	-	-	-	-	-
Balance – January 31, 2015	**35,272,900**	**$ 1,414,719**	**$ 275,382**	**$ 489,631**	**$ (2,366,202)**	**$ (186,470)**

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

Phoenix Gold Resources Corp.
(An exploration stage company)
(Formerly Zuri Capital Corp.)
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

	Year ended January 31, 2015	From inception (March 11, 2013) to January 31, 2014
Cash provided by (used in):		
Operating Activities:		
Net loss for the period	$ (1,894,149)	$ (472,053)
Adjustments for non-cash items:		
RTO Transaction costs – non-cash portion	250,259	-
Unrealized loss on short-term investment	413,272	-
Stock-based compensation	213,531	-
Stock options issued for services	21,375	
Shares issued for debt settlement	48,390	
Changes in non-cash working capital items:		
Other receivables	(17,636)	(39,315)
Prepaid expense	(31,754)	(135)
Accounts payable and accrued liabilities	527,854	515,682
Net Cash Used in Operating Activities	(468,858)	4,179
Investing Activities:		
Additions in mineral rights	(899,924)	(5,322)
Net Cash Used in Investing Activities	(899,924)	(5,322)
Financing Activities:		
Issuance of common shares and warrants – net of issue costs	1,038,761	16
Promissory note payable	4,285	-
Advances from related company	324,896	2,591
Net Cash Provided by Financing Activities	1,367,942	2,607
Net (decrease) increase in cash	(840)	1,464
Cash - beginning of period	1,464	-
Cash - end of period	$ 624	$ 1,464

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

1. Nature and Continuance of Operations

Phoenix Gold Resources Corp. (formerly Zuri Capital Corp. ("Zuri")) was incorporated on May 2, 2011 under the laws of the province of British Columbia, Canada. Zuri commenced trading on the TSX Venture Exchange as a Capital Pool Company on March 19, 2012. On April 23, 2014, Zuri was acquired by Phoenix Gold Resources Ltd. ("Phoenix") in a reverse takeover transaction (see note 4) and as a result Zuri carries on the business of Phoenix and continues pursuant to the laws of British Columbia. Hereafter Phoenix and the combined business of Phoenix and Zuri after the date of the RTO is referred to as the "Company" or "PXA". These consolidated financial statements reflect the financial position, operating results and cash flows of the Company's legal subsidiary, Phoenix. Effective April 23, 2014, Zuri changed its name to Phoenix Gold Resources Corp. and resumed trading on April 25, 2014 on the TSX Venture Exchange with the trading symbol "PXA". The Company's registered address is Suite 700 – 595 Burrard Street, Vancouver, British Columbia, Canada, V7X 1S8.

The Company is a TSX Venture Exchange tier 2 listed mineral exploration and development company with its principal business focusing on the acquisition and exploration of the gold mineral rights located in Nevada, USA. The Company has not yet determined whether the property contains mineral reserves that are economically recoverable.

2. Going Concern

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") 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 business for the foreseeable future.

The Company's long term continuance is dependent on obtaining sufficient external financing (predominantly through the issuance of equity to the public). To date, the Company has not generated any revenue from operations and is considered to be in the exploration stage. As at January 31, 2015, the Company has an accumulated deficit of $2,366,202 (January 31, 2014 – $472,053), and has incurred a net loss of $1,894,149 (January 31, 2014 – $472,053) for the periods then ended and negative working capital of $1,151,716 (January 31, 2014 – negative working capital of $477,359). These consolidated financial statements do not reflect adjustments to the carrying value of assets, liabilities, the reported expenses and financial position classifications used that might be necessary if the going concern assumption were not appropriate.

3. Significant Accounting Policies

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

a) Statement of compliance to IFRS

These consolidated financial statements have been prepared using accounting policies in compliance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). The policies applied in these consolidated financial statements are based on IFRS issued and outstanding as of May 28, 2015 the date the Board of Directors approved the consolidated financial statements for issue.

b) Basis of presentation

These consolidated financial statements have been prepared on a historical cost convention using the accrual basis of accounting except for cash flow information.

Presentation of the consolidated statement of financial position differentiates between current and non-current assets and liabilities. The consolidated statement of loss and comprehensive loss is prepared using the functional classification.

These consolidated financial statements include the accounts of Phoenix Gold Resources Corp. and its wholly-owned subsidiaries, Phoenix and Phoenix USA. All intercompany transactions, balances, and unrealized gains and losses on intercompany transactions have been eliminated. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Where control of an entity is obtained during a financial period, its results are included in the consolidated statement of loss and comprehensive loss from the date on which control commences. Where control of an entity ceases during a financial period, its results are included for that part of the period during which control existed.

c) Functional currency translation

i) Functional and presentation currency

Items included in the financial statements of each consolidated entity in the group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Canadian dollars, which is the reporting parent's and Phoenix's functional currency. The functional currency of the reporting parent's subsidiary, Phoenix USA, is the United States dollar ("USD").

