Big Bar Resources Corporation

Financial Statements

Year Ended December 31, 2014

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Big Bar Resources Corporation:

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which describes certain 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.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED ACCOUNTANTS

Vancouver, Canada
March 30, 2015

Big Bar Resources Corporation
Statements of Financial Position
(Expressed in Canadian Dollars)

	December 31, 2014	December 31, 2013
	$	$
Assets		
Current		
Cash	**894**	674
Sales tax recoverable	**5,218**	14,056
Prepaid expense	**–**	373
Total Assets	**6,112**	15,103
Liabilities and Shareholders' Deficiency		
Liabilities		
Current		
Accounts payable	**16,098**	16,127
Accrued liabilities	**6,169**	11,863
Due to related parties (Note 6)	**299,906**	156,159
Total Liabilities	**322,173**	184,149
Shareholders' Deficiency		
Share capital (Note 8)	**8,745,373**	8,745,373
Option reserve (Note 8)	**925,791**	925,791
Deficit	**(9,987,225)**	(9,840,210)
Total Shareholders' Deficiency	**(316,061)**	(169,046)
Total Liabilities and Shareholders' Deficiency	**6,112**	15,103

Going Concern (Note 2)

Approved on behalf of the Board:

"Ron Birch" Director "Erwin Wong" Director

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

Big Bar Resources Corporation
Statements of Comprehensive Loss
(Expressed in Canadian dollars)

	Year Ended December 31, 2014	2013
	$	$
Expenses		
Consulting fees (Note 6)	**82,000**	80,500
Interest	**(597)**	199
Office and general	**7,516**	7,805
Professional fees	**28,527**	26,898
Rent (Note 6)	**18,000**	18,000
Travel and entertainment	**1,375**	18,696
Transfer agent and filing fees	**10,194**	9,716
Loss before other income	**(147,015)**	(161,814)
Other income		
Gain on sale of Net Smelter Royalty (Note 7)	**–**	25,000
Comprehensive Loss	**(147,015)**	(136,814)
Loss per share – basic and diluted	**(0.01)**	(0.00)
Weighted average number of shares outstanding	**23,498,618**	23,498,618

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

Big Bar Resources Corporation
Statement of Changes in Equity
(Expressed in Canadian dollars)

	Common Shares		Option Reserve	Deficit	Total
	Number	Amount			
		$	$	$	$
Balance, December 31, 2012	23,498,618	8,745,373	925,791	(9,703,396)	(32,232)
Net and comprehensive loss	–	–	–	(136,814)	(136,814)
Balance, December 31, 2013	23,498,618	8,745,373	925,791	(9,840,210)	(169,046)
Net and comprehensive loss	–	–	–	(147,015)	(147,015)
Balance, December 31, 2014	**23,498,618**	**8,745,373**	**925,791**	**(9,987,225)**	**(316,061)**

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

Big Bar Resources Corporation
Statements of Cash Flows
(Expressed in Canadian dollars)

	Year Ended December 31,	
	2014	2013
	$	$
Cash provided by (used in):		
Operating activities		
Net loss	**(147,015)**	(136,814)
Net changes in non-cash working capital items:		
Sales tax recoverable	**8,838**	9,744
Prepaid expenses	**373**	(373)
Accounts payable	**(29)**	(20,197)
Accrued liabilities	**(5,694)**	2,068
Due from related parties	**143,747**	39,218
Net cash provided by (used in) operating activities	**220**	(106,354)
Increase (decrease) in cash	**220**	(106,354)
Cash, beginning of year	**674**	107,028
Cash, ending of year	**894**	674

1. Corporate Information

Big Bar Resources Corporation (the "Company") was incorporated on December 10, 1980 under the British Columbia Business Corporations Act and is engaged in the acquisition, exploration and development of mineral properties. The Company's common shares trade on the NEX Board of the TSX Venture Exchange ("Exchange"). The Company is currently searching for resource properties to explore.

The Company's registered office is suite 4005 – 1011 Cordova Street, Vancouver, British Columbia, V6C 0B2.

