RIFT VALLEY RESOURCES CORP.

(An Exploration Stage Company)

FINANCIAL STATEMENTS

For the Years Ended

December 31, 2015 and 2014

MANNING ELLIOTT
ACCOUNTANTS & BUSINESS ADVISORS

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Rift Valley Resources Corp.

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

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

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

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

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Rift Valley Resources Corp. as at December 31, 2015 and 2014, and its financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 1 in the financial statements which indicates the existence of a material uncertainty that may cast significant doubt on the ability of Rift Valley Resources Corp. to continue as a going concern.

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, British Columbia
April 29, 2016

RIFT VALLEY RESOURCES CORP.
(An Exploration Stage Company)
STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2015 AND 2014
(Expressed in Canadian Dollars)

	Note	2015	2014
		$	$
ASSETS			
Current Assets			
Cash		13,442	61,268
Amounts receivable		516	1,503
		13,958	62,771
Deposits	4	20,301	26,968
Mineral property interests	5	–	433,028
		34,259	522,767
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	6	12,274	42,213
Decommissioning Liabilities	5	20,301	-
		32,575	42,213
SHAREHOLDERS' EQUITY			
Share capital	7	1,609,382	1,491,882
Shares subscriptions received		–	117,000
Contributed surplus		37,000	37,000
Deficit		(1,644,698)	(1,165,328)
		1,684	480,554
		34,259	522,767

NATURE AND CONTINUANCE OF OPERATIONS	1
SUBSEQUENT EVENT	11

Approved on behalf of the Board:

"Craig Robson"
Craig Robson, CEO, Director

"Don Gordon"
Don Gordon, Director

RIFT VALLEY RESOURCES CORP.
(An Exploration Stage Company)
STATEMENTS OF COMPREHENSIVE LOSS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Expressed in Canadian Dollars)

	Note	2015	2014
		$	$
Expenses			
Rent	6	17,462	13,625
Professional fees		12,703	20,474
Exchange fees		7,000	9,268
Transfer agent		5,065	9,079
Office and miscellaneous		1,017	3,614
Consulting fees		222	5,070
Travel and promotion		-	4,626
Loss before other expense		(43,469)	(65,756)
Other expense			
Impairment of mineral property interest	5	(435,901)	–
Net loss and comprehensive loss		(479,370)	(65,756)
Net loss per share, basic and diluted		(0.02)	(0.00)
Weighted average common shares outstanding		23,424,985	20,554,940

RIFT VALLEY RESOURCES CORP.
(An Exploration Stage Company)
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Expressed in Canadian Dollars)

	Note	Share Capital	Share Subscriptions Received	Contributed Surplus	Accumulated Deficit	Total
		$	$	$	$	$
Balance, December 31, 2013		1,490,882	–	37,000	(1,099,572)	428,310
Shares issued for property	5	1,000	–	–	–	1,000
Shares subscriptions received	7	–	117,000	–	–	117,000
Comprehensive loss		–	–	–	(65,756)	(65.756)
Balance, December 31, 2014		1,491,882	117,000	37,000	(1,165,328)	480,554
Shares issued for property	5	500	–	–	–	500
Shares issued for cash	7	117,000	(117,000)	–	–	117,000
Comprehensive loss		–	–	–	(479,370)	(479,370)
Balance, December 31, 2015		1,609,382	–	37,000	(1,644,698)	1,684

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

RIFT VALLEY RESOURCES CORP.
(An Exploration Stage Company)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Expressed in Canadian Dollars)

	Note	2015	2014
		$	$
CASH PROVIDED BY (USED IN):			
OPERATING ACTIVITIES			
Net loss		(479,370)	(65,756)
Item not affecting cash			
Impairment of exploration and evaluation costs		435,901	–
		(43,469)	(65,756)
Changes in non-cash working capital balances:			
Amounts receivable		987	(807)
Deposits		6,667	3,032
Accounts payable and accrued liabilities		(29,939)	5,229
Cash used in operating activities		(65,754)	(58,302)
INVESTING ACTIVITIES			
B.C. mining exploration tax credits		21,428	4,478
Exploration costs and option payment		(3,500)	(95,440)
Cash provided by (used in) investing activities		17,928	(90,962)
FINANCING ACTIVITY			
Share subscriptions received		-	117,000
Cash provided by financing activity		-	117,000
Decrease in cash		(47,826)	(32,264)
Cash, beginning		61,268	93,532
Cash, ending		13,442	61,268
SUPPLEMENTAL DISCLOSURES:			
Cash paid for interest		–	–
Cash paid for income taxes		–	–
NON CASH FLOW TRANSACTION INFORMATION:			
Shares issued for asset acquisition	5	500	1,000

