



NewCastle Gold Ltd. (formerly known as Castle Mountain Mining Company Limited)

Interim Unaudited Consolidated Financial Statements

For the three and six months ended June 30, 2015, and 2014

The accompanying interim unaudited condensed consolidated financial statements of NewCastle Gold Ltd. for the three and six months ended June 30, 2015 and 2014, have been prepared by management and approved by the Board of Directors. These statements have not been reviewed by the Company's external auditors.

MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

All of the information in the accompanying unaudited interim consolidated financial statements of NewCastle Gold Ltd. is the responsibility of management. The unaudited interim consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards. Where necessary, management has made judgments and estimates in preparing the consolidated financial statements, and such statements have been prepared within acceptable limits of materiality.

Management maintains appropriate systems of internal control given its size to give reasonable assurance that its assets are safeguarded, and the financial records are properly maintained.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises this responsibility principally through the Audit Committee. The Audit Committee meets with management to review the consolidated financial statements to satisfy itself that management is properly discharging its responsibilities to the Directors, who approve the unaudited interim consolidated financial statements.

(signed) *"David Adamson"*
David Adamson
Chief Executive Officer

(signed) *"Brian Morales"*
Brian Morales
Chief Financial Officer

Toronto, Canada
August 31, 2015

NEWCASTLE GOLD LTD. (FORMERLY KNOWN AS CASTLE MOUNTAIN MINING COMPANY LIMITED)
UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

		June 30,	December 31,
	Note	2015	2014
ASSETS			
Current assets			
Cash and cash equivalents	6	\$ 1,363,639	\$ 4,821,255
Short-term investments	6	524,605	521,367
Amounts receivable		124,477	89,093
Prepaid expenses, deposits and other current assets		163,334	-
Total current assets		2,176,055	5,431,715
Reclamation bond	6	164,794	153,259
Equipment, net	3	47,782	56,214
Mineral interests	4	7,782,437	7,782,437
		<u>\$ 10,171,068</u>	<u>\$ 13,423,625</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Accounts and other payables	6	\$ 165,976	\$ 2,047,979
Acquisition liability	5	2,724,763	2,577,915
Total current liabilities		2,890,739	4,625,894
Long-term acquisition liability	5	2,619,176	2,210,007
Total liabilities		5,509,915	6,835,901
Shareholders' equity			
Share capital	7	\$ 29,068,094	\$ 27,289,260
Stock option reserve	8	2,937,704	2,505,244
Warrant reserve	7	1,790,470	1,602,924
Accumulated deficit		(29,135,115)	(24,809,704)
		4,661,153	6,587,724
		<u>\$ 10,171,068</u>	<u>\$ 13,423,625</u>
Commitments and contingent liabilities	12		

See accompanying notes to the unaudited consolidated financial statements

Signed on behalf of the Board of Directors:

Fraser Buchan (signed), Director

Colin Sutherland (signed), Director

NEWCASTLE GOLD LTD. (FORMERLY KNOWN AS CASTLE MOUNTAIN MINING COMPANY LIMITED)
UNAUDITED CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars, except share amounts)

	Note	Three months ended June 30,		Six months ended June 30,	
		2015	2014	2015	2014
Costs and expenses					
Exploration and evaluation	4	\$ (341,754)	\$ (592,974)	\$ (2,100,437)	\$ (935,433)
Share-based payment		(353,068)	(171,999)	(432,460)	(362,895)
Salaries	9	(346,908)	(197,677)	(868,966)	(381,594)
Depreciation		(4,216)	(4,695)	(8,432)	(7,905)
Professional and consulting fees		(120,688)	(105,755)	(162,851)	(144,503)
Filing fees and regulatory costs		(34,903)	(20,645)	(45,851)	(30,096)
Travel		(22,756)	(19,165)	(45,293)	(22,277)
Technology and telecommunications		(13,772)	(17,659)	(23,505)	(30,867)
Office and sundry and other		(53,679)	(35,944)	(90,442)	(54,492)
		(1,291,744)	(1,166,513)	(3,778,237)	(1,970,062)
Other income (expense)					
Financial income		3,716	2,038	7,433	4,166
Finance expense - accretion	5	(288,277)	(230,977)	(560,517)	(449,005)
Bank fees, commissions and financial fees		(3,298)	(3,314)	(6,040)	(4,335)
Foreign exchange (loss) gain		(2,759)	241	11,950	(1,034)
		(290,618)	(232,012)	(547,174)	(450,208)
Loss before income taxes		(1,582,362)	(1,398,525)	(4,325,411)	(2,420,270)
Net loss and comprehensive loss		\$ (1,582,362)	\$ (1,398,525)	\$ (4,325,411)	\$ (2,420,270)
Net loss per share - basic and diluted	10	\$ (0.02)	\$ (0.03)	\$ (0.06)	\$ (0.04)
Weighted average number of common shares outstanding - basic and diluted	10	76,538,294	52,813,429	74,227,693	63,003,869