3. Significant Accounting Policies (cont'd)

c) Functional currency translation (cont'd)

The financial statements of entities that have a functional currency different from that of the reporting parent's operations are translated into Canadian dollars as follows: assets and liabilities – at the closing rate at the date of the consolidated statement of financial position, and income and expenses – at the average rate for the period (as this is considered a reasonable approximation to the actual rates). All resulting changes are recognized in other comprehensive income or loss as cumulative translation adjustments.

When an entity disposes of its entire interest in a foreign operation, or loses control, joint control, or significant influence over a foreign operation, the foreign currency gains or losses accumulated in other comprehensive income or loss related to the foreign operation are recognized in profit or loss. If an entity disposes of part of an interest in a foreign operation which remains a subsidiary, a proportionate amount of foreign currency gains or losses accumulated in other comprehensive income related to the subsidiary are reallocated between controlling and non-controlling interests.

ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Generally, foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in currencies other than an operation's functional currency are recognized in the consolidated statement of loss and comprehensive loss.

d) Measurement Uncertainty

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of the accounting policies to financial information presented. Actual results may differ from the estimates, assumptions and judgements made. Estimates and underlying assumptions are reviewed on an ongoing basis. Changes made to estimates are reflected in the period the changes are made.

3. Significant Accounting Policies (cont'd)

d) Measurement Uncertainty (cont'd)

Significant areas requiring the use of estimates and assumptions include accounts payable and accrued liabilities, valuation of share-based payment reserves, warrant reserves, valuation of short-term investments, valuation of mineral rights, and recoverability of deferred tax assets. By their nature, these estimates and assumptions are subject to measurement uncertainty, and the impact of changes in estimates in the financial statements of future period could be material. These assumptions are reviewed periodically and, as adjustments become necessary, they are reported in earnings (loss) in the periods in which they become known.

e) Significant accounting judgements

The critical judgements that the Company's management has made in the process of applying the Company's accounting policies, apart from those involving estimations (note 3(d)), that have the most significant effect on the amounts recognized in the Company's consolidated financial statements are related to the economic recoverability of the mineral rights, determining the smallest group of assets that generates independent cash flow stages of exploration, the interpretation and application of tax laws, the determination of functional currency for the Company and its subsidiaries, and the assumption that the Company will continue as a going concern.

f) Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

3. Significant Accounting Policies (Cont'd)

f) Financial instruments (Cont'd)

At initial recognition, the Company classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

i*) Financial assets and liabilities at fair value through profit or loss*

A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term. Derivatives are also included in this category unless they are designated as hedges. The Company's short-term investment and cash are designated in this category.

Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the statement of income (loss). Gains and losses arising from changes in fair value are presented in the statement of income (loss) within other gains and losses in the period in which they arise.

ii) Available-for-sale investment

Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. The Company at this time does not have any financial instruments in this category.

Available-for-sale investments are recognized initially at fair value and subsequently at fair value. Gains or losses arising from changes in fair value are recognized in other comprehensive income (loss). Available-for-sale investments are classified as non-current, unless the investment matures within twelve months, or management expects to dispose of them within twelve months.

Interest on available-for-sale investments, calculated using the effective interest method, is recognized in the statement of loss as part of interest income. Dividends on available-for-sale equity instruments are recognized in the statement of loss as part of other gains and losses when the Company's right to receive payment is established. When an available-for-sale investment is sold or impaired, the accumulated gains or losses are moved from accumulated other comprehensive income (loss) to the statement of loss and included in other gains and losses.

3. Significant Accounting Policies (Cont'd)

f) Financial instruments (Cont'd)

iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables are comprised of other receivables, and are included in current assets due to their short-term nature. Loans and receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method less a provision for impairment, if any.

iv) Held to maturity investments

Held to maturity investments are non-derivative financial assets with no fixed or determinable payments and fixed maturities that the Company's management has the intention and ability to hold to maturity. These assets are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method. The Company at this time does not have any financial instruments in this category.

v) Other financial liabilities

Other financial liabilities are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

The Company has classified its accounts payable and accrued liabilities, and promissory note payable as other financial liabilities. Financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise they are presented as non-current liabilities.

g) Impairment of financial assets

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Company recognizes an impairment loss, as follows:

The loss is the difference between the amortized cost of the financial asset and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. An impairment loss on an available for sale financial asset or fair value through profit or loss financial asset is calculated by reference to its fair value. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account. The amount of the impairment is recognized in net loss.

3. Significant Accounting Policies (Cont'd)

h) Impairment of financial assets (Cont'd)

Impairment losses on financial assets carried at amortized cost may be reversed in subsequent periods if the amount of the loss decreases and the decreases can be related objectively to an event occurring after the impairment was recognized. Financial assets measured at amortized cost and available for sale financial assets that are debt securities are reversed through profit and loss. For available for sale financial assets that are equity securities, the reversal is recognized in other comprehensive income.

h) Revenue recognition

Revenue will be recorded when consideration is received or receivable and will be recognized to the extent that it is probable that the economic benefits will flow to the Company and when the revenue can be reliably measured.

Interest income will be recognized as it accrues.

i) Comprehensive income or loss

Comprehensive income or loss is the change in equity of an enterprise during a period from transactions, events and circumstances other than those under the control of management and the owners. It includes all changes in equity during a period except those resulting from investments by owners and distributions to owners. The Company reports comprehensive income (loss) in its statement of loss and comprehensive loss and its statement of changes in equity (deficiency).

j) Income taxes

Income tax expense comprises current and deferred income taxes. Income tax expense is recognized in profit and loss except to the extent that it relates to equity transactions, in which case it is recognized in equity.

