DISCOVERY VENTURES INC.

Management's Discussion and Analysis of Financial Condition and Results of Operations for the Three Months Ended March 31, 2016

General

The following discussion and analysis should be read in conjunction with the unaudited interim consolidated financial statements for the three months ended March 31, 2016 and the audited consolidated financial statements and notes for the fiscal years ended December 31, 2015 and 2014. All monetary amounts, unless otherwise indicated, are expressed in Canadian dollars. Additional information relating to the Company can be found on the SEDAR website at www.sedar.com.

The Management Discussion and Analysis was approved by the Board of Directors of the Company on May 27, 2016.

The Company's head office and principal address is 900 – 570 Granville Street, Vancouver, BC, V6C 3P1.

The condensed interim financial statements have been prepared in accordance with International Financial Reporting 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 Financial Reporting Interpretations Committee ("IFRIC"). They do not include all of the information required for full annual financial statements.

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.

All prices are in Canadian dollars unless otherwise stated.

Forward-Looking Statements

Certain statements contained in this document constitute "forward-looking statements". When used in this document, the words "may", "would", "could", "will", "intend", "plan", "propose", "progressing", "anticipate", "believe", "forecast", "estimate", "expect" and similar expressions, as they relate to the Company or its management, are intended to identify forward-looking statements. Such statements reflect the Company's current views with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company, are inherently subject to significant business, economic and competitive uncertainties and contingencies. Known and unknown risks, uncertainties and other factors, many of which are beyond the Company's ability to predict or control could cause actual results to differ materially from those contained in the forward-looking statements. which include, without limitation, commodity price volatility, changes in debt and equity markets, the uncertainties involved in interpreting geological data, increases in costs, environmental compliance and changes in environmental legislation and regulation, interest rate and exchange rate fluctuations, general economic conditions and other risks involved in the mineral exploration and development industry, the ability of the Company to receive continued financial support from related parties and to obtain public equity financing, the ability to generate profitable operations in the future, and the receipt of regulatory approvals on acceptable terms. Readers are cautioned that the foregoing list of factors is not exhaustive of the factors that may affect the forward-looking statements.

Overview

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 Company's common shares were approved for listing on the TSX Venture Exchange and commenced trading on October 30, 2009.

The Company is a natural resource company engaged in the acquisition and exploration of mining properties. The Company's main emphasis is on the exploration for gold in the Slocan Mining Division Province of British Columbia, where the Company has an interest in the Willa Property..

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 5,662 hectares located in the Slocan Mining Division, British Columbia, subject to a 2.5% Net Smelter Royalty ("NSR").

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 share of common share and one half of one non-transferrable warrant with each full 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 warrants to purchase up to 361,455 Shares on the same terms as the Units.

The Company used a portion of the proceeds from the Financing to complete the exercise of the second stage of the option and acquired additional share capital of FortyTwo Metals Inc., a partially-owned subsidiary of Roca Mines Inc. as further described in the news release dated March 7, 2014.

The Company entered into an assignment, assumption, and framework agreement (the "Assignment Agreement") dated April 15, 2014 with 0951719 B.C. Ltd. ("Numberco") and the owners of the Willa Property (collectively, the "Optionors"). Pursuant to an option agreement dated October 5, 2012, as amended (the "Option Agreement"), the Optionors granted Numberco an option to acquire a 100% interest in the Willa Property, consisting of 5,662 hectares located in the Slocan Mining Division, British Columbia, south of the town of Silverton, B.C., subject to a 2.5% net smelter royalty.

At the Company's annual general and special meeting of shareholders held April 30, 2014, the shareholders of the Company approved the increase in the Company's authorized capital from 100,000,000 common shares to an unlimited number of common shares (the "Increase Amendment") and an amendment (the "Amendment") to its Articles to authorize the board of directors of the Company to change the Company's name or adopt or change any translation of that name. For more information on the Increase Amendment and the Amendment please refer to the Company's Information Circular filed on SEDAR on April 3, 2014.

In connection with the Amendment, the Company issued 3,600,000 common shares to 0951719 B.C. Ltd. pursuant to the assignment agreement announced on April 17, 2014. These common shares are subject to a statutory hold period expiring four months and one day after issuance.

The Company has retained Palisade Capital Corp. ("Palisade") as an independent consultant to provide marketing services, setting up marketing teleconferences and road shows for the European, Canadian and U.S. investment community, and assisting in the distribution of news releases. In consideration for Palisade's services, the Company has agreed to pay Palisade a total fee of $70,000 for a term of 10 months commencing April 1, 2014 and ending on February 1, 2015. The Company also agreed to issue options to purchase up to 100,000 common shares of the Company at a price to be determined on the date of grant for a period of two years.

In May 2014, the Company released National Instrument 43-101 (NI 43-101) compliant Preliminary Economic Assessment (PEA) and Technical Report for the WillaMAX. The PEA reviews the economic potential of mining the Willa resource, located in the Slocan Mining Division, and milling at the MAX Mine and Mill facilities, located approximately 135 Highway - km from the Willa property in the Revelstoke Mining Division, British Columbia, Canada. For more information on the PEA please refer to the Company's Technical Report filed on SEDAR. The Company voluntarily filed an amended PEA dated June 20, 2014. The amended PEA clarifies that a mineral reserve has not been estimated for the WillaMax project and removes all references to mineral reserves in the Amended PEA. By definition, a mineral reserve is the economically mineable part of a Measured or Indicated mineral Resource demonstrated by at least a preliminary feasibility study.

On July 27, 2014, the Company completed a private placement of 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 agent warrants to purchase up to 213,500 shares on the same terms as the warrants attached in the Unit.

On July 21, 2014, the Company completed a private placement of 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 agent warrants to purchase up to 203,400 shares on the same terms as the warrants attached in the Unit.

On August 7, 2014, the Company retained the financial consultant firm of Baxter Capital Advisors, Inc. to help coordinate an application to be quoted on the OTC QX.

On August 12, 2014, the Company announced that it has retained Star Finance GmbH, an investor relations firm from Switzerland to provided investor relations services to the Company for a period of twelve months at $4,500 per month, paid in one annual amount of $54,000.

Effective August 15, 2014, the Company engaged a consultant to provided investor relations services, for a period of six months, at $12,500 per month.

On August 20, 2014, the Company granted options to acquire up to 5,331,999 shares to officers, directors and consultants of the Company, exercisable at a price of $0.25 per share. Of these 5,331,999 are exercisable for a period of 5 years and 100,000 options are exercisable for a period of 2 years. See "Stock Options".

