DISCOVERY VENTURES INC.

(An exploration stage company)

Condensed Interim Financial Statements

Nine months ended September 30, 2015

As expressed in Canadian dollars

[Unaudited – prepared by Management]

DISCOVERY VENTURES INC.

900 – 570 Granville Street, Vancouver, BC V6C 3P1
Telephone (604) 808-1760 Facsimile: (604) 926-4232

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3), if an auditor has not performed a review of the condensed interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of condensed interim financial statements by an entity's auditor.

"Kenneth C. Phillippe"

Kenneth C. Phillippe

Chief Financial Officer

DISCOVERY VENTURES INC.
(An exploration stage company)

Condensed Interim Statements of Financial Position
As expressed in Canadian dollars
[Unaudited – prepared by management]

	September 30 2015	December 31 2014
	$	$
ASSETS		
Current assets		
Cash and cash equivalents	385,980	125,820
Goods and services tax receivable	29,484	84,073
Mining tax credit receivables	231,427	231,427
Prepaid expenses	56,963	162,708
Total current assets	703,854	604,028
Investment in associate - FortyTwo Metals Inc. (Note 5)	1,658,711	1,752,644
Reclamation bonds (Note 2)	10,000	10,000
Security deposit	3,000	-
Equipment, net (Note 3)	567,360	567,879
Exploration and evaluation assets (Note 4)	4,796,427	3,217,431
Total assets	7,739,352	6,151,982
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	323,837	272,380
Due to related party (Note 8)	480,000	-
Total current liabilities	803,827	272,380
SHAREHOLDERS' EQUITY		
Share capital	12,70,1761	11,034,539
Contributed surplus	1,973,283	1,658,020
Deficit	(7,739,518)	(6,812,957)
Total shareholders' equity	6,935,525	5,879,602
Total liabilities and shareholders' equity	7,739,352	6,151,982

On behalf of the Board:

"Kenneth C Phillippe"
Director

"Akash Patel"
Director

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

DISCOVERY VENTURES INC.
(An exploration stage company)

Condensed Interim Statements of Operations, Comprehensive Loss and Deficit
As expressed in Canadian dollars
[Unaudited – prepared by management]

	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
			$	$
General and Administrative Expenses				
Amortization	173	24	519	205
Bank charges	413	31	542	201
Consulting	45,833	96,197	170,583	203,501
Filing and transfer agent fees	8,636	53,526	32,088	76,027
Interest	-	-	7,622	-
Insurance	4,136	2,437	13,497	5,688
Investor relations	8,100	43,000	47,300	61,000
Management and administration	31,300	25,650	54,500	78,800
Office and miscellaneous	1,695	3,961	4,039	14,631
Professional fees	47,762	160,164	162,546	439,005
Rent	-	7,500	-	22,500
Share based payments (Note 6d)	8,814	490,967	315,263	521,445
Shareholder communications	70	21,617	8,730	64,585
Travel and promotion	-	29,560	-	41,663
Website maintenance	750	5,250	5,400	7,666
	157,682	939,885	822,629	1,536,917
Other income				
Interest income	-	-	-	45
Write-off of exploration and evaluation assets	-	(333,597)	-	(333,597)
Equity pick up from investment in FortyTwo Metals Inc. (Note 5)	(32,428)	(130,415)	(103,933)	(147,356)
Net loss and comprehensive loss for the period	(190,110)	(1,403,897)	(926,561)	(2,017,825)
Basic and diluted loss per share	(0.01)	(0.02)	(0.02)	(0.04)
Weighted average number of common shares - Basic and diluted	79,879,718	63,966,904	73,442,453	50,876,833

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

DISCOVERY VENTURES INC.
(An exploration stage company)

Condensed Interim Statements of Cash Flows
As expressed in Canadian dollars
[Unaudited – prepared by management]

	Nine months ended September 30 2015	2014
	$	$
Cash flows from (used in)		
Operating activities		
Loss for the period	(926,561)	(2,017,825)
Adjustments:		
Amortization	519	205
Accrued interest income		181
Write-off of exploration and evaluation assets		-
Equity pick up from investment in FortyTwo Metals, Inc. (Note 5)	103,933	- 147,356
Share based payments	315,263	521,445
	(506,846)	(1,348,638)
Changes in non-cash working capital:		
Goods and services tax receivable	54,589	16,797
Mining exploration tax credit receivable	-	37,294
Prepaid expenses	105,745	(312,135)
Accounts payable and accrued liabilities	126,275	(33,077)
Due to related party	480,000	-
	259,762	(1,639,759)
Investing activities		
Short term investments	-	500,000
Investment in shares of FortyTwo Metals Inc.	(10,000)	(950,000)
Security deposit	(3,000)	-
Exploration and evaluation assets expenditures	(66,784)	(647,253)
	(79,784)	(1,097,253)
Financing activities		
Issuance of common shares for cash (net)	367,222	3,339,284
	367,222	3,339,284
Increase (decrease) in cash and cash equivalents	260,160	602,272
Cash and cash equivalents, beginning of period	125,820	196,826
Cash and cash equivalents, end of period	385,980	799,098

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

DISCOVERY VENTURES INC.
(An exploration stage company)

Condensed Interim Statement of Changes in Equity
As expressed in Canadian dollars
[Unaudited – prepared by management]

	Common shares Number	Common shares Amount	Contributed Surplus	Deficit	Total	
		$	$	$	$	
Balance, December 31, 2013	39,838,749	7,113,141	821,769	(4,115,550)	3,819,360	
Shares issued for cash pursuant to the exercise of stock options						
- at a price of $0.135 per unit (Note 6b)	500,000	179,883	(112,383)	-	67,500	
Shares issued for cash pursuant to the exercise of warrants						
- at a price of $0.30 per unit (Note 6b)	100,000	30,000	-	-	30,000	
Shares issued for mineral properties at $0.155 per share (Note 4 and 7b)	3,600,000	558,000	-	-	558,000	
Shares issued for cash pursuant to brokered private placements						-
- at a price of $0.15 per unit (Note 7b)	22,381,249	3,357,187	-	-	3,357,187	
- cash commissions paid (Note 7b)	-	(115,403)	-	-	(115,403)	
- agent's warrants issued as commission (Note 7b)	-	(88,270)	88,270	-	-	
Share-based payments – for stock options granted (Note 7d)	-	-	521,445	-	521,445	
Net loss and comprehensive loss	-	-	-	(2,017,825)	(2017,825)	
Balance September 30, 2014	66,419,998	11,034,538	1,319,101	(6,133,375)	6,220,264	
Shares issued for cash pursuant to the exercise of stock options						
- at a price of $0.135 per unit (Note 7b)	500,000	179,883	(112,383)	-	67,500	
- cash commissions paid (Note 7b)	-		-	-	(61,185)	
- agent's warrants issued as commission (Note 7b)	-	(60.523)	60.523	-	-	
Share-based payments – for stock options granted (Note 7d)	-	-	829,885	-	829,885	
Share subscriptions received in advance	-	-	-	-	(590,050)	
Net loss and comprehensive loss	-	-	-	(2,083,478)	(2,083,478)	
Balance, December 31, 2014	66,419,998	11,034,539	1,658,020	(6,812,957)	5,879,602	
Shares issued for mineral properties at $0.105 per share (Note 4 and 7b)	10,000,000	1,300,000	-	-	1,300,000	
Shares issued for cash pursuant to conversion of credit facility					-	
- at a price of $0.10 per unit (Note 6 and 7b)	2,397,220	239,722	-	-	2,453,550	
Shares issued for cash pursuant settlement of debt					-	
- at a price of $0.12 per unit (Note 7b)	1,062,500	127,500	-	-	2,453,550	
Share-based payments – for stock options granted (Note 7d)	-	-	315,263	-	315,263	
Net loss and comprehensive loss	-	-	-	(926,561)	(926,561)	
Balance, September 30, 2015	79,879,718	12,701,761	1,973,283	(7,739,518)	6,935,525	