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

3. Significant Accounting Policies (Cont'd)

j) Income taxes (Cont'd)

Deferred taxes are recorded using the statement of financial position liability method. Under the statement of financial position liability method, deferred tax assets and liabilities are recognized for future tax consequences attributable to unused tax losses and unused tax credits and differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities in a transaction that affects neither accounting nor taxable loss and is not a business combination; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

Future tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the unused tax losses and unused tax credits and temporary differences 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. Any such reduction will be reversed to the extent that it becomes probable that sufficient taxable profit will be available.

k) Non-monetary transactions

Transactions with no cash consideration are measured at the fair value of either the asset given up or the asset received, whichever is more reliably determinable.

l) Loss per share

Basic loss per share is calculated by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the period. Diluted earnings per share reflect the potential dilution of securities that could share in earnings of an entity. In a loss year, potentially dilutive common shares are excluded from the loss per share calculations as the effect would be anti-dilutive.

m) Identifiable intangible assets

The Company is in the exploration stage and defers all expenditures related to its acquired mineral rights until such time as the property is put into commercial production, sold or abandoned. Under this method, the amounts reported represent costs incurred to date less amounts amortized and/or written off, and do not necessarily represent present or future values.

3. Significant Accounting Policies (Cont'd)

m) Identifiable intangible assets (Cont'd)

i) Pre-Exploration

Pre-exploration costs in areas where a legal right to explore has not been obtained are expensed as incurred.

ii) Exploration and evaluation expenditures

Exploration and evaluation ('E&E') costs incurred after the legal right to explore is obtained, but before technical feasibility and commercial viability of the project has been demonstrated are capitalized as E&E assets. These include the costs of acquiring the licenses and directly attributable general and administrative costs. All applicable costs are capitalized as either tangible or intangible E&E assets depending on the nature of the assets acquired. The costs are accumulated in cost centers by exploration area.

iii) Development and production costs

When technical feasibility and commercial viability of a property is established and the Company determines that it will proceed with development, all E&E costs attributable to that area are reclassified to construction in progress within property, plant and equipment or as intangible assets depending on the nature of the expenditure. If economically recoverable ore deposits are developed, the capitalized costs of the related property will be amortized using the unit-of-production method following the commencement of production.

n) Impairment of non-financial assets

Non-financial assets are reviewed for impairment if there is any indication that the carrying amount may not be recoverable. If any such indication is present, the recoverable amount of the asset is estimated in order to determine whether an impairment exists. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. Any intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

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

3. Significant Accounting Policies (Cont'd)

n) Impairment of non-financial assets (Cont'd)

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. Impairment is recognized immediately in profit or loss. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount but only to the extent that this does not exceed the carrying value that would have been determined if no impairment had previously been recognized.

Industry specific indicators for an impairment review on mineral rights and capitalized exploration related expenditures arise typically when one of the following circumstances applies:

- Substantive expenditure on further exploration and evaluation activities is neither budgeted nor planned;
- Title to the asset is compromised;
- Adverse changes in variations in commodity prices and markets; and
- Variations in the exchange rate for the currency of operation.

o) Restoration, rehabilitation and environmental obligations

An obligation to incur restoration, rehabilitation and environmental costs arises when an environmental disturbance is caused by the exploration or development of a mineral property interest. Such costs arising from the decommissioning of plant, other site preparation work, and water and soil management, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, along with a corresponding liability as soon as the obligation to incur such costs arises. The timing of the actual rehabilitation expenditure is dependent on a number of factors such as the life and nature of the asset, the operation license conditions and, when applicable, the environment in which the mine operates.

Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value of the liability. These costs are charged against profit or loss over the economic life of the related assets, through amortization using either the unit-of-production or the straight line method. The corresponding liability is progressively increased as the effect of discounting unwinds creating an expense in profit or loss.

3. Significant Accounting Policies (Cont'd)

o) Restoration, rehabilitation and environmental obligations (Cont'd)

Decommissioning costs are also adjusted for changes in estimates. Those adjustments are accounted for as a change in the corresponding capitalized cost, except where a reduction in costs is greater than the unamortized capitalized cost of the related assets, in which case the capitalized cost is reduced to nil and the remaining adjustment is recognized in profit or loss.

The operations of the Company may in the future be affected from time to time in varying degrees by changes in environmental regulations, including those for site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company are not predictable.

The Company has no material restoration, rehabilitation or environmental obligations as at January 31, 2015.

p) Share-based payments

The Company from time to time may issue shares or options to its directors, officers, consultants and employees. The Company values share-based payments using the fair-value method of the services provided. For stock options issued to its directors, officers, consultants and employees where the value of the services provided cannot be determined or the options are provided for services already provided to the Company, the Company values stock-based compensation by reference to the fair value of the stock options issued, utilizing the Black-Scholes option pricing model. The estimated fair value is recognized over the applicable vesting period as stock-based compensation expense and an increase to share-based payment reserve.