On August 25, 2015 the Company announced that it has filed a notice of work ("Now") application with the provincial government of British Columbia to conduct underground exploration activities at the Willa Project. The proposed work is intended to focus on i) re-opening the existing adit portals (currently closed), ii) repair and maintain the existing adit drainage systems and iii) to conduct underground percussion drill sampling of some of the mineralized zones within the Willa Resource. The underground work is expected to be conducted over the course of a 30 day period and will provide an opportunity to assess ground conditions of the workings.

The Company entered into a twelve month advisory agreement dated August 28, 2014 to engage Jacob Securities Inc. to provide certain services including market intelligence and liquidity support in exchange for a monthly advisory fee of $10,000.

The Company commenced a surface exploration program at the Willa Project. The surface work includes geological mapping and sampling of bedrock exposures not previously mapped in detail. The work is being completed for Discovery by geologist David Good, B.Sc.

The Company engaged Eagle Mapping Ltd. to conduct a high-accuracy aerial LiDAR survey to deliver detailed topographic information and a digital terrain model over the Willa Property. The completed survey, and accompanying digital photography has been used to create accurate maps. As completed, that information is now to be included in the new modeling to confirm, and if necessary adjust surface drill-hole collar locations within the current drill hole database. The Company has engaged Micon International Limited, a Vancouver, BC based geology and mining consultancy firm to update and refine the geological modeling of the Willa Resource.

The Company has engaged the service of Ms. Vanessa Freberg in the role of Community Engagement manager for the WillaMAX Project.

The Company engaged the geotechnical consulting firm Klohn Crippen Berger of Vancouver, BC to complete Dam Safety Inspection of the MAX Mine Tailings Storage Facility. A site inspection was completed on September 4, 2014. SRK Consultants of Vancouver, BC has also been engaged to complete an independent third party review of the Dam Safety Inspection and recently completed a site visit to the MAX Tailing Storage Facility. Having completed the site inspection, the consultants are now reviewing design and monitoring records in conjunction with Canadian Dam Association, Dam Safety Guidelines.

The Company engaged Sundown Holdings Inc. of Kelowna, BC to commence various maintenance and upgrades to the MAX Mill.

The Company engaged Sitkum Consulting Ltd, a geosciences firm based in Nelson, BC to review the project imagery and to ground-proof various slopes for potential avalanche and terrain mapping. The Company engaged Masse Environmental Consultants Ltd. of Nelson, BC to initiate detailed baseline water quality monitoring programs and to complete a review of historical data collected at the site.

On September 26, 2014, the Company announced that its ordinary shares began trading on the OTCQX marketplace under symbol DTVMF. U.S. investors can find current financial disclosures and quotes for the Company on www.otcmarkets.com.

On November 24, 2014, the Company announced that it had received Mines Act Permit MX-5-786, approved by the Ministry of Energy and Mines, to undertake its planned underground sampling and mapping activities at the Willa Project.

On June 10, 2015 (as amended on July 8, 2015) the Company entered into a definitive amended loan agreement with Dan Omeniuk (the "Investor") whereby the Investor 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"). See "Credit Facilities".

In response to a review by the British Columbia Securities Commission of the Company's Amended Preliminary Economic Assessment and Technical Report ("Amended PEA") for the WillaMAX Project filed on June 30, 2014, the Company announced on July 3, 2015, that it is working with the Amendeded PEA's author, Wayned M. Ash, P.Eng. to correct deficiencies and to file a new Preliminary Economic Assessment ("New PEA"). The Company and Mr. Ash have concluded that since a New PEA needs to be filed it should also update the data that was the basis of the Ameded PEA. The Amended PEA relied on the Technical Report on the Willa Deposit, Slocan Mining District, British Columbia prepared for the Company by Mr. Ash and David makepeace and dated November 23, 2013 (the "Technical Report").

- Data from Aerial LiDAR photography conducted in September 2014 will update the several surface diamond drill hole collar elevations.
- Update the specific gravity of the current mineral resources.
- Alterations of the basic strike and dip of the West Zone for comparison with the results of the current north-striking, vertical-dipping assumptions used in the current zone configuration.
- Possible evaluation of the tonnage and grade by Kriging process regression.
- Incorporate updated geology information in the mineral resource estimate.
- Alter the grade cut-off from a gold-grade to a combined three-metal value of Cdn$115.

Until Discovery files the New PEA, investors are cautioned that the previously disclosed Willa Property estimates and the economic analysis in the Amended PEA are not supported by a compliant technical report, contrary to NI 43-101, and should not be relied on until they are supported by a New PEA.

On July 6, 2015 the Company announced that it has made formal application with the Ministry of Mines for a 10,000 tonne bulk 1ine permit on the Willa mine project.

On July 6, 2015 the Company announced the appointment of the Investor, Dan Omeniuk, as a Director, CEO and Chairman of the Board. Mr. Omeniuk replaces Mr. Akash Patel, who remains President and a director of the Company.

Pursuant to a Release Agreement with 0951719 B.C. Ltd. dated September 4, 2015 and an Amendment to the Assignment, Assumption and Framework Agreement with the Optionors of the Willa Property dated September 14, 2015, and on October 6, 2015 the Company announced that it had 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”). See Willa Property.

On October 14, 2015 the Copmany announced that it has engaged a work crew to commence various maintenance and upgrades to its WillaMax Project.

On November 10, 2015 the Company announced that it has appointed Mr. Robert Robson, Process Metallurgist, as an advisor to the Company’s board.

On December 17, 2015 the Company announced that it had granted 300,000 stock options at a price of $0.15 per common share for a period of five years to one of the Company’s directors. The options granted to the director vest over a one year period with 25% vesting every three months.

On December 11, 2015 the Company announced it has completed a non-brokered private placement of 8,145,000 units at a price of $0.15 per unit for gross proceeds of $1,221,750. Each unit consists of one common share of the Company and one share purchase warrant, which entitles the holder thereof to purchase one additional Share at a price of $0.20 per share for a period of five years from closing of the Financing.

On December 23, 2015 the Company announced the closing of a private placement financing of 3,250,000 flow-though units at a price of $0.20 per flow-through unit for gross proceeds of $650,000. Each flow-through unit consists of one common share of the Company issued o a “flow-through” basis and one-half of one common share purchase warrant, which entitles the holder thereof to purchase one non ”flow-through” common share at a price of $0.30 per share for a period of two years from closing of the financing.