See accompanying notes to the unaudited consolidated financial statements

NEWCASTLE GOLD LTD. (FORMERLY KNOWN AS CASTLE MOUNTAIN MINING COMPANY LIMITED)
UNAUDITED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars)

Common shares						
	Number of		Share-based	Warrant		
Note	Shares	Dollars	payments	reserve	Deficit	Total
January 1, 2014	62,705,168	\$ 22,650,010	\$ 1,917,973	\$ 846,407	\$ (16,697,180)	\$ 8,717,210
Units issued	8,855,000	5,755,750	-	-	-	5,755,750
Cost of issuance	-	(1,334,081)	-	756,517	-	(577,564)
Exercise of options	275,000	182,760	(127,760)	-	-	55,000
Share-based compensation expense	8	-	362,895	-	-	362,895
Net loss	-	-	-	-	(2,420,270)	(2,420,270)
June 30, 2014	71,835,168	27,254,439	2,153,108	1,602,924	(19,117,450)	11,893,021
Share-based compensation expense	-	-	367,269	-	-	367,269
Exercise of options	8	56,250	34,821	(15,133)	-	19,688
Net loss	-	-	-	-	(5,692,254)	(5,692,254)
December 31, 2014	71,891,418	\$ 27,289,260	\$ 2,505,244	\$ 1,602,924	\$ (24,809,704)	\$ 6,587,724
Share-based compensation expense	8	-	432,460	-	-	432,460
Issuance of units	9	5,714,402	2,000,040	-	-	2,000,040
Cost of issuance	-	(221,206)	-	187,546	-	(33,660)
Net loss	-	-	-	-	(4,325,411)	(4,325,411)
June 30, 2015	77,605,820	\$ 29,068,094	\$ 2,937,704	\$ 1,790,470	\$ (29,135,115)	\$ 4,661,153

See accompanying notes to the unaudited consolidated financial statements

NEWCASTLE GOLD LTD. (FORMERLY KNOWN AS CASTLE MOUNTAIN MINING COMPANY LIMITED)
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	Note	Six months ended June 30,	
		2015	2014
Cash flow from operating activities			
Net loss		\$ (4,325,411)	\$ (2,420,270)
Non-cash items:			
Share-based payment expense	8	432,460	362,895
Depreciation		8,432	7,905
Foreign exchange loss (gain)		(11,950)	1,034
Finance expense - accretion	5	560,517	449,005
Adjustments to reconcile net income (loss) to net cash used in operating activities			
Changes in non-cash operating assets and liabilities			
Amounts receivable		(35,384)	66,004
Prepaid expenses and other current assets		(163,334)	4,967
Accounts and other payables		(1,901,276)	(416,535)
Net cash used in operating activities		(5,435,946)	(1,944,995)
Cash flow from investing activities			
Purchases of equipment	3	-	(45,470)
Increase in mineral interests	4	-	(55,065)
Net cash used in investing activities		-	(100,535)
Cash flow from financing activities			
Issuances of units and common shares, net of transaction costs	8	1,966,380	5,178,186
Exercise of options		-	55,000
Net cash provided by financing activities		1,966,380	5,233,186
Effect of exchange rate changes on cash not held in Canadian dollars		11,950	(1,034)
Decrease in Cash and Cash Equivalents		(3,457,616)	3,186,622
Cash and Cash Equivalents, beginning of period		4,821,255	4,760,690
Cash and Cash Equivalents, end of period		\$ 1,363,639	\$ 7,947,312