As expressed in Canadian dollars

1. Nature and Continuance of Operations

The Company was incorporated on October 13, 1999 under the laws of British Columbia under the name 593960 British Columbia Ltd. and was inactive during the fiscal years 1999 to 2007. Commencing in the fiscal year 2008, the Company was reactivated with the purpose of assessing exploration opportunities in western Canada. On February 28, 2008 the Company changed its name to Discovery Ventures Inc. to better reflect a change in the focus of its principal business to the exploration of mineral interests.

The head office and principal address of the Company is located at 900 – 570 Granville Street, Vancouver, BC, V6C 3P1.

The Company has not yet determined whether its properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties and exploration costs is dependent upon the existence of economically recoverable ore reserves, the ability of the Company to obtain necessary financing to complete the exploration and development of its properties, and upon future profitable production or proceeds from the disposal of properties.

Although management has taken steps to verify title to mineral properties in which the Company has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and noncompliant with regulatory requirements.

The Company emphasises that attention should be drawn to matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. These financial statements have been prepared using accounting principles applicable to a going concern which assumes the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The recoverability of capitalized costs is uncertain and dependent upon projects achieving commercial production or sale. The ability of the Company to carry out its business objectives dependent on the Company's ability to receive continued financial support from related parties, to obtain public equity financing, or to generate profitable operations in the future.

	September 30 2015	**December 31 2014**
Deficit	$(7,739,518)	$(6,812,957)
Working capital (deficiency)	$(99,973)	$331,648

2. Significant Accounting Policies

Basis of presentation

These condensed interim financial statements are unaudited and have been prepared in accordance with International Accounting Standard 34 – *Interim Financial Reporting*, using accounting policies consistent with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations of the International Reporting Interpretations Committee (IFRIC). They do not include all of the information required for full annual financial statements.

2. Significant Accounting Policies (cont'd…)

Basis of presentation (cont'd…)

These financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at their fair value as explained in the accounting policies set out below. In addition, these financial statements have been prepared using the accrual basis of accounting.

Approval of financial statements

The financial statements were approved by the Board of Directors of the Company on November 26, 2015.

Use of judgments, estimates and assumptions

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses, and related disclosure.

Judgment is used mainly in determining how a balance or transaction should be recognized in the financial statements. Estimates and assumptions are used mainly in determining the measurement of recognized transactions and balances. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenue and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions.

Significant areas where management's estimates and judgments have been applied include:

<u>Judgments</u>

i) Asset Impairments
The application of the Company's accounting policy for impairment on equipment and exploration and evaluation assets requires judgment in determining if the facts and circumstances suggest that the carrying amount exceeds the recoverable amount. When facts and circumstances suggest that the carrying amount exceeds the recoverable amount, the Company would carry out an impairment test at the asset or group of assets, which requires estimate and judgement in determining the recoverable amount with reference to the fair value of the assets or group of assets less costs to sell or the value in use calculation. Where recoverable amount is determined to be less than the carrying amount, an impairment loss may arise. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including, geologic and other technical information, a history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves, the quality and capacity of existing infrastructure facilities, evaluation of permitting and environmental issues and local support for the project.

ii) Exploration and evaluation expenditures
The application of the Company's accounting policy for exploration and evaluation expenditures capitalized requires judgment in determining which expenditures are recognized as exploration and evaluation assets and applying the policy consistently. In making this determination, the Company considers the degree to which the expenditure can be associated with finding specific mineral resources.

2. Significant Accounting Policies (cont'd…)

Use of judgments, estimates and assumptions (cont'd…)

iii) Provision
The Company applied judgement when recognizing the provisions for restoration, rehabilitation and environmental obligations.

iv) Going concern
The assessment of the Company's ability to continue as a going concern involves judgment regarding future funding available for its exploration projects and working capital requirements.

v) Recovery of deferred tax assets
Judgment is required in determining whether deferred tax assets are recognized on the statement of financial position. Deferred tax assets, including those arising from un-utilized tax losses require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted.

Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods.

<u>Estimates</u>

vi) Depreciation

Depreciation of mining equipment begins when it is available for use, which is defined as occurring when the asset is in the location and condition necessary for it to be capable of operating in the manner intended by management. Significant assumptions are involved in the determination of useful life and residual values and no assurance can be given that actual useful lives and residual values will not differ significantly from current assumptions.

Judgment, estimates and assumptions are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Cash and cash equivalents

Cash equivalents include money market instruments that are readily convertible to cash and have maturities at the date of purchase of less than ninety days. There were no cash equivalents as at September 30, 2015 and December 31, 2014.

2. Significant Accounting Policies (cont'd…)

Short term investments

Short term investment, which is fixed term deposit held at the bank with a maturity of more than three months and less than twelve months at the time of issuance, is recorded at fair value. As at September 30, 2015 and December 31, 2014, the Company has short term investments of $nil. (December 31, 2014 - $Nil.

Property and equipment

Property and equipment are recorded at cost less accumulated depreciation and impairment losses. Equipment is depreciated to write off the cost of assets to operations using declining balance method over their estimated useful life at the following annual rates:

Computer Equipment	- 30%
Mining Equipment	- 30%

Exploration and evaluation assets

The Company is in the exploration stage with respect to its investment in mineral interests. Accordingly, once a license to explore an area has been secured, the Company follows the practice of capitalizing all costs relating to the acquisition of, exploration for and development of exploration and evaluation assets and crediting all revenues received against the cost of the related interests. Such costs, include, but are not limited to, geological and geophysical studies, exploratory drilling and sampling. At such time as commercial production commences, these costs will be charged to operations on a unit-of-production method based on proven and probable resources. The aggregate costs related to abandoned exploration and evaluation assets are charged to operations at the time of any abandonment or when it has been determined that there is evidence of a permanent impairment.

The recoverability of amounts shown for exploration and evaluation assets is dependent up on the discovery of economically recoverable resources, the ability of the Company to obtain financing to complete development of the properties, and on future production or proceeds of disposition. The Company recognized as income any costs recovered on exploration and evaluation assets when amounts received or receivable are in excess of the carrying amount.

Upon transfer of exploration and evaluation costs into mine development, all subsequent expenditures on the construction, installation or completion of infrastructure facilities is capitalized within mine development. After production starts, all assets included in mine development costs are transferred to producing mines.

Mining Exploration Tax Credit

Mining exploration tax credits are recorded in the accounts when there is reasonable assurance that the Company has complied with, and will continue to comply with, all conditions needed to obtain the credits. These non-repayable mining exploration tax credits are earned in respect to exploration costs incurred in British Columbia, Canada and are recorded as a reduction of the related exploration expenditures.