On January 20, 2016 the Company announced the appointment of Lorne Warner P.Geo as the new qualified person, as defined in National Instrument 43-101 and as Head of Technical Services.

On January 22, 2016 the Company announced that it has entered into a debt settlement agreement with Genex Mining Company whereby the Company settled a judgment in the amount of $900,000 that Genex obtained against the Company’s wholly-owned subsidiary FortyTwo metals Inc., through the payment of $450,000 and the issuance of 1,666,667 common shares of the Company at a deemed price of $0.15.

On January 29, 2016 the Company announced that it has received a technical report entitled Amended Preliminary Economic Assessment Technical Report on the Willa Property. The amended report presents an updated Mineral Resource based on surface and underground drilling data collected between 1980 and 2004.The amended report also presents the results of a Preliminary Economic Assessment based on a mine plan focused on the Measured and indicated Mineral Resources only of the West zone at Willa and processing the material at the MAX facility.

On March 14, 2016 the Company announced that it had received a permit to mine a 10,000 tonne bulk sample and is presently working with the different ministries to apply for a small mines permit.

Selected Annual Information

	2015	2014	2013
	$	$	$
Interest Income	2,228	45	14,272
Loss before income tax	3,206,542	2,697,407	1,353,329
Net Loss	3,206,542	2,697,407	1,353,329
Total assets	12,755,860	6,151,982	3,887,305
Total long-term financial liabilities	(1,719,520)	-	-
Loss per share	(0.04)	(0.05)	(0.04)

Interest in Mineral Properties

Willa Property	**March 31 2016**	**December 31 2015**
	$	$
Acquisition costs	3,082,967	3.082.757
Exploration costs	1,162,332	1,091,075
Net Smelter Royalty advance payments	584,000	548,000
Total exploration & evaluation assets	4,829,299	4,721,832

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.

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.
Due to the focus of the Company on other mineral properties, during the fiscal year ended December 31, 2015 management decided to abandon the Rabbitt Mine Property. Accordingly, the aggregate costs related to the abandoned exploration and evaluation assets in the amount of $452,869 were written off and charged to operations.

Acquisition costs	**March 31, 2016**	**December 31, 2015**
	$	$
Balance, beginning of year	-	198,042
Write off on abandonment	-	(198,042)
Balance, end of year	-	-

Exploration costs	**March 31, 2016**	**December 31, 2015**
	$	$
Balance, beginning of year	-	254,827
Write off on abandonment	-	(254,827)
Balance, end of year	-	-

Max Mine and Mill, British Columbia

The Company's subsidiary FortyTwo holds title in certain properties known as the Max Mine and Mill ("MAX"), located in the Revelstoke Mining Division, B.C., and it is subject to a 2.5% Net Smelter Return ("NSR"). The Company may purchase, at any time, up to 60% of the NSR by paying $1,000,000 for each 30% ($2,000,000 for the full 60% of the 2.5% NSR).

FortyTwo has a 100% interest in certain crown grants, mining leases and mineral claims contiguous to the core MAX mineral claims. The Company granted a 2.5% NSR on the contiguous property, which can be reduced to 1% upon payment of $2,000,000 at any time prior to commencement of commercial production.

The Company must also issue 200,000 shares if it commences commercial production from any part of the contiguous property.

The carrying value of this property was written off to $1 before the Company acquired FortyTwo on October 5, 2015 and there are no expenditures incurred on this mineral property since acquisition date. The Company currently has no intension or plan to develop the Max Mine Property.

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 December 31, 2015 the Company has made cash payments consisting of $550,000 and has 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);
(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 March 31, 2016 the Company had made total payments of $454,000 as prepayment of the NSR (as defined in the Option Agreement). The Optionors have agreed that the $454,000 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.

The Company has further agreed that in the event of termination of the Option Agreement, the Company will ensure that it has applied for a minimum of three years' assessment work on the Willa Property.

Acquisition costs		**March 31, 2016**	**December 31, 2015**
		$	$
Balance, beginning of year		3,8082,757	1,778,957
Additions during the year			
Property option payments	– for cash	-	150,000
	– for shares	-	558,000
Acquisition costs		210	3,800
		210	1,303,800
Balance, end of period		3,082,967	3,082,757

Exploration costs		
	$	$
Balance, beginning of year	1,091,075	635,605
Additions during the year	71,257	258,187
Mining tax credit	-	197,283
Balance, end of period	1,162,332	1,091,075

Net Smelter Roayalty advance payment		
	$	$
Balance, beginning of year	548,000	350,000
Additions during the year	36,000	198,000
Balance, end of period	584,000	548,000
Total, Willa Deposit	4,829,299	4,721,832

Acquisition – FortyTwo Metals Inc.

On November 4, 2013, the Company entered into a binding letter agreement (the "November 4, 2013 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. During fiscal 2013 and 2014, the Company acquired 35% equity interests in FortyTwo pursuant to the November 4, 2013 Agreement for a total cash consideration of $1,750,000. 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.

On October 5, 2015, the Company signed a Share Purchase Agreement with Roca, pursuant to which both parties agreed to terminate the November 4, 2013 Agreement and the Company acquired the remaining 65% of the outstanding shares capital of FortyTwo in exchange for a cash consideration of $200,000, 3,000,000 common shares of the Company at a price of $0.15 per share, and 3,000,000 share purchase warrants for purchase of up to 3,000,000 additional common shares of the Company at a price of $0.15 for a period of 5 years. The transaction was closed on October 5, 2015 upon which the Company obtained the control and owned 100% of FortyTwo.

The acquisition of FortyTwo was considered as an asset acquisition. Accordingly, the Company recorded its share of equity income of $1,058,947 (2014: equity loss of $147,356) relating to its 35% interest in FortyTwo up to October 5, 2015 and an impairment loss of $2,304,390 on its equity investment in FortyTwo in the consolidated statement of operations and comprehensive loss for the year ended December 31, 2015. Transaction costs associated with the acquisition totaling $24,141 were capitalized to property, plant and equipment acquired.