Any consideration paid by employees on the exercise of stock options or purchase of stock is credited to share capital plus the amounts originally recorded as share-based payment reserve. An individual is classified as an employee when they are an employee for legal purposes, or primarily performing services similar to the services that would be provided by a legal employee.

3. Significant Accounting Policies (Cont'd)

q) New accounting standards and recent pronouncements

A number of new standards, and amendments to standards and interpretations, are not yet effective for year ended January 31, 2015, and have not been applied in preparing these consolidated financial statements. The following standards and interpretations have been issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committees with effective dates relating to the annual accounting periods starting on or after the effective dates as follows:

International Accounting Standards		Effective Date
IAS 32 – Financial Instruments: Presentation	The objective of this Standard is to establish principles for presenting financial instruments as liabilities or equity and for offsetting financial assets and financial liabilities. It applies to the classification of financial instruments, from the perspective of the issuer, into financial assets, financial liabilities and equity instruments; the classification of related interest, dividends, losses, and gains; and the circumstances in which financial assets and financial liabilities should be offset. The principles in this Standard complement principles for recognizing and measuring financial assets and financial liabilities in IFRS 9, and for disclosing information about them in IFRS 7. Concurrent with the amendments to IFRS 7, the IASB also amended IAS 32 to clarify the existing requirements for offsetting financial instruments in the balance sheet.	January 1, 2014

3. Significant Accounting Policies (Cont'd)

q) New account standards and recent pronouncements (Cont'd)

International Accounting Standards		Effective Date
IFRS 9 – Financial Instruments	IFRS 9 was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: Amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at the fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent not clearly representing a return of investment; however, others gains and losses (including impairments) associated with such instruments remain in accumulated other comprehensive income indefinitely. Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, Financial Instruments – Recognition and Measurement, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income.	January 1, 2018

The Company is in the process of assessing the impact that the new and amended standards will have on its financial statements or whether to early adopt the new requirements.

4. Reverse Takeover Transaction

On April 23, 2014, Phoenix acquired Zuri in a reverse takeover transaction ("RTO Transaction"). Prior to the transaction, Zuri had 4,000,000 common shares outstanding. Zuri acquired 27,044,000 common shares of Phoenix in return for Zuri's net assets. Zuri then issued 27,044,000 of its common shares to the original shareholders of Phoenix.

This transaction was accounted for as a reverse takeover transaction that does not constitute a business combination. For accounting purposes, the legal parent company (Zuri) in the reverse takeover transaction is deemed to be a continuation of the legal subsidiary (Phoenix) which is regarded as the acquirer. Accordingly, the consolidated financial statements reflect the financial position, operating results and cash flows of Phoenix, as at and for the year ended January 31, 2015 and period from inception (March 11, 2013) to January 31, 2014.

Under reverse takeover accounting, the purchase cost of Zuri's net assets and the allocation of costs to the Company's assets and liabilities are as follows:

Fair value of share based consideration allocated:		
Issuance of 4,000,000 common shares	$	313,200
Issuance of 400,000 stock options		20,680
	$	333,880
Net assets acquired at fair value:		
Cash	$	(58,621)
Prepaid expense		(25,000)
	$	250,259
Add: Professional fees incurred for RTO Transaction		191,859
Total RTO Transaction costs	$	442,118

The RTO Transaction costs of $442,118 were allocated as follows:

Share capital – issue cost		191,859
RTO expense		250,259
Total RTO Transaction costs as allocated	$	442,118

5. Short-term Investment

As part of the Concurrent Financing of 15,544,000 units of Phoenix as described in note 9(b)(v), Phoenix subscribed for 324,657 ordinary shares of Global Resources Investment Trust PLC ("GRIT"), a public company constituted as an investment trust in the United Kingdom and listed on the London Stock Exchange. In return, Phoenix issued 5,950,000 Concurrent Financing units to GRIT for gross proceeds of $595,000. Phoenix transferred 25,973 GRIT shares (8% of 324,657 ordinary shares of GRIT) and issued 476,000 broker's warrants to a finder, which were included in share issue costs on the Concurrent Financing.

The Company recognized an unrealized loss on the investment of $413,272 based on the fair value assessment of the 298,684 GRIT shares held by the Company as of October 31, 2014, on the basis of the closing price of the GRIT Units on the London Stock Exchange.

In July 2014, the Company pledged the 298,684 GRIT shares as security and collateral to Boughton Law Corporation ("Boughton") for the legal fees outstanding and owing, current and from time-to-time. At January 31, 2015, the Company's legal fees outstanding and owing to Boughton amounted to $322,455.

6. Mineral Rights

On July 9, 2013, Phoenix issued 500,000 common shares to Americas Gold Exploration Inc. ("AGEI"), at $0.10 per share in order to acquire a 50% right, title and interest to the Plumas Property and 100,000 common shares to William Matlack ("Matlack") at $0.10 per share as consideration for a 20-year renewable lease entered into for the remaining 50% right, title and interest to the Plumas Property. Matlack has the option to convert the lease payments into a 1% net smelter return royalty on the property and the Company has the right to buy back this option by paying Matlack $1,271,100 (US$1,000,000).