2. Significant Accounting Policies (cont'd…)

Impairment of non-financial assets

The Company reviews and evaluates its property, including exploration and evaluation assets, and property and equipment for indications of impairment when events or changes in circumstances indicate that the related carrying amount may not be recoverable or at least at the end of each reporting period. The asset's recoverable amount is estimated if an indication of impairment exists.

Impairment loss is recognized when the carrying amount of an asset exceeds its recoverable amount. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows of other assets or groups of assets. Future cash flows are estimated based on expected future production, commodity prices, operating costs and capital costs.

The recoverable amount is the greater of the asset's 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 the current market assessment of the time value of money and the risks specific to the asset. Impairment losses reducing the carrying value to the recoverable amount are recognized in profit and loss.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

Equity Investments

Equity investments consist of investments in associates and joint ventures of the Company. The Company did not have any joint venture as at September 30, 2015 and December 31, 2014.

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control, generally consisting of shareholding between 20% and 50% of voting rights.

The profit or loss, assets and liabilities of equity accounted investments are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5, "Non-Current Assets Held for Sale and Discontinued Operations". Under the equity method, an investment in an associate or joint venture is initially recognized in the statements of financial position at cost and adjusted thereafter to recognize the Company's share of profit or loss and of other comprehensive income or loss of the associate or joint venture. When the Company's share of loss of an associate or joint venture exceeds the Company's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Company's net investment in the associate or joint venture), the Company discontinues recognizing its share of further loss unless the Company has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

Gain or losses arising from the dilution of investment ownership in associates are recognized in the statements of operations and comprehensive loss.

2. Significant Accounting Policies (cont'd…)

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and other sales tax or duty. The following specific recognition criteria must also be met before revenue is recognized:

Government grants
Revenue from government grants related to the acquisition and development of exploration and evaluation assets is credited against the cost of the related asset when there is reasonable assurance that the Company will comply with the conditions attached to the grant and that the grant will be received.

Interest income
Revenue is recognized as interest accrues using the effective interest rate, that is, the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Financial Instruments

Financial assets
The Company's financial instruments consist of cash and cash equivalents, short term investments, and accounts payable and accrued liabilities. Cash and cash equivalents, short term investments are classified as fair value through profit or loss and recorded at fair value. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost. The fair value of cash and cash equivalents, short term investments and accounts payable and accrued liabilities are equal to their carrying value due to their short-term maturity.

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

Fair value through profit or loss – This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the balance sheet at fair value with changes in fair value recognized in the income statement.

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

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

2. Significant Accounting Policies (cont'd…)

Financial Instruments (cont'd…)

Available-for-sale – Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in the statements of operations and comprehensive loss.

All financial assets, except those at fair value through profit or loss, are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is objective evidence that a financial asset or a group of financial assets is impaired. Different criteria are applied for each category of financial assets described above to determine impairment.

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

Fair value through profit or loss – This category comprises derivatives or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statements of financial position at fair value with changes in fair value recognized in the statements of operations and comprehensive loss.

*Other financial liabilitie*s – This category includes promissory notes, amounts due to related parties and accounts payables and accrued liabilities, all of which are recognized at amortized cost.

Foreign currencies

The presentation currency of the Company and the functional currency of the Company is the Canadian dollar.

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the date of the relevant transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position. Translation gains and losses are included in income or expense of the period in which they occur. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Share based payments

The Company's Stock Option Plan allows directors, officers and consultants to acquire shares of the Company in exchange for the options exercised. The fair value of share options granted to employees is recognized as an expense over the vesting period using the graded vesting method 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, including directors of the Company.

The fair value is measured at the grant date and recognized 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

2. Significant Accounting Policies (cont'd…)

Share based payments (cont'd...)

position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest based on estimate of forfeiture rate.

The compensation cost of stock options granted to consultant is initially measured at fair value of the awards at the grant date and periodically remeasured to fair value until the consultant's performance is complete, and recognized over the periods during which the consultant become unconditionally entitled to the options. The compensation cost is charged to income with a corresponding increase to share-based payment reserve.

Warrants

Proceeds from issuances by the Company of units consisting of shares and warrants are allocated based on the residual method, whereby the carrying amount of the warrants is determined based on any difference between gross proceeds and the estimated fair market value of the shares. If the proceeds from the offering are less than or equal to the estimated fair market value of shares issued, a nil carrying amount is assigned to the warrants.

Warrants that are issued as payment for agency fee or other transactions costs are counted for as share-based payments.

Loss per share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share is calculated giving effect to the potential dilution that would occur if securities or other contracts to issue common shares were exercised or converted to common shares using the treasury method. The treasury method assumes that proceeds received from the exercise of stock options and warrants are used to repurchase common shares at the prevailing market rate. Diluted loss per share is equal to the basic loss per share as the outstanding options and warrants are anti-dilutive.

Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in the statements of operations and comprehensive loss except to the extent it relates to items recognized directly in equity.

Deferred taxes are the taxes expected to be payable or recoverable on the difference between the carrying amounts of assets in the statement of financial position and their corresponding tax bases used in the computation of taxable profit, and are accounted for using the liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences between the carrying amounts of assets and their corresponding tax bases. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets in a transaction that affects neither the taxable profit nor the accounting profit.

2. Significant Accounting Policies (cont'd…)

Segment information

The Company currently conducts substantially all of its operations in Canada in one business segment.

Change in accounting policies

The following new or amended standards, and their resulting consequential amendments, were applied for the first time in the fiscal year ended December 31, 2014 and the adoption standards and/or amendments does not have any impact on the Company's financial statements:

IFRS 2 Share-based payment
The amendments to IFRS 2, issued in December 2013 clarify the definition of "vesting conditions", and separately define a "performance condition" and a "service condition". A performance condition requires the counterparty to complete a specified period of service and to meet a specified performance target during the service period. A service condition solely requires the counterparty to complete a specified period of service. The amendments are effective for share-based payment transactions for which the grant date is on or after July 1, 2014.

IFRS 7 Financial instruments: disclosures and IAS 32 Financial instruments: presentation
Financial assets and financial liabilities may be offset, with the net amount presented in the statement of financial position, only when there is a legally enforceable right to set off and when there is either an intention to settle on a net basis or to realize the asset and settle the liability simultaneously. The amendments to IAS 32, issued in December 2011, clarify the meaning of the offsetting criterion "currently has a legally enforceable right to set off" and the principle behind net settlement, including identifying when some gross settlement systems may be considered equivalent to net settlement. The amendments will only affect disclosure and are effective for annual periods beginning on or after January 1, 2014.

IAS 36 Impairment of assets
The amendments to IAS 36, issued in May 2013, require:

- Disclosure of the recoverable amount of impaired assets; and
- Additional disclosures about the measurement of the recoverable amount when the recoverable amount is based on fair value less costs of disposal, including the discount rate when a present value technique is used to measure the recoverable amount.

The amendments will only affect disclosure and are effective for annual periods beginning on or after January 1, 2014.

IAS 39 Financial Instruments: Recognition and measurement
The amendments to IAS 39, issued in June 2013, clarify that innovation of a hedging derivative to a clearing counterparty as a consequence of laws or regulations or the introduction of laws or regulations, does not terminate hedge accounting. The amendments are effective for annual periods beginning on or after January 1, 2014.

The following new or amended standards, and their resulting consequential amendments, were applied for the first time in the current year and the adoption standards and/or amendments does not have any impact on the Company's financial statements

As expressed in Canadian dollars

2. Significant Accounting Policies (cont'd…)

Change in accounting policies (cont'd...)