The Company's 35% equity investment in FortyTwo is summarized as below:

Equity investment in FortyTwo	$
Balance, December 31, 2013	800.000
Investment in shares, at costs	950,000
Cash advance	150,000
Share of equity loss for the year	(147,356)
Balance, December 31, 2014	1,752,644
Cash advance	14,999
Share of equity income for the year	1,058,947
Impairment loss on equity investment in FortyTwo	(2,304,390)
Balance, October 5, 2015	522,200

The following table sets out the acquisition date allocation of the purchase price to assets acquired and liabilities assumed, based on management's estimates of fair value:

Total purchase price:	$
Cash paid for acquisition	199,800
Common shares issued for acquisition	450,000
Warrants issued for acquisition	320,000
35% equity interest in FortyTwo	522,200
Total purchase price to allocate	1,492,000

Fair value of assets acquired and liabilities assumed:	$
Cash	168
Reclamation bonds	735,864
GST receivable	1,041
Prepaid expenses and deposits	2,395
Exploration and evaluation assets	1
Property, plant and equipment	4,299,027
Other current liabilities	(2,607,405)
Decommissioning obligations	(939,091)
Net assets acquired	1,492,000

Results of Operations

The major expenditures recorded during the fiscal periods ended March 31, 2016 and 2015 were incurred for consulting fees with respect to financings and property acquisitions (see "Commitments"), for filing and transfer agent fees incurred as a result of activities related to the maintenance of the Company's public listing, filing fees with respect to property acquisitions, and for professional fees incurred for legal, audit and accounting fees related to maintenance of the Company's TSX listing and property acquisitions. The Company also entered into various investor relations services agreements and incurred related expenditures during these periods.. Office expenses are incurred for the maintenance of the Company's office. Share based payments were incurred during the fiscal periods. This is a non-cash expense which records the fair value of incentive stock options granted to directors, officers and consultants. Travel and related expenses were incurred by various directors and consultants for travel to business meetings. On October 5, 2015 the Company completed the acquisition of its wholly-owned subsidiary, FortyTwo Metals Inc.and commenced reporting on a consolidation basis. Prior to consolidation the Company recorded its share of gain or loss of 35% equity investment in FortyTwo Metals Inc. (See "Acquisition of FortyTwo Metals Inc."). Commencing with the consolidation of FortyTwo, the Company recorded mine holding costs related to the Max Mine and Mill.

Operating Expenses

Amounts by major sub-category are as follows:

	Three months ended March 31,	
General and Administrative Expenses	2016	2015
	$	$
Amortization	2086	173
Bank charges	2,289	77
Consulting	18,750	63,750
Filing and transfer agent fees	17,443	6,603
Insurance	3,811	5,225
Investor relations	3,600	22,100
Lease expense	43,308	-
Management and administration	43,500	12,000
Mine holding costs	237,312	-
Office and miscellaneous	4,928	1,586
Professional fees	29,901	20,928
Share based payments	64,120	122,400
Shareholder communications	2,750	-
Travel and promotion	4,235	-
Website maintenance	2,050	1,500
	(480,623)	(256,343)
Other		
Interest income	202	-
Share of loss of 35% equity investment in FortyTwo Metals Inc.	-	(32,125)
	202	(32,125)
Net loss and comprehensive loss for the period	(480,623)	(288,468)

First quarter ended March 31, 2016

During the fiscal quarter ended March 31, 2016, the Company had a net loss of $(480,421) compared with a loss of $(288,468) for the fiscal quarter ended March 31, 2015.

The major expenditures recorded during the fiscal quarter ended March 31, 2016 were incurred for the following : Consulting fees of $18,750 (2015: $63,750). Filing and transfer agent fees were $17,443 compared to $6,603 in 2015. The Company entered into various lease agreements for hearvy duty minting equipment and vehicles. During the fiscal quarter ended March 31, 2016 the Company recorded lease expense of $43,308 (2015: $Nil). Amortization increased due to the acquisition one of such vehicle. Professional fees were $29,901 compared to 20,928 in 2015, and included legal fees of $14,901 (2015: $8,928) and $15,000 (2015: $12,000) paid or accrued to the Company's CFO. Management and administration fees of $43,500 (2015: $12,000) were incurred in the fiscal quarter ended March 31, 2016, of which $13,500 (2014: $12,000) was paid to the Company's President and $30,000 (2015: $Nil) to the Company's CEO. The Company incurred $4,928 (2015:$ $1,586) for office and miscellaneous expenses. Share based payments were recorded in the amount of $64,120 (2015: $122,400). This is a non-cash expense which records the fair value of incentive stock options granted to directors, officers and consultants. Travel and related expenditures incurred by officer, directors and consultants to attend business meetings and to promote the Company`s business activities amounted to $4,235 (2015: $Nil) in the three months ended March 31, 2016. Interest earned from funds placed on deposit was $202 (2015: $Nil) for three months ended March 31, 2016. Commencing with the acquisition of FortyTwo, the Company reported mine holding costs in the amount of $$1237,312 related to the Max Mine and Mill in its intereim consolidated financial statements. Prior to consolidation of the accounts of its wholly-owned subsidiary, the Company recorded a gain or loss of its 35% equity investment in FortyTwo Metals Inc. in the statement of operations and comprehensive loss. During the three months ended March 31, 2015 the Company reported a loss of $32,125.,

Basis of presentation and going concern

Statement of compliance

The condensed interim financial statements have been prepared in accordance with International Financial Reporting 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 Financial Reporting Interpretations Committee ("IFRIC"). They do not include all of the information required for full annual financial statements.

These consolidated financial statements were approved and authorized for issue by the Board of Directors on May 27, 2016.

Going concern

The interim consolidated financial statements have been prepared on a going concern basis which contemplates that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

As at March 31, 2016, the Company had working capital deficiency of $2,445,203 (December 31, 2015: working capital deficiency of $1,891,237), an accumulated deficit of $10,499,920 (December 31, 2015: $10,019,499) since inception. During the three months ended March 31, 2016 the Company incurred a net loss of $480,421 (2015 – $288,468) and used net cash in activities of $1,123,730 (2015 – $24,536)

The Company has not yet determined whether its properties contain ore reserves that are economically recoverable. The recoverability of the amounts incurred 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 to attain future profitable production or to obtain proceeds from disposal of its 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 ability of the Company to carry out its business objectives is dependent on its ability to secure continued financial support from related parties, to obtain public equity financing, or to ultimately attain profitable operations in the future. Whether and when the Company can attain profitability and positive cash flows is uncertain. While the Company has been successful in securing financing in the past, there is no assurance that financing will be available in the future on terms acceptable to the Company.