For the supplemental disclosures for non-cash investing and financing transactions, see Notes 5, and 7.

1. NATURE AND CONTINUANCE OF OPERATIONS

Rift Valley Resources Corp. (the "Company" or "Rift Valley") was incorporated under the Laws of the Province of British Columbia on December 14, 2009. On March 20, 2013, Rift Valley amalgamated with Avatar Ocean Technology Inc. ("Avatar"), a reporting issuer and continued under the name Rift Valley Resources Corp. (the "Company" or "Rift Valley"). The address of the Company's corporate office and its principal place of business is 6511 Housman Place, Richmond, British Columbia, Canada. The Company's shares were listed on the Canadian Securities Exchange ("CSE") on August 27, 2013.

The Company began operations on September 19, 2011 and its principal business activity is the acquisition, exploration and development of mineral properties in British Columbia, Canada. As of December 31, 2015 the Company was in the exploration stage.

The Company has never generated revenue or positive cash flows from operations. For the year ended December 31, 2015, the Company reported a net loss of $479,370, negative cash flow from operating activities of $65,754 and has an accumulated deficit of $1,644,698. This raises significant doubt about the Company's ability to continue as a going concern. The Company's ability to continue its operations as intended are dependent on its ability to obtain necessary financing and raise capital sufficient to cover its operating costs.

These financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these financial statements.

2. BASIS OF PRESENTATION

a) Statement of compliance

The financial statements are 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").

These financial statements were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on April 29, 2016.

b) Measurement basis

The financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value, as explained in the accounting policies set out in paragraphs (n) and (o). In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The functional and presentation currency of the Company is the Canadian dollar.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Use of estimates

The preparation of these financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions which affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses for the periods reported. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Significant areas requiring the use of management estimates include the determination of impairment of mineral properties and financial instruments, potential decommissioning liabilities and deferred income tax assets and liabilities. Actual results could differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future period.

b) Use of judgments

Critical accounting judgements are accounting policies that have been identified as being complex or involving subjective judgments or assessments with a significant risk of material adjustment in the next year. The more significant areas where management judgement has been applied are:

(i) Going concern

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgement. The directors monitor future cash requirements to assess the Company's ability to meet these future funding requirements. Further information regarding going concern is outlined in Note 1.

(ii) Exploration and evaluation expenditure

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If information becomes available after expenditure is capitalized suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the profit or loss in the period the new information becomes available.

c) Cash and cash equivalents

Cash and cash equivalents in the statements of financial position comprise cash at banks and on hand, and short term deposits with an original maturity of three months or less, which are readily convertible into a known amount of cash. The Company's cash and cash equivalents are invested with major financial institutions in business accounts and is available on demand by the Company for its programs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Deferred finance costs

Professional, consulting and regulatory fees as well as other costs directly attributable to financing transactions are reported as deferred financing costs until the transactions are completed, if the completion of the transaction is considered to be more likely than not. Share issue costs are charged to share capital when the related shares are issued. Costs relating to financing transactions that are not completed, or for which successful completion is considered unlikely, are charged to operations.

e) Mineral properties

All expenditures related to the cost of exploration and evaluation of mineral resources including acquisition costs for interests in mineral claims are capitalized as mineral property interests and are classified as intangible assets. General exploration costs not related to specific mineral properties are expensed as incurred. When shares are issued as part of mineral property exploration costs, they are valued at the closing share price on the date of issuance unless the fair value of goods or services received is determinable.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, capitalized costs of the related property are offset for impairment and reclassified as mining assets and upon commencement of commercial production, are amortized using the units of production method over estimated recoverable reserves. Impairment is assessed at the level of cash-generating units. Management regularly assesses carrying values of non-producing properties and properties for which events and circumstances may indicate possible impairment. Impairment of a property is generally considered to have occurred if one of the following factors are present; the rights to explore have expired or are near to expiry with no expectation of renewal, no further substantive expenditures are planned or budgeted, exploration and evaluation work is discontinued in an area for which commercially viable quantities have not been discovered, indications that expenditures on a development are unlikely to be recovered.