- **IAS 16 Property, plant and equipment and IAS 38 Intangible assets**
  The amendments to IAS 16 and IAS 38, issued in December 2013, clarify how an entity calculates the gross carrying amount and accumulated depreciation when a revaluation is performed. The amendments are effective for annual periods beginning on or after July 1, 2014.

- **IAS 24 Related party disclosures**
  The amendments to IAS 24, issued in December 2013, clarify that a management entity, or any member of a group of which it is a part, that provides key management services to a reporting entity, or its parent, is a related party of the reporting entity. The amendments also require an entity to disclose amounts incurred for key management personnel services provided by a separate management entity. This replaces the more detailed disclosure by category required for other key management personnel compensation. The amendments will only affect disclosure and are effective for annual periods beginning on or after July 1, 2014.

3. Equipment

Cost	Computer equipment	Mining equipment	Total
December 31, 2013	$ 2,515	$ 596,077	$ 598,592
Additions	1,965	65,000	66,965
December 31, 2014	4,480	661,077	665,557
Additions	-	-	-
September 30, 2015	$ 4,480	$ 661,077	$ 665,557

Accumulated amortization	Computer equipment	Mining equipment	Total
December 31, 2013	$ 1,605	$ -	$ 1,605
Additions	568	-	568
December 31, 2014	2,173	-	2,173
Additions	519	-	519
September 30, 2015	$ 2,692	$ -	$ 2,692

Write Down	Computer equipment	Mining equipment	Total
December 31, 2013	$ -	$ -	$ -
Additions	-	95,505	95,505
December 31, 2014	-	95,505	95,505
Additions	+	-	-
September 30, 2015	$ -	$ 95,505	$ 95,505

Carrying amount	Computer equipment	Mining equipment	Total
December 31, 2013	$ 910	$ 596,077 *	$ 596,987
December 31, 2014	$ 2,307	$ 565,572 *	$ 567,879
September 30, 2015	$ 1,788	$ 565,572 *	$ 567,360

* Mining equipment was not available for use as at September 30, 2015, December 31, 2014 and 2013 and no amortization has been provided.

As expressed in Canadian dollars

4. Exploration and Evaluation Assets

	September 30 2015	December 31 2014
	$	$
Acquisition costs		
Rabbitt Mine Property	198,042	198,042
Willa Deposit	3,082,657	1,778,957
Balance, end of year	3,280,699	1,976,999
Exploration costs		
Rabbitt Mine Property	254,827	254,827
Willa Deposit	781,400	635,605
Balance, end of year	1,036,227	890,432
Net Smelter Royalty advance payment		
Willa Deposit	479,500	350,000
Balance, end of year	479,500	350,000
Total Acquisition and Exploration	4,796,427	3,217,431

Rabbitt Mine Property, Similkameen Mining Division, British Columbia

As at April 28, 2008, the Company signed an option agreement, whereby it may acquire a 100% undivided interest in 4 mineral claims situated in the Similkameen Mining Division, British Columbia in exchange for an immediate cash payment of $15,000 (paid) and the following future consideration.

a. $20,000 (paid) and 200,000 of the Company's common shares (issued) no later than 15 days after the date the Company's shares are listed, posted and called for trading on the TSX Venture Exchange (TSX initial trading date – October 30, 2009).
b. $25,000 (paid) no later than October 30, 2010.
c. $25,000 (paid) no later than October 30, 2011.
d. $30,000 (paid) no later than October 30, 2012.

The Agreement is subject to 2% Net Smelter Return Royalty payable by the Company to the Optionor. The Company has the option to purchase the 2% Net Smelter Return Royalty at a purchase price of $1,000,000 per percentage point during the five year period commencing from that date upon which the Property is put into commercial production.

As at May 27, 2008, the Company signed an option agreement, whereby it may acquire a 100% undivided interest in 15 mineral claims situated in the Similkameen Mining Division, British Columbia in exchange for an immediate cash payment of $5,000 (paid) and the following future consideration.

a. $10,000 (paid) no later than 15 days after the date the Company's shares are listed, posted and called for trading on the TSX Venture Exchange (TSX initial trading date – October 30, 2009).
b. $10,000 (paid) no later than October 30, 2010.
c. $10,000 (paid) no later than October 30, 2011.
d. $15,000 (paid) no later than October 30, 2012.

As expressed in Canadian dollars

4. Exploration and evaluation assets (cont'd…)

Rabbitt Mine Property, Similkameen Mining Division, British Columbia (cont'd...)

The Agreement is subject to 2% Net Smelter Return Royalty payable by the Company to the Optionor. The Company has the option to purchase the 2% Net Smelter Return Royalty at a purchase price of $1,000,000 per percentage point during the five year period commencing from that date upon which the Property is put into commercial production.

Acquisition costs	Nine months ended September 30, 2015	Year ended December 31, 2014
	$	$
Balance, beginning of year and end of period	198,042	198,042

Exploration costs	Nine months ended September 30, 2015	Year ended December 31, 2014
	$	$
Balance, beginning of year and end of period	254,827	254,827

Willa Deposit, British Columbia

Pursuant to an option agreement dated November 16, 2012 (as amended September 24, 2013, January 13, 2014 and further amended on February 27, 2014), an Assignment, Assumption and Framework Agreement dated April 15, 2014 (as amended June 16, 2014, September 28, 2014, November 26, 2014), a Release Agreement dated September 4, 2015, and an Amendment to the Assignment, Assumption and Framework Agreement dated September 14, 2015 the Company has acquired a 100% interest in the Willa property, consisting of 5,328 hectares located in the Slocan Mining Division, British Columbia, subject to a 2.5% Net Smelter Royalty ("NSR").

In consideration for certain modifications to the option agreement, the Company has paid an additional $200,000 (paid August 1, 2014) to the Optionors. The Company has also paid an additional $20,000 (paid July 3, 2014) to the Optionors to extend the date of payment of the signing bonus.

As at September 30, 2015 the Company has made dash payments consisting of $550,000 and had issued 14,600,000 common shares of the Company as follows:

(i) Issue of shares and cash payments:

(a) $50,000 upon execution of the Option Agreement (paid);
(b) $150,000 and 1,000,000 common shares in the capital of the Company on or before five days from the date of the TSX Venture Exchange ("TSXV") approval (the "Approval Date" being February 19, 2013) (paid and shares were issued on February 19, 2013);

As expressed in Canadian dollars

4. Exploration and evaluation assets (cont'd…)

Willa Deposit, British Columbia (cont'd...)

(c) $100,000 (paid) on January 15, 2014 and $250,000 (paid July 28, 2014) and 4,000,000 common shares in the capital of the Company on August 19, 2014 (issued on March 25, 2015);
(d) 3,600,000 common shares in the capital of the Company upon TSXV acceptance for filing of an amended agreement dated February 27, 2014; (Issued on May 9, 2014);
(e) and 6,000,000 common shares in the capital of the Company on or before April 12, 2015; (issued April 15, 2015.

Pursuant to an Amendment to the Assignment, Assumption and Framework Agreement dated September 14, 2015 the Optionors granted to the Company the exclusive option to acquire an undivided 100% interest in and to the Property, subject to a 2.5% NSR, exercisable by paying the aggregate sum of $130,000 (paid $97,500 on September 15, 2015 and $32,500 on October 1, 2015).