Accordingly, there is a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern. These consolidated financial statements do not give effect to adjustments to the carrying value and classification of assets and liabilities and related expense that would be necessary should the Company be unable to continue as a going concernIf the going concern assumption is not appropriate, material adjustments to the financial statements could be required.

Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value, as explained in the accounting policies set out in (See "Significant Accounting Policies"). In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Functional and presentation currency

The consolidated financial statements are presented in Canadian dollars. The functional currency of the Company is the Canadian dollar.

Use of estimates

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgments and estimates and form assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and the reported amount of expenses for the periods reported. The estimates and associated assumptions are based on historical experience and various other factors that are considered to be relevant. Actual results could differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis, and may change if new information becomes available. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in "Significant Accounting Policies".

Significant Accounting Policies

Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries.

	March 31, 2016 and December 31, 2015			March 31, 2015	
Entity	Location	Ownership	Basis of accounting	Ownership	Basis of accounting
FortyTwo Metals Inc.	Canada	100%	Consolidated	35%	Equity method

<u>Subsidiaries</u>

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases. All inter-company balances and transactions have been eliminated in preparing the consolidated financial statements.

Investments in associates

An associate is an entity over which the Company has significant influence but not control or joint control. Significant influence is presumed to exist where the company has between 20% and 50% of the voting rights, but can also arise where the Company has less than 20% if we have the power to be actively involved and influential in policy decisions affecting the entity. The Company's share of the net assets and net income or loss is accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate.

Foreign currency translation

Transactions denominated in foreign currencies are translated to the functional currency of the Company and its subsidiary at exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing at the reporting date. Non-monetary assets and liabilities are translated at historical exchange rates prevailing at each transaction date. Revenues and expenses are translated at exchange rates prevailing on the date of transactions. All exchange gains and losses are included in determination of earnings.

Financial instruments

Financial assets

All financial assets are initially recorded at fair value and classified upon inception into one of the categories including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables, or available for sale.

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit or loss.

Financial assets classified as loans and receivables are measured at amortized cost. Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income and loss except for losses in value that are considered other than temporary which are recognized in profit or loss.

The Company classifies cash as FVTPL, due from related party and reclamation bonds as loans and receivables. Transactions costs associated with financial assets at FVTPL are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

Financial liabilities

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

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

The Company's accounts payable and accrued liabilities, lease obligations, convertible loan and due to related parties are classified as other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified in this category unless they are designated as hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in profit or loss. The Company has no financial liabilities classified as FVTPL.

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 March 31, 2016 and December 31, 2015.

Property and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and impairment losses. The Company starts to deprecate property, plant and equipment when assets are ready and put into services. Depreciation of property, plant and equipment is calculated using the following method over their respective estimated useful life at the following annual rates:

Computer Equipment	30% declining balance
Mining property, plant and equipment	30% declining balance
Vehicle under finance lease	7 year straight-line

Depreciation methods and useful lives are reviewed at each reporting date and adjusted if appropriate. Property, plant and equipment are written down to the net recoverable value when management determines there has been a change in circumstances which indicates its carrying amount may not be recoverable. Any gain or loss on disposal of an item of property and equipment is recognized in profit or loss.

Exploration and evaluation assets

Expenditures incurred before the Company has obtained legal rights to explore an area are recognized in the consolidated statement of operation as exploration expenses.

Exploration and evaluation assets reflect expenditures for an area where technical feasibility and commercial viability have not yet been determined. Expenditures, including, but are not limited to, land acquisition, geological and geophysical studies, exploratory drilling and sampling and directly attributable employee salaries and benefits are capitalized and accumulated pending determination of technical feasibility and commercial viability.

Exploration and evaluation assets are not depleted. When assets are determined to be technically feasible and commercially viable, the accumulated costs are tested for impairment and the recoverable amount is transferred to property, plant and equipment. Upon transfer of exploration and evaluation costs into property, plant and equipment, all subsequent expenditures on the construction, installation or completion of infrastructure facilities are capitalized within mine development. After production starts, all assets included in mine development costs are transferred to producing mines. At such time as commercial production commences, these expenditures will be charged to operations on a unit-of-production method based on proven and probable resources.

Exploration and evaluation assets are also assessed for impairment when facts and circumstances suggest that the carrying amount exceeds the recoverable amount. 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.

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.

Leases

Leases where the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Other leases are operating leases and not recognized in the statement of financial position.

Minimum lease payments made under finance leases are apportioned between finance expenses and the reduction of the outstanding liability. Finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Payments made under operating leases are recognized in the statement of operatoin on a straight-line basis over the term of the lease. Lease incentives received are recognized as a reduction to the lease expense over the term of the lease.

Impairment

Financial assets

Financial assets not carried at fair value through profit or loss are assessed for impairment at each reporting date by determining whether there is objective evidence that indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount is estimated by reference to the higher of the value in use and fair value less costs to sell. Fair value less costs to sell is defined as the estimated price that would be received on the sale of the asset in an orderly transaction between market participants at the measure date. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discounted rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other groups of assets.

An impairment loss is recognized if the carrying amount of an asset or group of assets exceeds the estimated recoverable amount. Impairment losses are recognized in profit or loss.

When impairment subsequently reverses, the carrying amount of the asset is increased to the revised estimated recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Decommissioning obligations

Decommissioning liabilities arise from the legal obligation to abandon and reclaim property, plant and equipment incurred upon the acquisition, construction, development and use of the asset. The initial liability is measured at the discounted value of the estimated costs to reclaim and abandon using a risk free rate, subsequently adjusted for the accretion of discount and changes in expected costs. The decommissioning cost is capitalized in the relevant asset category. Costs capitalized to property, plant and equipment are depreciated into earnings based upon the unit-of-production method consistent with the underlying assets. Actual costs incurred upon settlement of the obligations are charged against the provision to the extent the provision was established.

Provisions

Provisions for legal or constructive obligations are recognized when the Company has a present legal or constructive obligation that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

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.

Flow-through shares

Flow-through shares entitle a company that incurs certain resource expenditures in Canada to renounce them for tax purposes allowing the expenditures to be deducted for tax purposes by the investors who purchased the shares. The Company adopted a policy whereby the premium paid for flow through shares in excess of the market value of the shares without the flow through features at the time of issue is credited to other liabilities and included in income at the time the qualifying expenditures are made.

A deferred tax liability is recognized in respect of the taxable temporary difference that arises from the difference between the carrying amount of eligible expenditures capitalized as an asset in the statement of financial position and its tax basis. A portion of the deferred tax assets that were not previously recognized are recognized as a recovery of deferred taxes in the statements of operations and comprehensive loss up to the amount of the deferred tax liability upon renunciation.