The Plumas Property consists of two patented lode mining claims with extra lateral rights (40 acres) and one patented mill site claim (8.5 acres) situated in Battle Mountain, Lander County, Nevada, USA.

Phoenix acquired a 50% right, title and interest to the Eldorado Property for a total payment of $115,080 (US $105,000) and in consideration of Phoenix assuming all of the obligations of AGEI.

The Eldorado Property consists of one patented lode mining claim (20 acres) named Eldorado situated in Battle Mountain, Lander County, Nevada, USA.

6. Mineral Rights (Cont'd)

The cumulative costs incurred on the Company's mineral rights are as follows:

	January 31, 2015 $	January 31, 2014 $
Opening balance	65,322	-
Incurred during the period	899,924	65,322
Closing balance	**965,246**	**65,322**

7. Promissory Note Payable

On May 12, 2014, the Company issued a promissory note of $54,520 (US $50,000) to an officer and director of the Company. The promissory note bears interest at a rate of 10% per annum, payable monthly in arrears on the last day of each and every month. The full amount was due on May 31, 2014 which was extended with the same terms and due on demand status. As of January 31, 2015, the Company had $4,285 remaining promissory notes payable with the same terms and due on demand status.

8. Advances from Related Company

As of January 31, 2015, the Company had advances from a related company, which is owned and controlled by an officer and director of the Company, in the amount of $327,487 (January 31, 2014 - $2,591). The advances are non-interest bearing, unsecured, and have no fixed term of repayment.

9. Share Capital

a) *Authorized*
Unlimited number of common shares.

IFRS 2 recommends that an entity shall measure any equity-settled share-based payment transactions directly at the fair value of the goods or services received. The Company issued warrants and options as part of the private placements and compensation payments to agents and brokers. The Company determined that the fair value of services received is not reliably measurable because the warrants attached to these transactions are not from the result of any services purchased by the Company. Also, fair value of services from agents and brokers are not reliably determinable because there is no similar open market for the services they provide, and the compensation is not based on a fixed market rate, but rather subject to negotiation by management. Lastly, it is common for exploration stage companies to provide share-based compensation as part of its equity and debt transactions in addition to a cash component. As such management determined that the fair value of warrants rather than the fair value of services received should be used to determine the fair value of share-based transactions.

9. Share Capital (Cont'd)

b) *Issued and outstanding*
Issued common shares are as follows:

	Number of shares[1]	Amount[1]
Balance – beginning of period	**-**	**$ -**
Issued on incorporation – March 11, 2013 (i)	100	1
Issued for cash (ii)	15,149,900	15
Issued for acquisition of mineral properties (iii)	600,000	60,000
Balance – January 31, 2014	**15,750,000**	**$ 60,016**
Reverse takeover adjustments:		
Redeemed and cancelled by the Company (iv)	(4,250,000)	(4)
Share issuance – concurrent financing (v)	15,544,000	1,554,400
Warrants valuation – subscription warrants (v)	-	(337,305)
Share issue cost – in cash (v)	-	(197,529)
Share issue cost – broker's warrants (v)	-	(32,076)
Share issue cost – agent's options (v)	-	(19,796)
Share issue cost – RTO transaction (note 4)	-	(191,859)
Share exchange – Zuri common shares (vi)	(27,044,000)	-
Share issuance – Issued pursuant to acquisition (vi)	27,044,000	-
Zuri shares recognized (vi)[2]	4,000,000	313,200
Shares issued for debt settlement (vii)	483,900	48,390
Private placement (viii)	2,050,000	205,000
Warrants valuation – subscription warrants (viii)	-	(68,983)
Share issue cost – in cash (viii)	-	(25,165)
Share issue cost – broker's warrants (viii)	-	(3,597)
Private placement (xi)	1,695,000	169,500
Warrants valuation – subscription warrants (xi)	-	(44,070)
Share issue cost – in cash (xi)	-	(11,803)
Share issue cost – broker's warrants (xi)	-	(3,600)
Balance – January 31, 2015	**35,272,900**	**$ 1,414,719**

[1]Under reverse takeover accounting the number of shares issued and outstanding is that of Phoenix Gold Resources Corp. (formerly Zuri Capital Corp.), the legal parent. However, the share capital amount is that of the legal subsidiary, Phoenix Gold Resources Ltd. plus the share capital transactions of the Company from the acquisition date of April 23, 2014 onwards.

[2]Under reverse takeover accounting, the number of shares of Phoenix Gold Resources Corp. (formerly Zuri Capital Corp.) is recognized as part of the issued and outstanding common shares of Phoenix Gold Resources Ltd. with a corresponding share capital amount of $Nil.

9. Share Capital (Cont'd)

b) *Issued and outstanding (Cont'd)*

(i) On March 11, 2013, the Company issued 100 common shares at a value of $0.01 per share upon incorporation.

(ii) On March 22, 2013, the Company issued 15,149,900 common shares at a value of $0.000001 per share for $15 (rounded) to founders and shareholders of the Company.

(iii) On July 9, 2013, the Company issued 500,000 common shares to AGEI and 100,000 common shares to Matlack at a price of $0.10 per share as part of the consideration to acquire the Plumas Property described in note 6.