See accompanying notes to the unaudited consolidated financial statements

NEWCASTLE GOLD LTD.(FORMERLY KNOWN AS CASTLE MOUNTAIN MINING COMPANY LIMITED)
NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars, except per share amounts)

NOTE 1 — NATURE OF OPERATIONS

NewCastle Gold Ltd. ("NewCastle" or the Company), formerly known as Castle Mountain Mining Company Limited, was incorporated under the Business Corporations Act (Ontario) on December 16, 2009 and commenced activities as a capital pool company on January 29, 2010 under the name of Foxpoint Capital Corp. On April 25, 2013, the Company completed its Qualifying Transaction (the "Transaction") by way of amalgamation, with a subsidiary of the Company and Telegraph Gold Inc. ("Telegraph"). At the time of the Transaction the Company changed its name from Foxpoint Capital Corp. The Company's registered head office is 40 King Street West, 44th Floor, Toronto, Ontario, Canada Toronto.

On June 25, 2015, the Company's shareholders approved a name change to NewCastle Gold Ltd., with the name change becoming effective on June 26, 2015.

Subject to certain obligations, the Company has 100% of the right, title and beneficial interest in and to the Castle Mountain Venture, a California general partnership, which owns the Castle Mountain property in San Bernardino County, California. The Castle Mountain heap leach gold mine produced over one million ounces of gold from 1992 to 2001, when mining was suspended due to low gold prices.

The Castle Mountain Venture land holdings (7,458 acres total) include patented claims (1,298 acres), and unpatented claims (6,160 acres).

NewCastle Gold Ltd, through its wholly owned subsidiaries including Castle Mountain Venture, is focused on the exploration and, if warranted, development of deposits in San Bernardino County, California. The principal gold mineralization identified to date within the Project are below and surrounding the historically mined pits on the property including the Oro Belle-Hart Tunnel, Jumbo, and Lesley Anne-Jumbo South Pits, as well as in the South Domes area.

These unaudited interim consolidated financial statements have been prepared on the basis that the Company will continue as a going concern, which presumes that it will be able to realize its assets and discharge its liabilities in the normal course of business as they come due. These unaudited consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and consolidated statement of financial position classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

Statement of Compliance

These unaudited interim condensed consolidated financial statements are unaudited and have been prepared in accordance with IAS 34 "Interim Financial Reporting" ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The unaudited interim condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the years ended December 31, 2014 and 2013.

The accounting policies applied in the preparation of these unaudited interim condensed consolidated financial statements are consistent with those applied and disclosed in the Company's consolidated financial statements for the year ended December 31, 2014 and 2013.

The preparation of the unaudited interim condensed consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions about uncertain future events that may affect the

reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

The Company's interim results are not necessarily indicative of results for a full year.

The unaudited interim condensed consolidated financial statements of the Company for the three and six months ended June 30, 2015 and 2014, have been prepared by management and approved and authorized for issue by the Board of Directors on August 31, 2015.

NOTE 2 — RECENT ACCOUNTING PRONOUNCEMENTS

Financial instruments

In July 2014, the IASB issued the final version of IFRS 9 "Financial Instruments". This standard is effective for annual periods beginning on or after January 1, 2018, and permits early adoption. IFRS 9 provides a revised model for recognition, measurement and impairment of financial instruments.

The Company has not yet determined the impact of IFRS 9 on its consolidated financial statements.