Share issue costs

Professional, consulting, regulatory and other costs directly attributable to equity financing transactions are recorded as deferred share issue costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise they are expensed as incurred. Share issue costs are charged to share capital when the related shares are issued. Deferred share issue costs related to financing transactions that are not completed are charged to expenses.

Share Issue Costs

Professional, consulting, regulatory and other costs directly attributable to equity financing transactions are recorded as deferred share issue costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise they are expensed as incurred. Share issue costs are charged to share capital when the related shares are issued. Deferred share issue costs related to financing transactions that are not completed are charged to expenses.

Share Purchase Warrants

The Company bifurcates units consisting of common shares and share purchase warrants using the residual value approach whereby it first measures the common share component of the unit at fair value using market prices as input values and then allocates any residual amount to the warrant component of the unit. The residual value of the warrant component is credited to reserves. When warrants

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 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.

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.

Significant accounting estimates and judgments

Significant assumptions about the future and key sources of estimation uncertainty that management has made at the financial position 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:

Critical accounting judgments

i) Going concern

Management has applied judgements in the assessment of the Company's ability to continue as a going concern when preparing its financial statements for three months ended March 31, 2016. Management prepares the consolidated financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Please refer to note 2(b) for additional information.

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.

iii) Decommissioning obligations

The provision for decommissioning obligations is based on numerous assumptions and judgements including the ultimate settlement amounts, inflation factors, risk free discount rates, timing of settlement and changes in the applicable legal and regulatory environments. To the extent future revisions to these assumptions impact the measurement of the existing decommissioning obligation, a corresponding adjustment is made to the property, plant and equipment balance.

iv) Asset Acquisition

The assessment of whether an acquisition meets the definition of a business or whether assets are acquired is an area of key judgment. If deemed to be a business combination, applying the acquisition method to business combinations requires each identifiable assets and liability to be measured at its acquisition-date fair value. The excess, if any, of the fair value of consideration over the fair value of the net identifiable assets acquired is recognized as goodwill. If deemed to be an asset acquisition, acquisition considerations are allocated to assets acquired and liabilities assumed on a relative fair value basis and no goodwill is recognized.

Critical accounting estimates

i) Impairment of long lived assets

Determining the amount of impairment of long lived assets requires an estimation of the recoverable amount, which is defined as the higher of fair value less the cost of disposal or value in use. Many of factors used in assessing recoverable amounts are outside of the control of management and it is reasonably likely that assumptions and estimates will change from period to period. These changes may result in future impairments in the Company' long term assets such as property, plant and equipment and exploration and evaluation assets.

ii) 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.

iii) Current and deferred taxes

Accounting for income taxes is a complex process requiring management to interpret frequently changing laws and regulations and make judgments relating to the application of tax law, the estimated timing of temporary difference reversals, and the estimated realization of tax assets. All tax filings are subject to subsequent government audits and potential reassessment. These interpretations, judgments and changes related to them impact current and deferred tax provisions, deferred income tax assets and liabilities and results of operations.

iv) Share-based payments

The fair value of stock options issued are subject to the limitations of the Black-Scholes option pricing model that incorporates market data and involves uncertainty in estimates used by management in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

v) New accounting standards issued but no yet effective

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

New accounting standards effective January 1, 2016

(i) IAS 1 – Presentation of Financial Statements

In December 2014, the IASB issued an amendment to address perceived impediments to preparers exercising their judgment in presenting their financial reports. The changes clarify that materiality considerations apply to all parts of the financial statements and the aggregation and disaggregation of line items within the financial statements. The Company does not anticipate this amendment to have a significant impact on its consolidated financial statements.

Standard effective for annual periods beginning on or after January 1, 2018

(ii) IFRS 9 Financial Instruments

This is a finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39. The standard contains requirements in the following areas:

- Classification and measurement - Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.
- Impairment - The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized.
- Hedge accounting - Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- Derecognition - The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 with early adoption permitted, and must be applied retrospectively with some exemptions permitted.

(iii) IFRS 16 Leases

On January 13, 2016, the International Accounting Standards Board published a new standard, IFRS 16, Leases, eliminating the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Under the new standard, a lease becomes an on-balance sheet liability that attracts interest, together with a new right-of-use asset. In addition, lessees will recognize a front-loaded pattern of expense for most leases, even when cash rentals are constant. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted.

Lease Obligations

The Company lease certain assets under finance lease arrangements. The finance lease have imputed interest rates ranging from 0.4284% to 0.4626% per annum and expire between October 2020 and November 2020. Finance lease liabilities are payable as follows:

At March 31, 2016	Future minimum lease payments	Interest	Present value of minimum lease payment
	$	$	$
Less than one year	83,139	16,390	66,749
Between one and five years	298,460	28,008	270,452
Current			66,749
Non-current			270,452
			$ 337,201

Liabilities and income tax effect on flow-through shares

Funds raised through the issuance of flow-through shares are required to be expended on qualified Canadian mineral exploration expenditures, as defined pursuant to Canadian income tax legislation. The flow-through gross proceeds, less the qualified expenditures made to date, represent the funds received from flow-through share issuances that have not been spent.

On December 23, 2015, the Company completed a private placement of 3,250,000 Units at a price of $0.20 per Unit for gross proceeds of $650,000. Each Unit consists of one flow through common share and one half share purchase warrant (see Note 10 (b.ix)). The Company recognized a liability on flow-through shares of $86,052 as at December 31, 2015.

At December 31, 2015, the Company incurred $Nil of qualified expenditures. At March 31, 2016, the amount of flow-through proceeds remains to be expended is $650,000 (December 31, 2015 - $650,000). The total proceeds of $650,000 has been renounced effective December 31, 2015.