2. Basis of Presentation

a) Statement of compliance

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

The financial statements were authorized for issue by the Board of Directors on March 30, 2015.

b) Basis of measurement

The financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The financial statements are presented in Canadian dollars, which is also the Company's functional currency.

c) Going concern of operations

The financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The Company has incurred significant net losses and negative cash flows from operations in prior years. The Company incurred a net loss of $147,015 during the year ended December 31, 2014, and, as of that date the Company's deficit was $9,987,225. Should the Company be unable to continue as a going concern, the realization of assets may be at amounts significantly less than carrying values. The continuation of the Company as a going concern is dependent on its ability to obtain additional equity capital to finance existing operations, attaining commercial production from its mineral properties, and attaining future profitable operations. These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, the amount and classification of liabilities that would be necessary should the Company be unable to continue as a going concern.

d) Critical judgments in applying accounting policies

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the period. Actual results could differ from these estimates.

These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

i) the recoverability and measurement of deferred tax assets.

3. Significant Accounting Policies

a) Foreign currencies

The Company's functional is the Canadian dollar as this is the currency of the primary economic environment in which it operates.

Transactions in foreign currencies are initially recorded in the Company's functional currency at the exchange rate at the date of the transaction. Monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the date of the statement of financial position. Non-monetary assets and liabilities are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value is determined. Exchange gains and losses arising on translation are included in the statement of comprehensive loss.

b) Loss per share

Basic loss per share is computed by dividing the net income or loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant period.

Diluted loss per share is computed by dividing the net income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted. Potentially dilutive securities were excluded from the calculation of dilutive loss per share as they are anti-dilutive.

c) Financial instruments

i) Non-derivative financial assets

Classification and measurement

The Company classifies its financial assets to the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

i. Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Upon initial recognition attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

ii. Held-to-maturity financial assets

If the Company has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity financial assets are measured at amortized cost using the effective interest method, less any impairment losses. Any sale or reclassification of a more than insignificant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Company from classifying investment securities as held-to-maturity for the current and the following two financial years.

iii. Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

3. Significant Accounting Policies (continued)

c) Financial instruments (continued)

iv. Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for- sale and that are not classified in any of the previous categories. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale equity instruments, are recognized in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

Recognition

The Company initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Derecognition

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

ii) Non-derivative financial liabilities

The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

The Company classifies the non-derivative financial liabilities to the following categories: loans and borrowings and trade and other payables. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

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

The Company does not have any derivative financial assets or liabilities.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- 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 or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

d) Impairment of financial assets

At each reporting date, the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or group of financial assets.

3. Significant Accounting Policies (continued)

e) Exploration and evaluation assets

Once the legal right to explore a property has been acquired, all costs related to the acquisition, exploration and evaluation of mineral properties are capitalized by property. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the period in which they occur.

When a project has been established as commercially viable and technically feasible, related development costs are capitalized into development costs on the statement of financial position. This includes costs incurred in preparing the site for mining operations. Capitalization ceases when the mine is capable of commercial production, with the exception of development costs which give rise to a future benefit. Exploration and evaluation assets are also tested for impairment before the assets are transferred to development costs.

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

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

Any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

f) Impairment of non-financial assets

At each reporting period, the Company assesses whether there are indicators of impairment for its non-financial assets, including mineral properties and property and equipment. If indicators exist, the Company determines if the recoverable amount of the asset or cash generating unit ("CGU") is greater than its carrying amount. A CGU is defined as 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.

If the carrying amount exceeds the recoverable amount, the asset or CGU is recorded at its recoverable amount with the reduction recognized in profit or loss. The recoverable amount is the greater of the value in use or fair value less costs to sell. Fair value is the amount the asset could be sold for in an arm's length transaction. The value in use is the present value of the estimated future cash flows of the asset from its continued use. The fair value less costs to sell considers the continued development of a property and market transactions in a valuation model.

Impairments are reversed in subsequent periods when there has been an increase in the recoverable amount of a previously impaired asset or CGU and these reversals are recognized in profit or loss. The recovery is limited to the original carrying amount less depreciation, if any, that would have been recorded had the asset not been impaired.

g) Restoration and environmental rehabilitation provision

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. The Company is required to record the estimated present value of future cash flows associated with site reclamation as a liability when the liability is incurred and increase the carrying value of the related assets for that amount. The obligations recognized are statutory, contractual or legal obligations. The liability is accreted over time for changes in the fair value of the liability through charges to accretion, which is included in the statement of comprehensive loss.

Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight line method. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

The Company has no restoration, rehabilitation and environmental costs to date.