NOTE 3 - EQUIPMENT, NET

	Computer and communication equipment	Vehicle	Total
Cost			
Balance at January 1, 2014	\$ 5,262	\$ 39,207	\$ 44,469
Additions	-	45,472	45,472
Balance at December 31, 2014	\$ 5,262	\$ 84,679	\$ 89,941
Additions	-	-	-
Balance at June 30, 2015	\$ 5,262	\$ 84,679	\$ 89,941
Accumulated depreciation			
Balance at January 1, 2014	\$ (1,718)	\$ (12,790)	\$ (14,508)
Amortization	(1,063)	(18,156)	(19,219)
Balance at December 31, 2015	\$ (2,781)	\$ (30,946)	\$ (33,727)
Amortization	(372)	(8,060)	(8,432)
Balance at June 30, 2015	\$ (3,153)	\$ (39,006)	\$ (42,159)
Balance at December 31, 2014	\$ 2,481	\$ 53,733	\$ 56,214
Balance at June 30, 2015	\$ 2,109	\$ 45,673	\$ 47,782

NOTE 4 – MINERAL INTERESTS

Acquisition costs	Castle Mountain
Balance at January 1, 2014	\$ 7,727,372
Acquisitions	55,065
Balance at December 31, 2014	\$ 7,782,437
Acquisitions	-
Balance at June 30, 2015	\$ 7,782,437

Exploration and evaluation costs	Castle Mountain
Three months ended June 30, 2015	\$ 341,754
Three months ended June 30, 2014	\$ 592,974
Six months ended June 30, 2015	\$ 2,100,437
Six months ended June 30, 2014	\$ 935,433

During the six months ended June 30, 2014, the Company acquired 19 unpatented mining claims encompassing 2951 acres, in San Bernardino County California (the "claims"), for US\$50,000. The claims are located directly north-east to the Company's existing land holdings, and were previously leased by the Company.

NOTE 5 – ACQUISITION LIABILITY

The Company has a liability, related to certain payments owed to Sprott Resource Lending Corp. ("Sprott") as a result of the acquisition of the Castle Mountain property on September 6, 2012

The details of the payments are as follows:

- i. On the business day that is the earlier of three years from the date of closing (September 6, 2012) and the completion of a feasibility study at the sole discretion of the Company:
 - (a) \$3,000,000 or
 - (b) the number of common shares of the Company that is equal to \$3,000,000 divided by the market price of the shares, provided the Company is listed on a recognized stock exchange.
- ii. On the business day that is the earlier of six years from the date of closing and the commencement date of commercial production at the mine at the sole discretion of the Company
 - (a) \$5,000,000 or
 - (b) the number of common shares of the Company that is equal to \$5,000,000 divided by the market price of the shares, provided the Company is listed on a recognized stock exchange.

The discounted long-term liability was estimated to be \$5,343,939 as at June 30, 2015 (December 31, 2014 - \$4,787,922) assuming payments will be made in 2015 and 2018.

Accretion costs are expensed in the statement of loss and comprehensive loss.

The total undiscounted amount of cash flows required to settle the long-term liability is \$8,000,000 as at June 30, 2015, (December 31, 2014 – \$8,000,000). A discount rate of 25% was used to calculate the fair value of the long-term liability. Determination of the undiscounted liability and the timing of these obligations were based on internal estimates using the information currently available.

The Company does have the option at its sole discretion, to settle the liability by issuing shares, which under current market conditions would be its course of action. The maximum number of shares that can be issued in

connection with the payments noted above is 16,115,601, without further approval from the TSX Venture Exchange.

NOTE 6 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS

The Company has exposure to liquidity risk and foreign currency risk. The Company's risk management objective is to preserve and redeploy the existing treasury as appropriate, ultimately to protect shareholder value. Risk management strategies, as discussed below, are designed and implemented to ensure the Company's risks and the related exposure are consistent with the business objectives and risk tolerance.

Liquidity Risk: Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages its liquidity by ensuring that there is sufficient capital to meet short and long-term business requirements, after taking into account cash requirements from operations and the Company's holdings of cash, cash equivalents, and short-term investments. The Company also strives to maintain sufficient financial liquidity at all times in order to participate in investment opportunities as they arise, as well as to withstand sudden adverse changes in economic circumstances.