The recoverability of mineral property interests and capitalized exploration and development costs is dependent on the existence of economically recoverable reserves, the ability to obtain the necessary financing to complete the development of the reserves, and the profitability of future operations. The Company has not yet determined whether or not any of its mineral properties contain economically recoverable reserves. Amounts capitalized to mineral properties as exploration and development costs do not necessarily reflect present or future values.

Mineral properties are regularly reviewed for impairment or whenever events or changes in circumstances indicate that the carrying amounts of properties may exceed its recoverable amount. When an impairment review is undertaken, the recoverable amount is assessed by reference to the higher of a value in use (being the present value of expected future cash flows of the relevant cash-generating unit) and fair value less costs to sell. If the carrying amount of an asset exceeds the recoverable amount an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

Exploration costs renounced due to flow-through share subscription agreements remain capitalized, however, for corporate income tax purposes; the Company has no right to claim these costs as tax deductible expenses.

Recorded costs of mineral properties and deferred exploration costs are not intended to reflect present or future values of resource properties. The recorded costs are subject to measurement uncertainty and it is reasonably possible, based on existing knowledge, that change in future conditions could require a material change in the recognized amount.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Mineral properties (continued)

Payments on mineral property option agreements are made at the discretion of the Company and, accordingly, are recorded on a cash basis.

f) Decommissioning liabilities

These provisions have been created based on the Company's internal estimates. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates take into account any material changes to the assumptions that occur when reviewed regularly by management. Estimates are reviewed annually and are based on current regulatory requirements. Significant changes in estimates of contamination, restoration standards and techniques will result in changes to provisions from period to period. Actual rehabilitation costs will ultimately depend on future market prices for the rehabilitation costs which will reflect the market conditions at the time the rehabilitation costs are actually incurred. The final cost of the currently recognized rehabilitation provisions may be higher or lower than currently provided for.

g) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

h) Government assistance

B.C. mining exploration tax credits for exploration expenditures incurred in B.C. are treated as a reduction of the exploration and development costs of the respective mineral property. Until such time that there is certainty with regard to collections and assessments, the Company will record any recovered tax credits at the time of receipt. No gain or loss is realized during the exploration stage until all carrying costs of the specific interest have been offset.

i) Share-based payments

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

k) Income tax

Income tax expense comprises current and deferred income tax. Tax is recognized in the income statement except to the extent that it relates to items recognized directly into equity, in which case the related tax effect is recognized in equity.

Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current tax expense is calculated using tax rates, laws and government policies that were enacted or substantively enacted at the balance sheet date.

Deferred tax is accounted for using a temporary difference approach and is the tax expected to be payable or recoverable on temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and the corresponding tax bases used in the computation of taxable income. Deferred tax is calculated based on the expected manner in which temporary differences related to the carrying amounts of assets and liabilities are expected to reverse using tax rates and laws enacted or substantively enacted which are expected to apply in the period of reversal.

Deferred tax assets and liabilities are not recognized in respect of temporary differences that arise on initial recognition of assets and liabilities acquired other than in a business combination and which do not affect accounting or taxable profit or loss at the time of the transaction.

l) Flow-through shares

Resource expenditures for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation. At the time flow-through shares are issued, there may be a potential premium paid on the flow-through shares calculated based on the share issuance price and the market price at the time of closing. A liability is recognized for the premium on the flow-through shares and is subsequently reversed and recorded as other income or deferred tax expense as the Company incurs qualifying Canadian exploration expenses.