(iv) On April 23, 2014, as part of the RTO transaction, the Company redeemed and cancelled 4,250,000 shares held by founders that had been previously issued in terms of note 9(b)(ii) above.

(v) Concurrent to the RTO Transaction on April 23, 2014, Phoenix completed pre-closing private placement financing (the "Concurrent Financing") for gross proceeds of $1,554,400. Under the Concurrent Financing, Phoenix issued 15,544,000 units consisting of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one common share of the Company at an exercise price of $0.20 per unit until April 23, 2017. The fair value of these 7,772,000 warrants was estimated at $337,305. Phoenix incurred commission and expenses of $197,529 related to the Concurrent Financing. In addition, the Company issued 1,055,120 broker's warrants and 280,000 agent's options. Each broker's warrant entitles the holder to acquire one common share of the Company at a price of $0.10 per share until April 23, 2015. Each agent's option entitles the holder to acquire one unit of the Company at a price of $0.10 per unit for a period of 3 years from the date of issuance. Each unit is comprised of one common share and half of the common share purchase warrant of the Company, with each whole warrant entitling the holder to acquire one common share of the Company for $0.20 per share for a period of 3 years from the date of issuance. The fair value of 1,055,120 brokers' warrants was estimated at $32,076 and the fair value of 280,000 agent's options was estimated at $19,796.

(vi) On April 23, 2014, Phoenix acquired Zuri for accounting purposes in a reverse takeover transaction. Prior to the transaction Zuri had 4,000,000 common shares outstanding. Zuri acquired 27,044,000 common shares of Phoenix in return for Zuri's net assets. Zuri then issued 27,044,000 of its common shares to the original shareholders of Phoenix. In connection with the reverse takeover transaction, the Company incurred $442,118 of costs, of which $250,259 was expensed on the statement of loss during the period with the remaining $191,859, representing issue costs, charged to share capital.

9. Share Capital (Cont'd)

b) *Issued and outstanding (Cont'd)*

(vii) On August 20, 2014, the Company issued 483,900 common shares at a price of $0.10 per share to settle $48,390 of payables to America's Gold Exploration Inc., a company controlled by an officer of the Company.

(viii) On August 21, 2014, the Company issued 2,050,000 units of the Company at a price of $0.10 per unit for gross proceeds of $205,000 (the "First Tranche"). Each unit is comprised of one common share and one-half common share purchase warrants. Each whole warrant is exercisable at a price of $0.20 per share for a period of 3 years from the date of issuance. The Company incurred a cost of $25,165 in cash and issued a total of 68,000 broker's warrants related to the First Tranche financing. Each broker's warrant is exercisable at a price of $0.10 per share for a period of 1 year from the date of issuance.

(xi) On August 28, 2014, the Company issued 1,695,000 units of the Company at a price of $0.10 per unit for gross proceeds of $169,500 (the "Second Tranche"). Each unit is comprised of one common share and one-half common share purchase warrants. Each whole warrant is exercisable at a price of $0.20 per share for a period of 3 years from the date of issuance. The Company incurred a cost of $11,803 in cash and issued a total of 94,000 broker's warrants related to the First Tranche financing. Each broker's warrant is exercisable at a price of $0.10 per share for a period of 1 year from the date of issuance.

c) *Stock options and share-based payment*

As at January 31, 2015, the Company had 3,312,500 stock options outstanding. The following table summarizes information about stock options outstanding as at January 31, 2015:

	Number		Weighted average exercise price
Balance – March 11, 2013 & January 31, 2014	-	$	-
Zuri stock options recognized on April 23, 2014 (i)	400,000		0.10
Agent's options issued on April 23, 2014 (ii)	280,000		0.10
Stock options forfeited on July 22, 2014 (iii)	(400,000)		0.10
Vesting of stock options issued for services (iv)	450,000		0.10
Stock options issued to management and directors (v)	2,582,500		0.10
Balance – January 31, 2015	**3,312,500**	**$**	**0.10**

9. Share Capital (Cont'd)

c) *Stock options and share-based payment (Cont'd)*

(i) The assumptions utilized in determining the value of the 400,000 stock options was a share price of $0.0783, an exercise price of $0.10, a risk free interest rate of 1.19%, volatility of 120%, expected yield of nil, and an expected life of 2.9 years. The estimated fair value of the 400,000 options issued was $20,680, which were fully vested. These options expire on March 19, 2017.

(ii) The assumption utilized in determining the value of the 280,000 stock options was a unit price of $0.10, an exercise price of $0.10, a risk free interest rate of 1.19%, volatility of 120%, expected yield of nil, and an expected life of 3 years. The estimated fair value of the 280,000 options issued was $19,796. These options entitle the holder to acquire one unit of the Company which is comprised of one common share and half of the common share purchase warrant of the Company. Each whole warrant entitles the holder to acquire one common share of the Company for $0.20 per share for a period of 3 years from the date of issuance.

(iii) The stock options originally recognized on April 23, 2014 were forfeited due to the resignation of the officers and directors of Zuri at RTO. These options had original expiration date of March 19, 2017.