The Company's primary source of additional liquidity is through financing transactions. The Company's primary use of cash to June 30, 2015 was exploration and evaluation expenses as well as general and administrative expenses.

Management forecasts cash flows for its current and subsequent fiscal years to predict future financing requirements. Future requirements may be met through a combination of credit and access to capital markets. The Company's cash requirements are dependent on the level of operating activity, a large portion of which is discretionary. Should management decide to increase its operating activity, more funds than what is currently in place would be required. It is not possible to predict whether financing efforts will be successful or sufficient in the future. At June 30, 2015 the Company had \$1,888,244, (December 31, 2014 - \$5,342,622) in cash and cash equivalents and short-term investments.

In addition, the Company has a payment owing to Sprott, as described in note 5, which is due in 2015. The Company does have the option at its sole discretion, to settle the liability by issuing shares, which under current market conditions would be its course of action. The maximum number of shares that can be issued in connection with the payments noted above is 16,115,601, without further approval from the TSX Venture Exchange.

Currency risk: The Company's expenditures are incurred in Canadian and US dollars. The results of the Company's operations are subject to currency transaction risk. The Company mitigates foreign exchange risk through forecasting its foreign currency denominated expenditures and maintaining an appropriate balance of cash in each currency to meet the expenditures. As the Company's reporting currency is the Canadian dollar, fluctuations in US dollar will affect the results of the Company.

Credit risk: Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. As at June 30, 2015, the Company's credit risk is primarily attributable to cash and short-term investments. At June 30, 2015, the Company's cash was held with reputable Canadian chartered banks.

Interest rate risk: Interest rate risk is the risk borne by an interest-bearing asset or liability as a result of fluctuations in interest rates. Financial assets and financial liabilities with variable interest rates expose the Company to cash flow interest rate risk. The Company's most significant interest rate risk arises from its investments in short-term investments. As at June 30, 2015, the Company had \$524,605 (December 31, 2014 - \$521,367) in a guaranteed investment certificate.

Fair Values: The Company's cash and cash equivalents, short-term investments, amounts receivable and accounts and other payables all had fair values which approximate their carrying values, are expected to be realized within the next financial year and are considered Level 1 in the fair value hierarchy.

The following financial instruments which are re-measured to fair value at June 30, 2015, are determined based on the observable market prices for foreign exchange rates and interest rates.

- Cash and cash equivalents; and
- Short-term investments

Additionally, the Company has determined that there has been no change to the discount rate for its long-term liability. As a result, the carrying amount is equal to its fair value.

Reclamation bond: The Company has posted a reclamation bond in the amount of \$164,794 with the County of San Bernardino, to cover any potential future reclamation.

NOTE 7– SHARE CAPITAL, CAPITAL MANAGEMENT AND WARRANTS

At June 30, 2015, the Company's share capital consists of an unlimited number of common shares, which do not have a par value.

On April 17, 2015, the Company completed a non-brokered offering of 5,714,402 units ("Units") at \$0.35 per Unit for aggregate gross proceeds of \$2,000,040.70 ("Offering"). Each Unit consists of one common share of the Company ("Common Share") and one half of one Common Share purchase warrant (a "Warrant"). Each Warrant entitles the holder thereof to acquire one additional Common Share of the Company at an exercise price of \$0.60 per Common Share until April 17, 2017.

The 2,857,201 warrants were assigned a fair value of \$187,546 using the Black-Scholes pricing model. The following weighted average assumptions were used: Risk free interest rate - 0.91%; expected volatility - 75%; based on comparable companies, expected dividend yield - nil; expected life - 2 years.

In addition to the fair value assigned to the warrants, the Company incurred \$33,660 in transaction costs.

On June 27, 2014, the Company completed a public offering (the "Offering") of 8,855,000 units (the "Units"), at a price of \$0.65 per Unit for gross proceeds to the Company of \$5,755,750.

Each Unit consists of one common share (a "Common Share") and one half of one Common Share purchase warrant (a "Warrant") of the Company. Each Warrant expires twenty four (24) months from the date of issuance and will entitle the holder thereof to purchase one Common Share (a "Warrant Share") at a price of \$1.00 per Warrant Share. A breakdown of the net proceeds from the Offering is noted in the table below.