Property and equipment

Cost	Computer equipment	Property, plant and equipment	Vehicles	Total
	$	$	$	$
December 31, 2014 and March 31, 2015	4,480	661,077	-	665,557
Additions		476,855	55,026	531,881
Changes to decommissioning obligations	-	492,330	-	492,330
Acquisition of Fortytwo (Note 4)	-	4,299,027	-	4,299,027
Dispositions	-	(65,000)	-	(65,000)
December 31, 2015	4,480	5,864,289	55,026	5,923,795
Additions	-	264,435	-	264,432
March 31, 2016	4,480	6,128,724	55,026	6,188,230

Accumulated amortization	Computer equipment	Property, plant and equipment	Vehicles	Total
	$	$	$	$
December 31, 2014	2,173	-	-	2,173
Additions	173	-	-	173
March 31,2015	2,346	-	-	2,346
Additions	519	-	1,266	1,785
December 31, 2015	2,865	-	1,266	4,131
Additions	121		1,965	2,086
March 31, 2016	2,986	-	3,231	6,217

Write Down	Computer equipment	Property, plant and equipment		Vehicles	Total
	$	$		$	$
December 31, 2014 and March 31, 2015	-	95,505		-	95,505
Additions	-	-		-	-
December 31, 2015 and March 31, 2016	-	95,505		-	95,505

Carrying amount	Computer equipment	Property, plant and equipment		Vehicles	Total
	$	$		$	$
December 31, 2014	2,307	565,572	*	-	567,879
March 31, 2015	2,134	565,572	*	-	567,879
December 31, 2015	1,615	5,768,784	*	53,760	5,824,159
March 31, 2016	1,494	6,033,219	*	51,795	6,086,508

* Mining equipment was not available for use as at March 31, 2016, December 31, 2015 and 2014 and no amortization has been provided.

Reclamation bonds

As at March 31, 2016, reclamation bonds totalling $730,000 were held with the British Columbia Ministry of Energy and Mines. As at March 31, 2016 the Company had recorded accrued interest receivable thereon in the amount of $1,792 (December 31, 2015 - $1,590).

Decommissioning Obligations

The Company's assets retirement obligations related to the restoration and rehabilitation of the MAX Mine and Mill. The expected timing of the cash flows in respect of the provision is based on the estimated life of the mining operations.

As at March 31, 2016 and December 31, 2015, the Company estimated the total undiscounted cash flows required to settle its decommissioning obligations was approximately $1,339,668. Decommissioning liabilities of $1,431,421 as at December 31, 2015 have been calculated using an inflation rate of 2% per annum and discounted using a risk free rate of 1%.

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 Executive 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 Lender 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 Lender 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 Lender 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. 6,000,000 share of the Discovery and all shares in the capital of FortyTwo has been pledged to the Lender. During the year the Company drew $719,712 from the convertible credit facilities, of which $649,722 was immediately converted into the common shares and warrants of the Company (Note 10(b)).

	Convertible Credit Facility	Credit Facility
	$	$
Balance as at December 31, 2014	-	-
Draw down	719,722	-
Immediate conversion upon draw down	(649,722)	-
Interest accretion	7,320	-
Equity portion	(21,468)	-
Balance as at December 31, 2015 and March 31, 2016	55,852	-

Off-Balance Sheet Arrangements

The Company has not entered into any off balance sheet arrangements, other than previously disclosed, that have, or are reasonably likely to have, an impact on the current or future results of operations or the financial condition of our company.

Financial Instruments

Fair value of financial instruments

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

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's financial instruments include cash and cash equivalents, due from related party, reclamation bonds, and accounts payable and accrued liabilities, lease obligation and due to related parties. The carrying amounts of cash and cash equivalents, due from related party, reclamation bonds, and accounts payable and accrued liabilities, current lease obligation and due to related parties approximate their fair values because of the short term nature of these instruments. The carrying amount of long term lease obligation approximates its fair value as the interest rates applied to the bank loan is not considered to be materially different from market rates.

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

	March 31, 2016	December 31, 2015
	$	$
Financial assets at fair value through profit or loss (i)	132,939	1,256,669
Loans and receivables (ii)	751,147	756,733
Other financial liabilities (iii)	2,979,099	3,561,563

(i) Cash and cash equivalents
(ii) Due from related party and reclamation bonds
(iii) accounts payable and accrued liabilities, credit facilities, lease obligations, and due to related parties

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

Cash	Level 1	Level 2	Level 3	Total
	$	$	$	$
As at March 31, 2016	132,939	-	-	132,939
As at December 31, 2015	1,256,669	-	-	1,256,669

Financial risk management and objectives and policies

The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's cash and cash equivalents and reclamation bonds are subject to credit risk for a maximum of the amounts shown on the statements of financial position. The Company monitors its credit risk management practices continuously to evaluate their effectiveness. At March 31, 2016, the Company held cash and cash equivalents of $132,939 (December 31, 2015: $1,256,669) and reclamation deposit of $741,792 (December 31, 2015: $741,590) in GIC's with Canadian chartered banks. The Company mitigates credit risk on these financial instruments by adhering to its investment policy that outlines credit risk parameters and concentration limits.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's objective to managing liquidity risk is to ensure that it has sufficient liquidity available to meet its liabilities when due. The Company uses cash to settle its financial obligations as they fall due. The ability to do this relies on the Company collecting its trade receivables in a timely manner and by maintaining sufficient cash on hand through equity financing and bank loans.

Significant commitments in years subsequent to March 31, 2016 are as follows:

	Carrying value	Contractual Cash flows	Within 1 year	1 - 5 Years
	$	$	$	$
Lease obligations	337,201	381,599	83,139	298,460
Accounts payable and accrued liabilities	2,586,046	2,586,046	2,586,0468	-
Credit facilities	55,852	78,400	4,200	74,200

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.

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. To meet these objectives the Company monitors its financial position on an ongoing basis.

The Company is dependent on the capital markets and debt as its 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.

Outstanding Share Data

(a) Authorized: Unlimited number of comm. Shares with no par value

(b) Issued and outstanding

	Number of shares
Balance, December 31, 2013	39,838,749
Shares issued for cash pursuant to the exercise of stock options	
- at a price of $0.135 per unit	500,000
Shares issued for cash pursuant to the exercise of warrants	
- at a price of $0.30 per unit	100,000
Shares issued for mineral properties at $0.155 per share	3,600,000
Shares issued for cash pursuant to brokered private placements	
- at a price of $0.15 per unit	22,381,249
Balance, December 31, 2014	66,419,998
Shares issued for mineral property	10,000,000
Shares issued for cash pursuant to conversion of credit facility	
- at a price of $0.10 per unit	6,497,220
Shares issued for cash pursuant to settlement of debt	
- at a price of $0.12 per share	1,062,500
Shares issued upon acquisition of wholly-owned subsidiary, at $0.15 per unit	3,000,000
Shares issued for cash pursuant to non-brokered private placement	8,145,000
Flow-through units issued at a price of $0.20 per unit	3,250,000
Balance, December 31, 2015	98,374,718
Shares issued pursuant to debt settlement at $0.15 per share	1,666,667
Balance, current	100,041,385

Transactions incurred during the three months ended March 31, 2016.