(iv) On May 1, 2014, the Company granted 600,000 stock options to CHF Investor Relations ("CHF") exercisable for a period of five years from the date of grant at an exercise price of $0.10 per share. These options vest quarterly over the next twelve months. The assumption utilized in determining the fair value of the 600,000 stock options was a share price of $0.05, an exercise price of $0.10, a risk free interest rate of 1.67%, volatility of 120%, expected yield of nil, and an expected life of 5 years. The estimated fair value of the 600,000 stock options issued was $22,800, of which 450,000 stock options vested during the year and $21,375 was recognized as investor relations expense. Upon termination of the services agreement, any vested options will be cancelled after 30 days.

(v) On August 22, 2014, the Company granted 2,582,500 stock options to its management and directors. The assumptions utilized in determining the value of the 2,582,500 stock options was a share price of $0.10, an exercise price of $0.10, a risk free interest rate of 1.55%, volatility of 120%, expected yield of nil, and an expected life of 5 years. The estimated fair value of the 2,582,500 options issued was $213,531, which were fully vested. These options expire on August 22, 2019.

9. Share Capital (Cont'd)

d) *Warrant Reserve*

The following is a summary of the changes in the Company's warrants during the periods:

		Exercise price	Number		Amount
Balance – March 11, 2013 & January 31, 2014	**$**	**-**	**-**	**$**	**-**
Subscription warrants issued on April 23, 2014 (i)	$	0.20	7,772,000		337,305
Broker's warrants issued on April 23, 2014 (ii)	$	0.10	1,055,120		32,076
Subscription warrants issued on August 21, 2014 (iii)	$	0.20	1,025,000		68,983
Broker's warrants issued on August 21, 2014 (iv)	$	0.10	68,000		3,597
Subscription warrants issued on August 28, 2014 (v)	$	0.20	847,500		44,070
Broker's warrants issued on August 28, 2014 (vi)	$	0.10	94,000		3,600
Balance – January 31, 2015			**10,861,620**	**$**	**489,631**

The fair value of warrants have been estimated using the Black-Scholes option pricing model with the following assumptions:

(i) expected dividend yield – 0%; expected volatility – 120%; risk-free interest rate – 1.19%; expected life – 3 years.

(ii) expected dividend yield – 0%; expected volatility – 120%; risk-free interest rate 1.06%; expected life – 1 year.

(iii) expected dividend yield – 0%; expected volatility – 120%; risk-free interest rate 1.11%; expected life – 3 years.

(iv) expected dividend yield – 0%; expected volatility – 120%; risk-free interest rate 1.09%; expected life – 1 year.

(v) expected dividend yield – 0%; expected volatility – 120%; risk-free interest rate 1.12%; expected life – 3 years.

(vi) expected dividend yield – 0%; expected volatility – 120%; risk-free interest rate 1.10%; expected life – 1 year.

10. Commitments and Contractual Arrangements

As at January 31, 2015, the Company had the following contractual arrangements and commitments in place for the provision of certain services:

a) As part of the letter of agreement entered into with AGEI and Matlack on July 9, 2013 and as amended on October 29, 2013, December 16, 2013, January 21, 2014, and February 21, 2014 for the acquisition of certain patented mineral claims in Nevada, comprised of the Eldorado Property, the Plumas Property (collectively, the “Phoenix Gold Properties”), the Company has the following commitment:

   (i) As part of the lease of the Plumas Property describe in note 6, the Company is required to make annual payments of $44,489 (US$35,000) on each anniversary date of April 23, 2014 for a period of 20 years. Future minimum lease payments are as follows:

2015	$ 44,489
2016	44,489
2017	44,489
2018	44,489
2019	44,489
Thereafter	667,328

b) On May 1, 2014, the Company has engaged CHF Investor Relations ("CHF") for investor relations services. CHF will provide investor relations services for a term of twelve months ending April 30, 2015 whereby three months' termination notice will apply after the first anniversary. In return for their services, the Company will pay monthly fees of $6,000 and reimbursement of disbursements. The Company has granted CHF 600,000 stock options (the "Options"), exercisable for a period of five years from the date of grant at an exercise price of $0.10 per share. The Options will vest quarterly, with a five-year maximum term. Upon termination of the services agreement, any vested options will be cancelled after 30 days.

c) In July 2014, the Company pledged the 298,684 GRIT shares as security and collateral to Boughton Law Corporation (“Boughton”) for the legal fees outstanding and owing, current and from time-to-time.

11. Capital Management

As at January 31, 2015, the capital structure of the Company consists of equity attributable to common shareholders and includes share capital of $1,414,719 (January 31, 2014 - $60,016), share-based payment reserve of $275,382 (January 31, 2014 - $Nil), warrant reserve of $489,631 (January 31, 2014 - $Nil), and deficit of $2,366,202 (January 31, 2014 - $472,053).

The Company's objective when managing capital structure is to ensure sufficient financial resources exist to meet the Company's strategic exploration and business development objectives, and to ensure that the Company continues as a going concern.

12. Segmented Information

The Company operates in one reportable segment. Segments are defined as components for which separate financial information is available and is regularly evaluated by the chief operating decision maker.