8,855,000 units issued	\$	5,755,750
Fair value of warrants		(756,517)
Transaction costs		(577,564)
Total	\$	4,421,669

The 4,427,500 Warrants were assigned a fair value of \$756,517 using the Black-Scholes pricing model. The following weighted average assumptions were used: Risk free interest rate - 1.11%; expected volatility - 70%; based on comparable companies, expected dividend yield - nil; expected life - 2 years.

During the three and six months ended June 30, 2015, the Company no options were exercised. During the three and six months ended June 30, 2014, 150,000 and 275,000 shares were issued, respectively, as a result of the exercise of options.

Capital management

The Company includes equity, comprised of issued common shares, options and warrants and deficit, in the definition of capital. The Company's primary objectives when managing capital are to safeguard the Company's ability to fund the exploration and development of its gold properties in the USA.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size and stage of the Company is reasonable. The Company is not subject to other externally imposed capital requirements. There has been no change in the capital management approach for the period ended June 30, 2015.

Common share purchase warrants

During the six months ended June 30, 2015, 500,000 warrants expired. During the six months ended June 30, 2014, 3,660,034 warrants expired.

	Warrants		
	Expiry	Warrants	Warrant reserve
At December 31, 2013	–	4,160,034	\$846,407
Warrants expired		(3,660,034)	-
Issued in respect of Offering	June 2016	4,427,500	756,517
At December 31, 2014		4,927,500	\$1,602,924
Warrants expired		(500,000)	-
Issued		2,857,201	189,958
June 30, 2015		7,284,701	\$1,792,882

On April 17, 2015, the Company issued 2,857,201 warrants as part of its non-brokered offering.

NOTE 8– SHARE-BASED PAYMENTS

Under the Company's stock option plan, the directors of the Company can grant options to acquire common shares of the Company to directors, employees and others who provide ongoing services to the Company. The options are non-assignable and non-transferable and may be granted for a term not exceeding five years. Unless stipulated differently at the time of grant, the options vest when granted.

The following table reflects the continuity of stock options:

	Number of Stock Options	Weighted Average Exercise Price
Balance, December 31, 2013	5,145,000	\$ 0.50
Options granted	1,870,000	\$ 0.67
Options expired	(150,000)	\$ 0.25
Options exercised	(331,250)	\$ 0.23
Balance, December 31, 2014	6,533,750	\$ 0.57
Options granted	2,625,000	\$ 0.46
Balance, December June 30, 2015	9,158,750	\$ 0.54

On April 7, 2015, the Company issued a total of 2,200,000 options to directors and officers, with 1,200,000 options granted at a price of \$0.40 per option, 500,000 granted at a price of \$0.50 per option, and 500,000 at a price of \$0.60 per option for a period of 5 years. Of the 1,200,000 granted at \$0.40, 800,000 vested during the three months ended June 30, 2015, 300,000 vest rateably over a one year period beginning one year from the

date of grant and 100,000 vest rateably over a one year period beginning two years from the date of grant. The 500,000 granted at \$0.50 vest when the Company's share price trade at or above \$0.70 per share, calculated on a volume weighted average price ("VWAP") basis, over a period of 60 trading days. The 500,000 granted at a price of \$0.60 per common share will vest if and when the common shares trade at or above \$1.00 per Common Share, calculated on a VWAP basis, over a period of 60 trading days.

The grant date fair value of \$137,146 for the 800,000 options that vested during the three months ended June 30, 2015, was assigned to the stock options as estimated using the Black-Scholes valuation model with the following assumptions, expected dividend yield of 0%, a volatility of 75%, based on comparable companies, a risk-free rate of return of 0.78% and an expected maturity of 5 years.

The grant date fair value of \$79,114 for the 300,000 options that vest rateably over a one year period beginning one year from the date of grant, was assigned to the stock options as estimated using the Black-Scholes valuation model with the following assumptions, expected dividend yield of 0%, a volatility of 106%, based on comparable companies, a risk-free rate of return of 0.91% and an expected maturity of 5 years.