3. Significant Accounting Policies (continued)

h) Other provisions

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

i) Share capital

i) Unit offerings

The Company uses the residual value method with respect to the measurement of common shares and share purchase warrants issued as units. The proceeds from the issue of units is allocated between common shares and share purchase warrants on residual value basis, wherein the fair value of the common shares is based on the market value on the date of the announcement of the placement and the balance, if any, is allocated to the attached warrants. Share issue costs are netted against share proceeds.

ii) Flow-through shares

The Company, from time to time, issues flow-through common shares to finance its exploration programs. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenses being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the look-back rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

j) Share-based payments

Compensation expense attributable to share based awards to employees is measured at the fair value at the date of grant using the Black-Scholes model, and is recognized over the period that the employee becomes unconditionally entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes. The fair value, under the Black-Scholes model, takes into account a number of variables, including the exercise price of the award, the expected dividend rate, the expected life of the options, forfeiture rate and the risk free interest rate.

Where equity instruments are granted to parties other than employees, they are recorded by reference to the fair value of the services received. If the fair value of the services received cannot be reliably estimated, the Company measures the services received by reference to the fair value of the equity instruments granted, measured at the date the counterparty renders service.

All equity-settled share-based payments are reflected in option reserve, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in option reserve is credit to share capital, adjusted for any consideration paid.

k) Income taxes

Income tax comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in the other comprehensive loss.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustments to income tax payable in respect of previous years. Current income taxes are determined using tax rates and laws that have been enacted or substantively enacted by the year-end date.

3. Significant Accounting Policies (continued)

k) Income taxes (continued)

Deferred tax assets and liabilities are recognized where the carrying amounts of an asset or liability differs from its tax base, except for the taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period, the Company re-assesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

l) Recent accounting pronouncements

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for annual periods beginning after January 1, 2015 or later periods.

The following new IFRSs that have not been early adopted in these financial statements will not have a material effect on the Company's future results and financial position:

i) IFRS 9, *Financial Instruments* (New; to replace IAS 39 and IFRIC 9).

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

4. Financial Risk Factors

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's credit risk is primarily attributable to cash. Cash consists of bank accounts held with a Canadian Chartered Bank and funds held in trust with legal counsel, from which management believes the risk of loss is remote.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2014, the Company has a cash balance of $894 (2013 - $674) and current liabilities of $322,173 (2013 - $184,149). The Company's accounts payable and accrued liabilities have contractual maturities of less than 60 days and are subject to normal trade terms. The ability of the Company to continue to pursue its exploration activities and maintain its working capital is dependent on its ability to secure additional equity or debt financing.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institution. The Company periodically monitors the investments it makes and is satisfied with the credit rating of its banks. The Company is not exposed to any significant interest rate risk.

Foreign Exchange Risk

Foreign exchange risk is the risk that the Company will be subject to foreign currency fluctuations in satisfying obligations related to foreign activities. Advances from related parties may be denominated in U.S. dollars. Foreign exchange risk arises from purchase transactions as well as financial assets and liabilities denominated in these foreign currencies.

The Company does not use derivative instruments to hedge exposure to foreign exchange rate risk. However, management of the Company believes there is no significant exposure to foreign currency fluctuations.

5. Capital Management

The Company considers its cash, common shares, stock options, and warrants as capital. 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 acquisition and development of mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk level. 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 new shares, issue new debt, acquire or dispose of assets.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. In order to maximize ongoing development efforts, the Company does not pay out dividends. The Company's investment policy is to invest its short-term excess cash in highly liquid short-term interest-bearing investments with maturities of one year or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations. The Company is currently assessing financing alternatives to pursue new mineral property exploration endeavors. The Company is not subject to externally imposed capital requirements and there were no changes in its approach to capital management during the year ended December 31, 2014.

6. Related Party Transactions

i) During the year ended December 31, 2014, the Company incurred $10,000 (2013 - $10,000) in consulting fees to the President of the Company. As at December 31, 2014, the Company owed $75,000 (2013 - $65,000) to the President of the Company.

ii) During the year ended December 31, 2014, the Company incurred $60,000 (2013 - $60,000) in consulting fees to the Chief Financial Officer ("CFO") of the Company. As at December 31, 2014, the Company owed $118,407 (2013 - $49,831) to the CFO of the Company.

iii) During the year ended December 31, 2014, the Company incurred rent of $18,000 (2013 - $18,000) to a private company controlled by the CFO of the Company. As at December 31, 2014, the Company owed the private company $47,910 (2013 - $30,660) for rent.