In instances where the Company has issued flow-through shares by way of a unit offering, the proceeds are allocated first to capital stock based on the fair value of the common shares at the time the units are priced and any residual value is allocated to the warrants reserve first based on the fair value of the warrant c at the time the units are issued. Any remaining residual value is then recognized as a liability for the premium on the flow-through shares.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Financial assets

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

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

Financial assets classified as loans and receivables and held to maturity assets are measured at amortized cost. Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income and loss except for losses in value that are considered other than temporary which are recognized in earnings. At December 31, 2015 and 2014, the Company has not classified any financial assets as loans and receivables or available for sale.

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

n) Financial liabilities

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

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized costs using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable is classified as other financial liabilities.

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

o) Change in accounting policies

The Company adopted the following accounting policies effective January 1, 2015:

IFRIC 21 *Levies* - In May 2013, the IASB issued IFRIC 21, an interpretation of IAS 37 - *Provisions, Contingent Liabilities and Contingent Assets* ("IAS 37"), on the accounting for levies imposed by governments. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past activity or event ("obligating event") described in the relevant legislation that triggers the payment of the levy.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

p) Change in accounting policies (continued)

IAS 32 - *Financial Instruments: Presentation* - In December 2011, the IASB issued an amendment to clarify the meaning of the offsetting criterion and the principle behind net settlement, including identifying when some gross settlement systems may be considered equivalent to net settlement. Earlier application is permitted when applied with corresponding amendment to IFRS 7.

IAS 36 *Impairment of Assets* - In May 2013, the IASB issued amendments to IAS 36 which restricts the requirement to disclose the recoverable amount of an asset or CGU to periods in which an impairment loss has been recognized or reversed. The amendments also expand and clarify the disclosure requirements applicable when an asset or CGU's recoverable amount has been determined on the basis of fair value less cost of disposal.

q) New accounting standards issued but not yet effective

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB that are mandatory for future accounting periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

New accounting standards effective for annual periods on or after January 1, 2017:

IAS 1 – *Presentation of Financial Statements*
In December 2014, the IASB issued an amendment to address perceived impediments to preparers exercising their judgment in presenting their financial reports. The changes clarify that materiality considerations apply to all parts of the financial statements and the aggregation and disaggregation of line items within the financial statements.

IAS 16 – *Property, Plant and Equipment* and IAS 38 – *Intangible Assets*
In May 2014, the IASB issued amendments to IAS 16 and IAS 38. The amendments clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The amendments also clarifies that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.

The following standard will be effective for annual periods beginning on or after January 1, 2018:

IFRS 9 *Financial Instruments* - In November 2009, as part of the IASB project to replace IIAS 39 *Financial Instruments: Recognition and Measurement*, the IASB issued the first phase of IFRS 9 *Financial Instruments* that introduces new requirements for the classification and measurement of financial assets. The standard was revised in October 2010 to include requirements regarding classification and measurement of financial liabilities.

The extent of the impact of adoption of these standards and interpretations on the financial statements of the Company has not been determined.

(Expressed in Canadian Dollars)

4. DEPOSITS

	2015	2014
	$	$
Mineral property security deposits	20,301	20,301
Rental deposit	–	6,667
	20,301	26,968

5. MINERAL PROPERTY INTERESTS

Expenditures on interests in mineral properties are considered exploration and evaluation (“E&E”) assets.

	2015	2014
	$	$
Mineral Properties or Rights		
Opening balance	111,000	105,000
Option payment made	–	5,000
Option payment made by shares (see Note 7)	500	1,000
Impairment of mineral property interest	(111,500)	–
Ending balance	–	111,000
E&E Expenditures		
Opening balance	322,028	236,066
Geological and geophysical	3,500	90,440
Accrued reclamation costs	20,301	-
BC Mining and Exploration Tax Credit	(21,428)	(4,478)
Impairment of mineral property interest	(324,401)	–
Ending balance	–	322,028
Total	–	433,028

Cat Mountain Claims, British Columbia

In September 2011, the Company entered into a memorandum of understanding to acquire an option to acquire an undivided 75% right, title and interest to twenty contiguous mineral claims located in west central British Columbia, except for a 2% net smelter royalty (the “NSR”), comprised of approximately 5,984 hectares. The memorandum of understanding was extended into an Option Agreement (the “Agreement”) on November 30, 2011. The agreement was amended on January 9, 2013, with a correction on April 30, 2013 and an extension on November 25, 2013 and another extension on November 19, 2014.