If Commercial Production has not commenced by September 15, 2015 and subsequent years, the aggregate annual sum of an additional $144,000 (the "Advanced Royalty Payment") will be paid in each respective anniversary year in monthly installments of $12,000 with the first payment due by September 15,2015 (paid). If upon exercise of the option either Commercial Production has not commenced before September 15, 2020 or if the Optionors have provided written notice of a default of the Advanced Royalty Payment and it has not been cured within three months of receiving such notice, the 100% interest in and to the Property will be transferred by the Company back to the Optionors. The Company has further agreed that in the event of termination,, the Company will ensure that it has applied for a minimum of three years' assessment work on the Willa Property

As at September 30, 2015 the Company had made total payments of $370,000 as prepayment of the NSR (as defined in the Option Agreement). The Optionors have agreed that the $370,000 and the $130,000 to exercise the Option are Advanced Royalty Payments. All payments will be credited against the NSR due to the Optionors after the commencement of Commercial Production.

Acquisition costs		**Nine months ended September 30, 2015**	**Fiscal year ended December 31, 2014**
		$	$
Balance, beginning of year		1,778,957	647,291
Additions during the year			
Property option payments	– for cash	-	570,000
	– for shares	1,300,000	558,000
Additional acquisition costs*		3,701*	3,666*
		1,303,701	1,131,666
Balance, end of period		3,082,658	1,778,957

* Relates to geological consulting cost, management fees and filing fees incurred as part of mineral property acquisition cost.

As expressed in Canadian dollars

4. Exploration and evaluation assets (cont'd…)

Willa Deposit, British Columbia (cont'd...)

Exploration costs	**Nine months ended September 30, 2015**	**Fiscal year ended December 31, 2014**
	$	$
Balance, beginning of year	635,605	85,312
Additions during the year		
3 D Modeling	35,300	-
Analytical services	7 714	3,193
Assays	30,686	3,193
Assessment reports	-	41,668
Consulting	-	93,483
Dam safety inspection	-	30,000
Data compilation, 3D survey	-	21,454
Engineering	38,247	88,252
Environmental consulting	-	5,702
Equipment rental	-	2,150
Field geology	3,925	26,800
Field supplies	168	1,568
Food and lodging	500	7,900
Hazard management	-	15,733
Mapping	-	18,346
Max Mine site work	6,474	208,844
Metallurgical consulting	2,008	1,500
Metallurgical testing	-	11,331
Permitting and notice of work	4,750	4,551
Project management	7,000	136,330
Security	5,000	12,500
Site maintenance	-	16,054
Tailing pond testing	-	17,118
Transportation	1,414	1,960
Travel	2,109	9,538
Mining tax credit	-	(225,682)
	145,795	550,293
Balance, end of period	781,400	635,605

Net Smelter Royalty advance payment	**Nine months ended September 30, 2015**	**Fiscal year ended December 31, 2014**
	$	$
Balance, beginning of year	350,000	100,000
Additions during the year	129,500	250,000
Balance, end of period	479,500	350,000

5. Investment in associate - FortyTwo Metals Inc.

On November 4, 2013 (and as amended January 5, 2014 and further amended on March 6, 2014), the Company entered into a binding letter agreement with Roca Mines Inc. ("Roca") and FortyTwo Metals Inc. ("FortyTwo") a wholly-owned subsidiary of Roca, whereby Roca granted an exclusive option to the Company to acquire 100% of the issued and outstanding common shares of FortyTwo. FortyTwo holds, among other assets, the Max Mine which includes an underground molybdenum mine, crushing, milling and concentrating facilities, tailing storage facilities, mineral claims, mining leases, licenses and other holdings located near Trout Lake in the Revelstoke Mining Division of the Province of British Columbia.

As at September 30, 2015 the Company had exercised the option to acquire 35% of the shares of FortyTwo for the following consideration:

- $50,000 payable (paid) to Roca as a non-refundable deposit upon entry into the Agreement;
- $750,000 payable to Roca within 10 days of receipt of conditional approval from the Exchange the ("Approval Date" (November 6, 2013), following which the first stage of the option will be deemed exercised and Roca will transfer 16% of the shares capital of FortyTwo to the Company (paid);
- $250,000 payable to Roca on or before January 8, 2014 (paid) and $50,000 to Roca on or prior to March 6, 2014 (paid) and an additional $650,000 to Roca on or prior to March 24, 2014 (paid) (together, the "Second Payment"). The Second Payment will be used to retire certain critical payables, past wages and delinquent accounts critical to maintaining Roca, FortyTwo and the Assets in good standing. Upon advance of the $250,000 Roca will transfer 5 FortyTwo Shares (equal to 5% of the FortyTwo Shares and 21% in aggregate) to the Company and will provide a copy of a share certificate and supporting documentation to evidence the completion of such share transfer. Upon advance of the $50,000, Roca will transfer 1 FortyTwo Share (equal to 1% of the FortyTwo Shares and 22% in the aggregate) to the Company and will provide a copy of a share certificate and supporting documentation to evidence the completing of such share transfer. Upon advance of the $650,000, Roca will transfer 13 FortyTwo Shares (equal to 13% of the FortyTwo Shares and 35% in the aggregate) to the Company and will provide a copy of a share certificate and supporting documentation to evidence the completing of such share transfer. Upon advance of the Second Payment in full, the second stage of the Option will be deemed exercised.

The Company completed the first stage of the acquisition upon its payment to Roca of the $50,000 non-refundable deposit on November 4, 2013, and the subsequent payment of $750,000 on November 15, 2013. During the three months ended March 31, 2014 the Company paid $300,000 towards the Second Payment (22% in the aggregate). On April 1, 2014 the Company paid an additional $650,000 and completed its Second Payment (35% in the aggregate

The Company did not complete the third and final state of the option for the remaining 65%. However, subsequent to September 30, 2015, pursuant to a Share Purchase Agreement dated October 5, 2015 the Company acquired from Roca the remaining 65% of the outstanding share capital of FortyTwo Metals Inc. (100% in the aggregate) See subsequent event Note 13.

As expressed in Canadian dollars

5. Investment in associate - FortyTwo Metals Inc. (cont'd...)

As at September 30, 2015 the Company's investment relating to its 35% interest in FortyTwo Metals Inc. is detailed as follows:

	Nine months ended September 30, 2015	Year ended December 31, 2014
	$	$
Balance, beginning of year	1,752,644	800,000
Investment in shares, at cost	-	950,000
Cash advance	10,000	150,000
	1,762,644	1,900,000
Equity loss for the year	(103,933)	(147,356)
Balance, end of period	1,658,711	1,752,644

6. Credit Facility

On June 10, 2015 (as amended July 8, 2015) the Company entered into a definitive amended loan agreement with a Company controlled by the Chief Financial Officer (the "Lender"), whereby the Lender has agreed to provide two secured credit facilities to the Company : a $2 million convertible credit facility (the "Convertible Credit Facility") and a $5 million credit facility (the "Credit Facility"), together with the Convertible Credit Facility, the "Credit Facilities".