iv) During the year ended December 31, 2014, the Company incurred $12,000 (2013 - $8,000) in consulting fees to a director of the Company. As at December 31, 2014, the Company owed $20,000 (2013 - $8,000) for consulting services rendered by the director.

v) As at December 31, 2014, the Company owed a director $2,668 (2013 - $2,668) for expense reimbursements without specific terms of repayment or interest.

vi) As at December 31, 2014, the Company owed a shareholder of the Company $17,359 (US$14,964) (2013 - $nil) for advances without specific terms of repayment or interest.

vii) As at December 31, 2014, the Company owed a shareholder of the Company $18,562 (US$16,000) (2013 - $nil) for advances without specific terms of repayment or interest.

The balances owing are unsecured, non interest bearing and have no fixed terms for repayment.

Key management compensation consists of management fees of $60,000 (2013 - $60,000).

7. Sale of Net Smelter Royalty

On June 1, 2013, the Company entered into a purchase agreement with Goldzone Exploration Inc. ("Goldzone") in which the Company agreed to sell Goldzone 100% of a 2% Net Smelter Returns Royalty ("NSR") on the Las Lajas claims, located in Sonora, Mexico. As consideration for the NSR, Goldzone agreed to pay $75,000, of which $10,000 is due within 30 days of the agreement (received), $15,000 is due within 75 days of the agreement (received) and the final $50,000 is due within 28 months of the agreement. Due to the uncertainty of collection, the remaining balance will be recognized in the statement of comprehensive loss when received.

(Expressed in Canadian dollars)

8. Share Capital

a) Common shares

Authorized share capital consists of unlimited number of common shares without par value.

b) Stock options

The Company's Board of Directors approved a stock incentive plan dated June 25, 2003 in accordance with the policies of the Exchange. The Board of Directors is authorized to grant options to directors, officers, consultants or employees to acquire up to 10% of the issued and outstanding common shares from time to time. The exercise price will not be less than the market price of the common shares less applicable discounts permitted by the Exchange. The options that may be granted under this plan must be exercisable for over a period not exceeding five years.

No stock options were outstanding at December 31, 2014 and 2013.

c) Option reserve

The stock option reserve records items recognized as share-based compensation expense until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital.

d) Warrants

No warrants were outstanding at December 31, 2014 and 2013.

9. Income Taxes

The income tax recovery shown on the statements of comprehensive loss differs from the amounts obtained by applying statutory tax rates to the net loss before taxes as follows:

	2014	2013
	$	$
Loss before income taxes	**(147,015)**	(136,814)
Expected income tax rate	**26%**	25%
Expected tax recovery	**(38,224)**	(34,204)
Expiration of non-capital losses	**62,838**	-
Impact of change in tax rate	**(61,349)**	-
Change in valuation allowance	**36,735**	34,204
Deferred income tax recovery	**–**	–

Deferred income tax assets are calculated as follows:

	2014	2013
Deferred income tax assets relate to:	**$**	$
Loss carry forwards	**551,894**	555,204
Unused mineral resource related deductions	**1,042,045**	1,002,000
Potential future tax benefit	**1,593,939**	1,557,204
Valuation allowance	**(1,593,939)**	(1,557,204)
Deferred income tax assets recognized	**–**	–

(Expressed in Canadian dollars)

9. Income Taxes (continued)

As at December 31, 2013, the Company has non-capital loss carry forwards of $2,124,000 (2012 - $2,221,000) that are available to reduce income otherwise taxable in future years. These losses if not used will expire as follows:

	$
December 31, 2015	140,000
December 31, 2026	340,000
December 31, 2027	336,000
December 31, 2028	233,000
December 31, 2029	202,000
December 31, 2030	203,000
December 31, 2031	184,000
December 31, 2032	202,000
December 31, 2033	137,000
December 31, 2034	147,000
	2,124,000

In addition, the Company has Canadian exploration and development expenditures totaling $4,248,000 which may be available to reduce future taxable income. The exploration and development expenditures can be carried forward indefinitely.

In assessing whether the deferred income tax assets will be realized, management considers whether it is more likely than not that some portion of all of the deferred tax assets will not be realized. The ultimate realization of deferred 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 tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The amount of deferred tax asset considered realizable could change materially in the near term based on future taxable income during the carry forward period, which is considered not likely and therefore a full valuation has been taken.