Pursuant to the agreement, the Company may purchase 1% of the two percent 2% NSR at any time for $2,000,000. The Company can maintain its option to acquire the 75% interest in the claims by issuing an aggregate of 1,000,000 common shares of Rift Valley, paying $500,000 in cash and incurring $1,500,000 in expenditures on the property within five years. The payments are due as follows:

(Expressed in Canadian Dollars)

5. MINERAL PROPERTY INTERESTS (continued)

Cat Mountain Claims, British Columbia (continued)

	Share Issuance	Cash Payment	Exploration Expenditures
		$	$
On signing memorandum of understanding (paid)	-	50,000	-
On first day of execution of Agreement (issued)	500,000	-	-
On or before March 30, 2013 (issued)	100,000	-	-
On or before March 30, 2014 (issued)	100,000	-	-
On or before October 31, 2014 (paid)	-	-	350,000
On or before November 21, 2014 (paid)	-	5,000	-
On or before March 30, 2015 (issued – see Note 7)	100,000	-	-
On or before October 31, 2015 (not paid)	-	145,000	400,000
On or before March 30, 2016	100,000	-	-
On or before October 31, 2016	-	100,000	-
On or before March 30, 2017	100,000	-	-
On or before October 31, 2017	-	100,000	750,000
On or before October 31, 2018	-	100,000	-
	1,000,000	500,000	1,500,000

Due to the default of payment on October 31, 2015, it was mutually agreed that the Company would not keep the option nor pursue any further exploration. In addition, the Company also accrued $20,301 as decommissioning liability (2014 - $nil) to remediate the property. The decommissioning liability amount was measured at present value and included in the mineral property interest.

The full amount of mineral property interest in the amount of $435,901 was impaired as at December 31, 2015 (2014 - $nil).

6. RELATED PARTY TRANSACTIONS AND BALANCES

During the year ended December 31, 2015, the Company incurred the following related party transactions:

(a) The Company has identified its directors and senior officers as its key management personnel. No post-employment benefits, other long-terms benefits and termination benefits were made during the years ended December 31, 2015 and 2014. Short-term key management compensation paid to directors and senior officers or companies controlled by them consisted of consulting fees in the amount of $Nil (2014 – $4,000).

(b) As at December 31, 2015, included in accounts payable is $2,625 (2014 – $7,758) due to officers and directors of the Company.

(c) Rent expense of $nil (2014 - $13,625) was incurred to companies controlled by the former Chief Financial Officer.

(d) Exploration costs of $nil (2014 - $2,500) was incurred to a director and officers of the Company.

(Expressed in Canadian Dollars)

7. SHARE CAPITAL

(a) Authorized Share Capital

The Company is authorized to issue an unlimited number of common shares without par value.

(b) Issued and Outstanding Common Shares

	Number of Common Shares	Amount
		$
Balance, December 31, 2013	20,491,652	1,490,882
Shares issued for Cat Mountain Claims	100,000	1,000
Balance, December 31, 2014	20,591,652	1,491,882
Shares issued for cash	3,900,000	117,000
Shares issued for Cat Mountain Claims	100,000	500
Balance, December 31, 2015	24,591,652	1,609,382

On April 30, 2015, the Company issued 3,900,000 units at $0.03 per unit for total proceeds of $117,000. Each unit consisted of one common share and one warrant. The warrants are exercisable at $0.05 per common share until April 30, 2017.

On May 1, 2015, pursuant to the Cat Mountain property purchase Option Agreement (Note 5), the Company issued 100,000 common shares at $0.005 each for the $500 option obligation.

On May 14, 2014, pursuant to the Cat Mountain property purchase Option Agreement (Note 5), the Company issued 100,000 common shares at $0.01 each for the $1,000 option obligation.

(c) Stock Options

As at December 31, 2015 and 2014, the Company had not issued any stock options.