Any funds drawn down on the Convertible Credit Facility will be convertible at the option of the Company or the Investor into units (each, a "Unit") of the Company at a price of $0.10 per Unit. Each Unit will consist of one common share of the Company and one warrant, with each warrant entitling the Investor to purchase an additional common share at a price of $0.15 per share for a period of three years. Any conversion that would result in the Investor owning more than 20% of the issued and outstanding shares of the Company would be subject to the Company obtaining shareholder approval of the Credit Facilities. The Convertible Credit Facility matures and is payable in cash on the date which is the earlier of : (a) two years from each draw down date; or (b) an event of default. The Credit Facility shall mature and shall be payable in cash on the date which is the earlier of (a) three years from each draw down date; or (b) an event of default. The Credit Facilities bear interest at a rate of 6% per annum. The Credit Facilities may be repaid by the Company at any time. The proceeds from the Credit Facilities will be used to fund the advancement of its mining properties and generate working capital.

7. Share Capital

Authorized: Unlimited number of common shares with no par value.

a. Issued and outstanding:

As at September 30, 2015 the total issued and outstanding share capital is 79,879,718 (December 31, 2014 - 76,419,998 common shares. See also subsequent events Note 13.

7. Share Capital (cont'd...)

Authorized: Unlimited number of common shares with no par value. (cont'd...)

b. Transactions

Transactions incurred during the nine months ended September 30, 2015.

I. On March 25, 2015 the Company issued 4,000,000 common shares at $0.10 per share pursuant to the acquisition of mineral property (See Willa Deposit, Note 4).
II. On April 15, 2015 the Company issued 6,000,000 common shares at $0.15 per share pursuant to the acquisition of mineral property (See Willa Deposit, Note 4).
III. On July 21, 2015 the Company issued 1,170,000 common shares at $0.10 per Unit pursuant to the the conversion of the Credit Facility (See Credit Facility, Note 6 and Related Party Note 8).
IV. On August 27, 2015 the Company issued 1,227,220 common shares at $0.10 per Unit pursuant to the conversion of the Credit Facility (See Credit Facility, Note 6 and Related Party Note 8).
V. On September 16, 2015 Company issued 1,062,500 common shares at $0.12 per share pursuant to the settlement of debt.

Transactions incurred during the year ended December 31, 2014

I. On April 1, 2014, the Company completed a private placement of 6,024,250 units at a price of $0.15 per Unit for gross proceeds of $903,638. Each Unit consists of one common share and one half of one share purchase warrant, with each warrant entitling the holder to purchase one additional share at a price of $0.30 for a period of three years. The Company paid a finder's fee of $54,218 and issued 361,455 warrants with a fair value of $29,094. Each warrant entitles the holder to purchase one additional common share on or before April 1, 2017 at a price of $0.30 per share. As the unit was issued at a price lower than the market trading price on April 1, 2014. $nil was allocated to contributed surplus as fair value for the warrants under the residual value method. Also see Note 6e.
II. On May 9, 014 the Company issued 3,600,000 common shares at $0.155 per share pursuant to the acquisition of mineral property (See Willa Deposit, Note 4).
III. On July 27, 2014, the Company completed a tranche of a private placement by issuing 7,971,333 units at a price of $0.15 per Unit for gross proceeds of $1,195,670. Each Unit consists of one common share and one half of one share purchase warrant, with each warrant entitling the holder to purchase one additional share at a price of $0.30 for a period of three years. The Company paid a finder's fee of $32,025 and issued 213,500 warrants with a fair value of $28,537. Each warrant entitles the holder to purchase one additional common share on or before July 2, 2017 at a price of $0.30 per share. As the unit was issued at a price lower than the market trading price on July 2, 2014. $nil was allocated to contributed surplus as fair value for the warrants under the residual value method. Also see Note 6e.
IV. On July 21, 2014, the Company completed a tranche of a private placement by issuing 8,385,666 units at a price of $0.15 per Unit for gross proceeds of $1,257,850. Each Unit consists of one common share and one half of one share purchase warrant, with each warrant entitling the holder to purchase one additional share at a price of $0.30 for a period of three years. The Company paid a finder's fee of $29,160 and issued 203,400 warrants with a fair value of $30,639. Each warrant entitles the holder to purchase one additional common share on or before July 21, 2017 at a price of $0.30 per share. As the unit was issued at a price lower than the market trading price on July 21, 2014. $nil was allocated to contributed surplus as fair value for the warrants under the residual value method. Also see Note 6e.

As expressed in Canadian dollars

7. Share Capital (cont'd...)

b. Transactions

Transactions incurred during the year ended December 31, 2014 (cont'd...)

V. On September 4, 2014 the Company issued 100,000 common shares upon the exercise of warrants, exercisable on or before April 1, 2017, at $0.30 per share.

VI. On September 26, 2014 the Company issued 500,000 common shares upon the exercise of incentive stock options, exercisable on or before September 14, 2015, at $0.135 per share.

c. Stock Options

A summary of stock option activity for the years is as follows:

	Number of options	Weighted-average exercise price
		$
Balance, December 31, 2013	1,250,000	0.18
Options exercised	(500,000)	0.135
Options granted and exercisable on or before August 20, 2016	100,000	0.25
Options granted and exercisable on or before August 20, 2019	5,231,999	0.25
Balance,December 31, 2014	6,081,999	0.245
Options terminated - consultant	(400,000)	0.25
Options granted and exercisable on or before January 15, 2020	2,000,000	0.18
Options cancelled – directors and officers	(1,440,000)	0.25
Options expired	(250,000)	0.135
Balance,September 30, 2015	5,991,999	0.17

As at September 30, 2015, the Company has the following options outstanding and exercisable:

Number of Options Outstanding	Number of Options Exercisable	Weighted Average Exercise Price	Years to expiry	Expiry Date
500,000	500,000	0.25	2,86	August 8, 2018
100,000	100,000	0.25	0.89	August 20, 2016
3,366,999	3,366,999	0.15*	3.89	August 20, 2019
25,000	25,000	0.25	3.89	August 20, 2019
2,000,000	1,500,000	0.18	4.30	January 15, 2020
5,991,999	5,491,999	$ 0.17	3.89	

* These options were originally priced at $0.25 and are subject to re-pricing to $0.15 subject to shareholder approval at a annual general and special meeting to be held on December 4, 2015.

The Company has a stock option plan whereby it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common shares of the Company.

7. Share Capital (cont'd...)

c. Stock Options (cont'd...)

On August 8, 2013 the Company granted 500,000 share purchase options to a consultant pursuant to an investor relations contract, exercisable on or before August 8, 2018 at a price of $0.25 per share where the exercise price is higher than the market price at the date of grant. The options vested over a 12 month period with 25% of the options vesting after each 3 month period. During the nine months ended September 30, 2015 the Company recorded $ Nil (2014 - $31,287) of stock based compensation. During the year ended December 31, 2014 the Company recorded $31,428 of stock based compensation. As at September 30, 2015, 500,000 options granted remain outstanding and 500,000 (December 31, 2014 – 500,000) are exercisable. The fair value of options granted during the fiscal year ended December 31, 2014 has been estimated using the Black-Scholes option pricing model, using weighted average assumptions of a risk-free interest rate of 1.8% and 1.95%, expected dividend yield of 0%, share price volatility of 108% and an expected life of the options of 5 years.