13. Income Taxes and Deferred Income Tax

In assessing the realization of the Company's deferred income tax assets, management considers whether it is probable that some portion or all of the deferred income tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred income tax liabilities, projected future taxable income, and tax planning strategies in making this assessment.

The amount of deferred income tax assets considered realizable could change materially in the near term based on future taxable income generated during the carry-forward period.

a) Deferred income tax assets and liabilities

No deferred tax asset has been recognized as the Company is reflecting uncertainties associated with realization of all deferred income tax assets.

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

	January 31, 2015	January 31, 2014
Non-capital losses carried forward	$ 389,000	$ 74,000
Financing fees deductible in future periods	190,000	50,000
Deferred tax assets not recognized	(579,000)	(124,000)
Deferred income tax assets	$ -	$ -

13. Income Taxes and Deferred Income Tax (cont'd)

b) Non-capital losses

As at January 31, 2015, the Company can carry forward Canadian non-capital losses to reduce taxable income in future years of approximately $1,603,000 expiring as follows:

Year 2031	$	8,000
Year 2032	$	31,000
Year 2033	$	68,000
Year 2034	$	284,000
Year 2035	$	1,212,000

c) Income tax reconciliation

	January 31, 2015	January 31, 2014
Income tax recovery at statutory rate	$ (492,000)	$ (118,000)
Expenses not deductible for tax purposes	109,000	-
Temporary differences	68,000	48,000
Tax losses for which no deferred tax asset was recognized	315,000	74,000
Other	-	(4,000)
Deferred income tax assets	$ -	$ -

14. Related Party Transactions

The Company considers its Board of Directors and certain consultants which, by virtue of the contracts in place and the functions performed, to be key management. Compensation awarded to key management is listed below:

		Year ended January 31, 2015		Period from inception (March 11, 2013) to January 31, 2014
Management fees expensed	$	213,296	$	165,000
Management fees capitalized		141,592		-
Share-based payments, non-cash		213,531		-
Total	$	568,419	$	165,000

For the year ended January 31, 2015, the Company paid or accrued management fees of $144,296 (January 31, 2014 - $110,000) to Avonlea Ventures Inc., and $69,000 (January 31, 2014 - $55,000) to 2238012 Ontario Inc., and $141,592 (January 31, 2014 - $nil) to America's Gold Exploration Inc., companies controlled by officers and/or directors of the Company.

14. Related Party Transactions (cont'd)

As at January 31, 2015, the Company owed a balance of $29,316 (January 31, 2014 - $40,457) to Ecuador Gold and Copper Corporation, a company under common control. The balance is included in accounts payables and accrued liabilities.

These transactions are in the normal course of operations and are recorded at the exchange amount agreed to by the related parties.

15. Financial Instruments

IFRS 7 establishes a fair value hierarchy that reflects significance of inputs in measuring fair value as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. process) or indirectly (i.e. derived from process); and
Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's financial assets and liabilities at fair value through profit or loss, consisting of cash and short-term investment, are classified as level 1.

The Company examines the various financial instrument risks to which it is exposed and assesses the impact and likelihood of those risks.

Fair value

As at January 31, 2015, the Company's financial instruments consist of other receivables, accounts payable and accrued liabilities, and promissory note payable. These financial instruments are classified as loans and receivables or other financial liabilities and are carried at amortized cost. The fair values of these financial instruments approximate their carrying values due to the short-term nature of these instruments.

Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its financial obligations as they fall due. The Company takes steps to ensure that it has sufficient working capital and available sources of financing to meet future cash requirements for capital programs and operations.

The Company intends to issue equity to ensure the Company has sufficient access to cash to meet current and foreseeable financial requirements. The Company actively monitors its

liquidity to ensure that its cash flows and working capital are adequate to support its financial obligations and the Company's capital programs.

15. Financial Instruments (Cont'd)

Credit risk

Credit risk is the risk of loss if counterparties do not fulfill their contractual obligations. The Company has credit risk with its other receivable, but it is considered to be minimal. There is no allowance for doubtful accounts recorded as at January 31, 2015.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, commodity and equity prices.

(i) Interest rate risk
The Company is not exposed to the risk that the value of financial instruments will change due to movement in market interest rates.

(ii) Currency risk
Currency risk is the risk to the Company's earnings that arises from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk. The Company has a portion of its cash, accounts payable and accrued liabilities, advances from related company, and short-term investment in US Dollars and British Pounds.

For the year ended January 31, 2015, a 5% increase or decrease on an annualized basis in the value of a Canadian Dollar in relation to the US Dollar and British Pounds would have resulted in a $39,980 and $6,706 increase or decrease in foreign exchange gain or loss, for respective foreign currencies.

(iii) Commodity price risk
The Company is exposed to price risk with respect to commodity and equity prices. 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. 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 commodity prices, particularly as they relate to base metals, individual equity movements, and the stock market in general to determine the appropriate course of action to be taken by the Company.

16. Subsequent Events

Subsequent to January 31, 2015, the Company disposed of all 298,684 GRIT shares (as described in note 5) at a net proceeds of $74,517.

17. Comparative Information

Certain figures for period ended January 31, 2014 have been reclassified to conform with current year consolidated financial statement presentation.