(d) Warrants

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

	Number of Warrants	Weighted Average Exercise price
Outstanding, December 31, 2013 and 2014	-	$ -
Issued	3,900,000	$0.05
Outstanding, December 31, 2015	3,900,000	$0.05

The following warrants were outstanding and exercisable as of December 31, 2015:

Expiry Date	Exercise Price	Number of Warrants	Weighted Average Remaining Contractual Life (Years)
April 30, 2017	$0.05	3,900,000	1.29

(Expressed in Canadian Dollars)

7. SHARE CAPITAL (continued)

(e) Shares held in escrow

As at December 31, 2015, the Company has 3,584,879 common shares held in escrow (December 31, 2014 – 7,169,761 common shares). These escrow shares are subject to escrow trading restrictions pursuant to the escrow agreement whereby 10% of the escrow shares were released on the date the Company's shares were listed on the CSE (August 27, 2013) and an additional 15% of the original escrowed shares are released at six-month intervals thereafter.

8. INCOME TAXES

The following table reconciles the amount of income tax recoverable on application of the combined statutory Canadian federal and provincial income tax rates:

	2015	2014
	$	$
Combined statutory rate	26%	26%
Expected income tax recovery	(124,636)	(17,097)
Net adjustment for deductible and non-deductible amounts	58	(188)
BC Mining and Exploration Tax Credit	(19,305)	(17,641)
Deferred tax asset not recognized	143,883	34,927
	-	-

Significant components of the Company's deferred income tax assets are as follows:

	2015	2014
	$	$
Future income tax rates	26%	26%
Future income tax assets:		
Mineral property interests	150,281	17,642
Non-capital loss	293,418	281,817
Share issue costs	475	832
Deferred tax assets not recognized	444,174	300,291

As at December 31, 2015, the Company has available non-capital losses of approximately $1,129,000 (2014 - $1,084,000) for deduction against future taxable income, and resource-related expenditures of approximately $578,000 (2014 - $433,000) available for deduction against future Canadian taxable income. Non-capital losses, if not utilized will expire as follows:

2031	31,000
2032	336,000
2033	649,000
2033	68,000
2034	45,000
	$ 1,129,000

8. INCOME TAXES (continued)

No deferred income tax asset has been recognized because the amount of future taxable profit that will be available to realize such assets is unpredictable. The ultimate realization of deferred income tax assets is dependent upon the generation of future 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 asset considered realizable could change materially in the near term based on future taxable income during the carry forward period.

9. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern (see Note 1). The Company does not have any externally imposed capital requirements to which it is subject.

As at December 31, 2015, the Company had capital resources consisting of all components of shareholders' equity. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue common shares.

10. FINANCIAL INSTRUMENTS

Fair values

The Company's financial instruments include cash and accounts payable. The carrying amounts of these financial instruments are a reasonable estimate of their fair values because of their current nature.

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

	2015	2014
	$	$
FVTPL (i)	13,442	61,268
Other financial liabilities (ii)	12,274	42,213

(i) Cash
(ii) Accounts payable

The Company classifies its fair value measurements in accordance with the three level fair value hierarchy as follows:

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

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

10. FINANCIAL INSTRUMENTS (continued)

Fair values (continued)

	Level 1	Level 2	Level 3	Total
	$	$	$	$
As at December 31, 2015:				
Cash	13,442	–	–	13,442
As at December 31, 2014:				
Cash	61,268	–	–	61,268

Financial risk management objectives and policies

The Company's financial instruments include cash and accounts payable. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) *Currency risk*

The Company's expenses are denominated in Canadian dollars. The Company's corporate office is based in Canada and current exposure to exchange rate fluctuations is minimal.

(ii) *Interest rate risk*

The Company is exposed to interest rate risk on the variable rate of interest earned on bank deposits. The fair value interest rate risk on bank deposits is insignificant as the deposits are short-term. The Company has not entered into any derivative instruments to manage interest rate fluctuations.

(iii) *Credit risk*

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash. To minimize the credit risk on cash the Company places the instrument with financial institution.

(iv) *Liquidity risk*

In the management of liquidity risk of the Company, the Company maintains a balance between continuity of funding and exploration activity. Management closely monitors the liquidity position and expects to have adequate sources of funding to finance the Company's projects and operations.

11. SUBSEQUENT EVENT

On March 5, 2016, 1,792,441 common shares were released from escrow.