The grant date fair value of \$28,043 for the 100,000 options that vest rateably over a one year period beginning two years from the date of grant, was assigned to the stock options as estimated using the Black-Scholes valuation model with the following assumptions, expected dividend yield of 0%, a volatility of 117%, based on comparable companies, a risk-free rate of return of 1.03% and an expected maturity of 5 years.

The grant date fair value of \$93,280 for the 500,000 options that vest when the Common Shares trade at or above \$0.70 per common share, calculated on a VWAP basis, over a period of 60 trading days was assigned to the stock options as estimated using the Black-Scholes valuation model with the following assumptions, expected dividend yield of 0%, a volatility of 75%, based on comparable companies, a risk-free rate of return of 0.78% and an expected maturity of 5 years.

The grant date fair value of \$86,581 for the 500,000 options that vest when the Common Shares trade at or above \$1.00 per common share, calculated on a VWAP basis, over a period of 60 trading days was assigned to the stock options as estimated using the Black-Scholes valuation model with the following assumptions, expected dividend yield of 0%, a volatility of 75%, based on comparable companies, a risk-free rate of return of 0.78% and an expected maturity of 5 years.

On May 15, 2015, the Company issued a total of 300,000 options to officers, and a consultant at an exercise price of \$0.43 for a period of 5 years and vesting over a one year period. The grant date fair value of \$59,360 was assigned to the stock options as estimated using the Black-Scholes valuation model with the following assumptions, expected dividend yield of 0%, a volatility of 75%, based on comparable companies, a risk-free rate of return of 0.88% and an expected maturity of 5 years.

On June 8, 2015, the Company issued a total of 125,000 options to an officer of the Company at an exercise price of \$0.41 for a period of 5 years and vesting over a one year period. The grant date fair value of \$25,160 was assigned to the stock options as estimated using the Black-Scholes valuation model with the following assumptions, expected dividend yield of 0%, a volatility of 75%, based on comparable companies, a risk-free rate of return of 0.88% and an expected maturity of 5 years.

On January 17, 2014, the Company issued a total of 800,000 options to directors, an officer, and consultants at an exercise price of \$0.60 for a period of 5 years and vesting over a one year period. The grant date fair value of \$295,200 was assigned to the stock options as estimated using the Black-Scholes valuation model with the following assumptions, expected dividend yield of 0%, a volatility of 75%, based on comparable companies, a risk-free rate of return of 1.69% and an expected maturity of 5 years.

On February 24, 2014, the Company issued a total of 200,000 options to consultants at an exercise price of \$0.89 for a period of 5 years and vesting over a one year period. The grant date fair value of \$111,600 was assigned to the stock options as estimated using the Black-Scholes valuation model with the following

assumptions, expected dividend yield of 0%, a volatility of 77%, based on comparable companies, a risk-free rate of return of 1.70% and an expected maturity of 5 years.

During the three and six months ended June 30, 2015, the Company issued no options were exercised. During the three and six months ended June 30, 2014, 150,000 and 275,000 shares were issued, respectively, as a result of the exercise of options.

The following table reflects the stock options outstanding at June 30, 2015.

	Fair Value	Contractual Life (years)	Exercisable Options	Number of Options	Weighted Average Exercise Price (\$)	Remaining Expiry Date
\$	632,910	1.26	1,700,000	1,700,000	0.50	October 1, 2016
	93,225	1.67	250,000	250,000	0.50	February 27, 2017
	372,253	2.31	750,000	750,000	0.50	October 19, 2017
	254,738	2.34	550,000	550,000	0.75	October 31, 2017
	231,515	2.42	500,000	500,000	0.75	November 28, 2017
	245,820	3.13	913,750	913,750	0.35	August 15, 2018
	295,200	3.56	800,000	800,000	0.60	January 20, 2019
	111,600	3.66	200,000	200,000	0.89	February 24, 2019
	361,589	4.10	435,000	870,000	0.68	August 6, 2019
	137,146	4.78	800,000	800,000	0.40	April 7, 2020
	79,114	4.78	-	300,000	0.40	April 7, 2020
	28,043	4.78	-	100,000	0.40	April 7, 2020
	93,280	4.78	-	500,000	0.50	April 7, 2020
	86,581	4.78	-	500,000	0.60	April 7, 2020
	59,360	4.88	37,500	300,000	0.43	May 15, 2020
	25,160	4.95	8,562	125,000	0.41	June 8, 2020
\$	3,107,534	3.21	6,944,812	9,158,750	0.54	