The Company granted 3,649,999 incentive stock options to directors on August 20, 2014, exercisable on or before August 20, 2019 at a price of $0.25 per share (subsequently amended and re-priced to $0.15 per share) where the exercise price is lower than the market price at the date of grant. 25% of the options vested immediately upon the grant date, and 25% every three months thereafter. The fair value of options granted has been estimated using the Black-Scholes option pricing model, using weighted average assumptions of a risk-free interest rate of 1.56%, expected dividend yield of 0%, share price volatility of 87% and an expected life of the options of 5 years. During the nine months ended September 30, 2015 the Company recorded $96,477 (2014 - $ 366,821) of stock based compensation. During the year ended December 31, 2014 the Company recorded $647,453 of stock based compensation. During the nine months ended September 30, 2015, 1,440,000 of these options were cancelled. As at September 30, 2015, 2,209,999 options remained outstanding and 2,209,999 are exercisable.

The Company granted 1,182,000 additional incentive stock options to consultants on August 20, 2014, exercisable on or before August 20, 2019 at a price of $0.25 per share (1,157,000 of which were amended and re-priced to $0.15 per share) where the exercise price is lower than the market price at the date of grant. 25% of the options vested immediately upon the grant date, and 25% every three months thereafter. The fair value of options granted has been estimated using the Black-Scholes option pricing model, using weighted average assumptions of a risk-free interest rate of between 0.73% to1.56%, expected dividend yield of 0%, share price volatility of between 86% to 114% and an expected life of the options of 5 years. During the nine months ended September 30, 2015 the Company recorded $4,521 (2014 - $105,038) of stock based compensation. During the year ended December 31, 2014 the Company recorded stock based compensation costs of $145,864. As at September 30, 2015, all 1,182,000 options granted to consultants remained outstanding and 1,182,000 (December 31, 2014 - 591,000) are exercisable.

The Company granted 400,000 additional incentive stock options to an investor relations consultant on August 20, 2014, exercisable on or before August 20, 2019 at a price of $0.25 per share where the exercise price is lower than the market price at the date of grant. 25% of the options vest every three months thereafter. The fair value of options granted has been estimated using the Black-Scholes option pricing model, using weighted average assumptions of a risk-free interest rate of between 0.49% to 1.56%, expected dividend yield of 0%, share price volatility of between 92% to 97% and an expected life of the options of 5 years. During the nine months ended September 30, 2015 the Company recorded $Nil (2014 - $15,286) of stock based compensation.

7. Share Capital (cont'd...)

c. Stock Options (cont'd…)

During the year ended December 31, 2014 the Company recorded stock based compensation of $31,048. During the nine months ended September 30, 2015 all 400,000 options were terminated and Nil remained outstanding as at September 30, 2015.

The Company granted 100,000 additional incentive stock options to investor relations consultants on August 20, 2014, exercisable on or before August 20, 2016 at a price of $0.25 per share where the exercise price is lower than the market price at the date of grant. 25% of the options vest every three months thereafter. The fair value of options granted has been estimated using the Black-Scholes option pricing model, using weighted average assumptions of a risk-free interest rate of between 0.46% to 1.00%, expected dividend yield of 0%, share price volatility of between 68% to 102% and an expected life of the options of 2 years. During the nine months ended September 30, 2015 the company recorded $Nil (2014 - $3,821) of stock based compensation. During the year ended December 31, 2014 the Company recorded stock based compensation of $4,711. On September 30, 2015 all 100,000 options remained outstanding and 100,000 (December 31, 2014 - 25,000) were exercisable.

The Company granted 2,000,000 additional incentive stock options to consultants on January 15, 2015, exercisable on or before January 15, 2020 at a price of $0.18 per share where the exercise price is lower than the market price at the date of grant. 25% of the options vested immediately upon the grant date, and 25% every three months thereafter. The fair value of options granted has been estimated using the Black-Scholes option pricing model, using weighted average assumptions of a risk-free interest rate of between 0.32% 0.81%, expected dividend yield of 0%, share price volatility of between 88% to 95% and an expected life of the options of 5 years. During the nine months ended September 30, 2015 the Company recorded $214,264 of stock based compensation.. As at September 30, 2015, all 2,000,000 options granted to consultants remained outstanding and 1,500,000 are exercisable.

Option-pricing models require the use of highly subjective estimates and assumptions including the expected stock price volatility. Changes in the underlying assumptions can materially affect the fair value estimates and therefore, in management's opinion, existing models do not necessary provide reliable measure of the fair value of the Company's stock options.

See also subsequent events Note 13.

As expressed in Canadian dollars

7. Share Capital (cont'd...)

d. Warrants

A summary of warrants activity for the years is as follows:

	Number of Warrants Exercisable	Weighted Average Exercise Price	Expiry Date
Balance December 31, 2013	15,444,340	$ 0.35	
Warrants issued	3,012,125	$ 0.30	April 2, 2017
Agent's Warrants issued	361,455	$ 0.30	April 2, 2017
Warrants issued	3,985,667	$ 0.30	July 2, 2017
Agent's Warrants issued	213,500	$ 0.30	July 2, 2017
Warrants issued	4,192,833	$ 0.30	July 21,2017
Agent's Warrants issued	203,400	$ 0.30	July 21,2017
Warrants exercised	(100,000)	$ 0.30	April 2, 2017
Balance, December 31, 2015	27,313,320	$ 0.33	
Warrants issued	1,170,000	$ 0.15	July 21, 2018
Warrants issued	1,227,220	$ 0.15	August 27, 2018
Balance, September 30, 2015	29,710,540	$ 0.32	

See also subsequent events Note 13.

	Number of Warrants Exercisable	**Weighted Average Exercise Price**	**Years to expiry**	**Expiry Date**
Warrants issued	4,779,000*	$ 0.40	0.13	November 15, 2015
Agent's Warrants issued	286,740*	$ 0.40	0.13	November 15, 2015
Warrants issued	2,912,125	$ 0.30	1.51	April 2, 2017
Agent's Warrants issued	361,455	$ 0.30	1.51	April 2, 2017
Warrants issued	3,985,667	$ 0.30	1.76	July 2, 2017
Agent's Warrants issued	213,500	$ 0.30	1.76	July 2, 2017
Warrants issued	4,192,833	$ 0.30	1.81	July 21,2017
Agent's Warrants issued	203,400	$ 0.30	1.81	July 21,2017
Warrants issued	9,568,000	$ 0.35	2.17	November 30, 2017
Agent's Warrants issued	810,600	$ 0.35	2.19	December 7,2017
Warrants issued	1,170,000	$ 0.15	2.81	July 21,2018
Warrants issued	1,227,220	$ 0.15	2.91	August 27, 2018
Balance September 30, 2015	29,710,540	$ 0.32	1.69	

* Expired without exercise subsequent to September 30, 2015. See subsequent events Note 13.

On April 1, 2014 the Company completed a private placement financing, pursuant to which it has issued 6,024,250 units at a price of $0.15 per unit. Each unit consists of one common share and one half of one share purchase warrant exercisable over 3 years, at a price of $0.30 per common share. As the unit was issued at a price lower than the market trading price on April 1, 2014 $nil was allocated to contributed surplus as fair value for the warrants under the residual value method. During the year ended December 31, 2014, 100,000 of these warrants were exercised. The Company also issued 361,455 agent warrants with the same terms as the Units. Also see Note 7b.