On June 25, 2015, the Company's shareholders approved a new fixed stock option plan. The total number of options that can be issued under the new plan will not exceed 11,640,000.

NOTE 9- RELATED PARTY TRANSACTIONS

Related parties include the Board of Directors, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

In accordance with IAS 24, key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

For the three months ended June 30, 2015 and 2014, the Company recorded \$373,698 and \$925,469, respectively, in salaries and consulting costs to Officers of the Company. During the three and six months ended June 30, 2015, the Company paid \$527,917 in severance to former officers of the Company.

For the three and six months ended June 30, 2014, the Company paid \$272,547 and \$447,557, respectively in salaries and consulting costs to officers of the Company.

For the three and six months ended June 30, 2015, the Company recognized \$145,479 and \$177,336, respectively in share-based payment expense to directors and officers of the Company. For the three and six months ended June 30, 2014, the Company recognized \$111,766 and \$265,024, respectively in share-based payment expense to directors and officers of the Company.

NOTE 10 – LOSS PER SHARE

The following table details the weighted average number of outstanding common shares for the purposes of computing basic and diluted loss per common share for the three and six months ended June 30, 2015 and 2014.

	For the three months ended June 30,		For the six months ended June 30,	
	2015	2014	2015	2014
Weighted average shares outstanding - basic	76,538,294	52,813,429	74,227,693	63,003,869
Dilutive effect of share options and warrants	-	-	-	-
Weighted average shares outstanding - diluted	76,538,294	52,813,429	74,227,693	63,003,869
Net loss	\$ (1,582,362)	\$ (1,398,525)	\$ (4,325,411)	\$ (2,420,270)
Net loss per share - basic	\$ (0.02)	\$ (0.03)	\$ (0.06)	\$ (0.04)
Net loss per share - diluted	\$ (0.02)	\$ (0.03)	\$ (0.06)	\$ (0.04)

As a result of the losses incurred, there is no dilutive effect of options and warrants.

NOTE 11 – SEGMENTED INFORMATION

The Company operates in a single reportable operating segment, the acquisition, exploration for precious and base metals and other minerals. All of the Company's fixed assets and interest in exploration properties and exploration and evaluation expenditures are located in the USA.

	As at June 30, 2015	As at December 31, 2014
Total assets		
USA	\$ 8,540,032	\$ 8,703,488
Corporate	1,631,036	4,720,137
Total	\$ 10,171,068	\$ 13,423,625

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Net loss				
USA	\$ (634,247)	\$ (1,049,884)	\$ (2,669,386)	\$ (1,392,343)
Corporate	(948,115)	(348,641)	(1,656,025)	(1,027,927)
Total	\$ (1,582,362)	\$ (1,398,525)	\$ (4,325,411)	\$ (2,420,270)

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Compliance with laws and regulations

The Company's exploration and evaluation activities are subject to various US and Canadian federal, provincial and state laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

Management Contracts

As at June 30, 2015, the Company has entered into contracts with certain officers whereby upon the occurrence of a change of a control and a triggering event the Company is required to pay up to a maximum of 18 months' salary and a bonus equal to the bonus paid in the prior year. As a triggering event has not taken place, the contingent payments have not been reflected in these consolidated financial statements. The total that would have been owed to these officers in the event of a change of control and triggering event would be approximately \$1.8 million at June 30, 2015.

The Company has currently entered into management contracts whereby the Company is committed to pay a maximum of \$1.0 million in salaries or fees over a twelve month period.