7. Share Capital (cont'd...)

d. Warrants (cont'd…)

On July 2, 2014 the Company completed a tranche of private placement financing, pursuant to which it has issued 7,971,333 units at a price of $0.15 per unit. Each unit consists of one common share and one half of one share purchase warrant exercisable over 3 years, at a price of $0.30 per common share. As the unit was issued at a price lower than the market trading price on July 2, 2014 $nil was allocated to contributed surplus as fair value for the warrants under the residual value method. The Company also issued 213,500 agent warrants with the same terms as the Units. Also see Note 7b.

On July 21, 2014 the Company completed a tranche of private placement financing, pursuant to which it has issued 8,385,666 units at a price of $0.15 per unit. Each unit consists of one common share and one half of one share purchase warrant exercisable over 3 years, at a price of $0.30 per common share. As the unit was issued at a price lower than the market trading price on July 21, 2014 $nil was allocated to contributed surplus as fair value for the warrants under the residual value method. The Company also issued 203,400 agent warrants. Also see Note 7b.

On July 21, 2015 the Company issued 1,170,000 common shares at $0.10 per Unit pursuant to the the conversion of the Credit Facility (See Credit Facility, Note 6, and Related Party Note 8)

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On August 27, 2015 the Company issued 1,227,220 common shares at $0.10 per Unit pursuant to the conversion of the Credit Facility (See Credit Facility, Note 6 and Related Party Note 8).

See Subsequent Event Note 13.

8. Related Party Transactions

During the nine months ended September 30, 2015 the Company entered into the following transactions with related parties:

a) Paid or accrued management fees of $34,500 (2014 - $56,900) to the former Chief Executive Officer.
b) Paid or accrued management fees of $20,000 (2014 - $Nil) to a company, the princiap f whom is the current Chief Executive Officer..
c) Included in professional fees is $36,000 (2014 - $41,000) paid to an officer and director for accounting services.
d) Paid $Nil (2014: $10,000) to a Company controlled by a former director.
e) Included in accounts payable and accrued liabilities is $20,250 (December 31, 2014 - $9,113) payable to officers and directors for management fees, professional fees and expenses incurred on behalf of the Company.
f) Included in due to related party is $480,000 payable to a Company controlled by the Chief Executive Officer, with respect to the Credit Facility (See Note 6 and Note 13.)
g) On July 21, 2015 the Company issued 1,170,000 Units and on August 27, 2015 the Company issued 1,227,220 Units pursuant to the Credit Facility at a price of $0.10 per Unit (See Credit Facility Note 6 and Share Capital Note 7b).

These transactions are in the normal course of operations and have been valued in these financial statements at the exchange amount, which is the amount of consideration established and agreed to by the related party.

9. Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, short term investments, reclamation bonds and accounts payable and accrued liabilities. The Company has designated its cash and cash equivalents, short term investments and reclamation bonds as fair value through profit or loss, which is measured at fair value. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost. The fair value of cash and cash equivalents, short term investments, reclamation bonds and accounts payable and accrued liabilities are equal to their carrying value due to their short-term maturity. The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk and commodity price risk.

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company believes it has no significant credit risk.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2015, the Company had a cash and cash equivalents of $385,980 (December 31, 2014 - $125,820) to settle current liabilities of $803,827 (December 31, 2014 - $272,380). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

Market risk

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

(a) Interest rate risk
The Company has cash and cash equivalents balances and no interest-bearing debt. The Company believes it has no significant interest rate risk.

On September 30, 2015 and December 31, 2014, reclamation bonds consisted of fixed guaranteed investment certificate redeemable before maturity, which bears interest at annual variable rates of 1.45% and matures October 29, 2017. During the year ended December 31, 2014, cash and cash equivalents were not subject to any interest on bank balances. Sensitivity to a plus or minus 1% change in rates is not material to the statements of operations and comprehensive loss.

(b) Foreign currency risk

As at September 30, 2015, the Company's expenditures are in Canadian dollars, any future equity raised is expected to be predominantly in Canadian dollars. The Company does not hold balances in foreign currencies which would give rise to exposure to foreign exchange risk.

Fair value hierarchy

The Company applied the following fair value hierarchy which prioritizes the inputs used in the valuation methodologies in measuring fair value into three levels as follows:

- Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

9. Financial Instruments (cont'd...)

Fair value hierarchy (cont'd…)

- Level 2 – inputs to valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

For the nine months ended September 30, 2015 and the year ended December 31, 2014, cash and cash equivalents, short term investments and reclamation bonds are assessed to be Level 1 instruments.

10. Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its resource properties and to maintain flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. In the management of capital, the Company includes the components of shareholders' equity as well as cash and cash equivalents.

The Company manages the capital structure and makes adjustments to it in light of changes in the economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents. As at September 30, 2015 and December 31, 2014 the Company has not entered into any debt financing.

The Company is dependent on the capital markets as its sole source of operating capital and the Company's capital resources are largely determined by the strength of the junior resource markets and by the status of the Company's projects in relation to these markets, and its ability to compete for investor support of its projects. There were no changes in the Company's approach to capital management during the year.

11. Commitments

See Note 4 and 5.

In June 2015 the Company entered into a 12 month agreement with a consultant for business development services. In consideration the Company shall pay cash compensation at a rate of $6,250 per month paid in advance.

In July 2015 the Company entered into a 3 year management agreement with the newly appointed Chairman and CEO to lead its management team. In consideration the Company shall pay cash compensation at a rate of $10,000 per month to a Company owned by the Officer.

See also subsequent events Note 13.

12. Supplemental Disclosure With Respect To Cash Flows

The significant non-cash transactions during the nine months ended September 30, 2015 were as follows:

a) Unpaid exploration and evaluation assets of $169,581.
b) 4,000,000 common shares issued for Willa Deposit at a fair value of $400,000.
c) 6,000,000 common shares issued for Willa Deposit at a fair value of $900,000.

The significant non-cash transactions during the fiscal year ended December 31, 2014 were as follows:

d) Unpaid exploration and evaluation assets of $135,081.
e) 3,600,000 common shares issued for Willa Deposit at a fair value of $558,000.

13. Subsequent Events

Subsequent to September 30, 2015, the Company issued 4,100,000 Units at $0.10 per Unit in connection with the conversion of the Credit Facility. Each Unit consist of one common share and one share purchase warrant which entitles the holder to purchase one additional common share at a price of $0.15 per share exercisable on or before October 7, 2018. See Credit Facility Note 6 and Related Party Note 8.

As at September 30 2015 the Company held 35% of the common shares of FortyTwo Metals Inc.. Pursuant to a share purchase agreement dated October 5, 2015 the Company acquired the remaining 65% of the outstanding share capital of FortyTwo Metals Inc. (in aggregate 100%) for the following:

a) The payment of $200,000;
b) The issuance of 3,000,000 common shares at a price of $0.15 per share;
c) The issuance of 3,000,000 share purchase warrants to purchase up to 3,000,000 additional common shares of the Company at a price of $0.15 for a period of 5 years.

4,779,000 share purchase warrants and 286,740 agent warrants expired without exercise on November 15, 2015.

The Company granted 500,000 incentive stock options to a consultant on October 7, 2015, exercisable on or before October 7, 2020 at a price of $0.15 per share. 25% of the options vest immediately upon the grant date, and 25% every three months thereafter.

The Company granted an additional 500,000 incentive stock options to a consultant on November 2, 2015, exercisable on or before November 2, 2016 at a price of $0.15 per share where the exercise price is lower than the market price at the date of grant. The options vest fully four months after the grant date

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