(i) The Company settled all debt owing to Genex Mining Company Ltd. for a cash payment of $450,000 and the issue on January 27, 2016 of 1,666,667 of the Company's common shares at $0.15 per share for $250,000.

Transactions incurred during the fiscal year ended December 31, 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 properties (See Willa Deposit).

(ii) On April 15, 2015 the Company issued 6,000,000 common shares at $0.15 per share pursuant to the acquisition of mineral properties (See Willa Deposit).

(iii) On July 21, 2015 the Company issued 1,170,000 Units at $0.10 per Unit pursuant to the conversion of amount drawn down on the Credit Facilities. Each Unit is comprised of one common share and one share purchase warrant. (See Credit Facility).

(iv) On August 27, 2015 the Company issued 1,227,220 Units at $0.10 per Unit pursuant to the conversion of amount drawn down on the Credit Facilities. Each Unit is comprised of one common share and one share purchase warrant. (See Credit Facility).

(v) On September 16, 2015 Company issued 1,062,500 common shares at $0.12 per share pursuant to the settlement of debt.

(vi) On October 5, 2015 the Company issued 3,000,000 Units at $0.15 per Unit pursuant to acquisition of the remaining 65% shares of FortyTwo Metals Inc.. Each Unit is comprised of one common share and one share purchase warrant (See Acquisition of FortyTwo Metals Inc.).

(vii) On October 7, 2015 the Company issued 4,100,000 Units at $0.10 per Unit pursuant to the conversion of amount drawn down on the Credit Facilities. Each Unit is comprised of one common share and one share purchase warrant (See Credit Facility).

(viii) On December 11, 2015, the Company completed a private placement of 8,145,000 Units at a price of $0.15 per Unit for gross proceeds of $1,221,750. Each Unit consists of one common share and one share purchase warrant. The Company paid a finder's fee of $137, 045.

(ix)On December 23, 2015, the Company completed a private placement of 3,250,000 Units at a price of $0.20 per Unit for gross proceeds of $650,000. Each Unit consists of one flow through common share and one half share purchase warrant. $487,500 was allocated to share capital based on the trading market price of the Company's share on the issuance date. $76,488 was allocated to contributed surplus based on the estimated fair value of the warrants issued and the remaining $86,052 was recorded as flow-through share premium (Note 12). The Company paid a commission of $30,000, disbursements of $7,500, and issuance of an additional 150,000 warrants at a fair value of $7,065. Each warrant entitles the holder to purchase one additional common share on or before December 11, 2020 at a price of $0.20 per share. Each full warrant entitles the holder to purchase one additional non flow through common share on or before December 23, 2017 at a price of $0.30 per share.

Stock options:

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. The exercise price of each option granted under the Plan is determined at the discretion of the Board. Options granted under the Plan generally expire no later than the fifth anniversary of the date the options were granted and vesting provisions for issued options are determined at the discretion of the Board although the Company has a practice of having options vest every three months in four equal installments.

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

	Number of options	**Weighted -average exercise price**
		$
Balance, December 31, 2014 and March 31, 2015	6,081,999	0.245
Options cancelled - consultant	(400,000)	0.25
Options cancelled – directors and officers	(1,440,000)	0.25
Options expired	(250,000)	0.135
Options granted and exercisable on or before January 15, 2020	2,000,000	0.18
Options granted and exercisable on or before October 7, 2020	500,000	0.15
Options granted and exercisable on or before November 2, 2020	500,000	0.15
Options granted and exercisable on or before December 17, 2020	300,000	0.15
Balance, December 31, 2015	7,291,999	0.17
Options granted and exercisable on or before January 6, 2018	300,000	0.15
Balance, March 31, 2016	7,591,999	0.17

As at March 31, 2016, the Company has the following options outstanding and exercisable:

Outstanding as at March 31, 2016			Exercisable as at March 31, 2016			
Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)	Expiry Date
100,000	$ 0.25	0.39	100,000	$ 0.25	0.39	August 20, 2016
500,000	0.15	0.59	500,000	-	0.59	November 2, 2016
300,000	0.15	1.77	300,000	0.15	1.77	January 6, 2018
500,000	0.25	2.36	500,000	0.25	2.36	August 8, 2018
3,366,999	0.15	3.39	3,366,999	0.15	3.39	August 20, 2019
2,000,000	0.18	3.79	2,000,000	0.18	3.79	January 15, 2020
500,000	0.15	4.55	250,000	0.18	4.55	October 7, 2020
300,000	0.15	4.72	150,000	0.15	4.72	December 17, 2020
7,591,999	$ 0.17	3.27	6,991,999	$ 0.17	3.27	

The weighted average fair value of options granted during the three months ended March 31, 2016 was $0.07 per option (fiscal year ended December 31, 2015 – $0.07 per option) as estimated on the date of each grant using the Black-Scholes option pricing model. The following weighted average assumptions used in the Black-Scholes model to determine the fair value of the share options granted were as follows

	2016	**2015**
Risk-free interest rate	0.41%	0.29% to 1.07%
Dividend yield	-	-
Volatility	92%	81% to 104%
Expected life	2 years	0.6 to 5.0 years

During the fiscal year ended December 31, 2015, the Company received shareholders' approval to re-price 3,366,999 options with a per share exercise price of $0.25 to $0.15 per share. As a result, the Company recorded $62,113 incremental expenses. For the three months ended March 31, 2016 the Company recorded total share based compensation expense of $64,120 (2015: $122,400) in the consolidated statement of operations and comprehensive loss.

Warrants:

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

	Number of Warrants Exercisable	**Weighted Average Exercise Price**	**Years to expiry**	**Expiry Date**
Balance, December 31, 2014 and March 31, 2015	27,313,320	$ 0.33		
Warrants expired	(4,779,000)	$ 0.40	-	November 15, 2015
Warrants expired	(286,740)	$ 0.40	-	November 15, 2015
Warrants issued	1,625,000	$ 0.30	1.73	December 23, 2017
Warrants issued as finder's fee	150,000	$ 0.30	1.73	December 23, 2017
Warrants issued	1,170,000	$ 0.15	2.31	July 21,2018
Warrants issued	1,227,220	$ 0.15	2.41	August 27, 2018
Warrants issued	4,100,000	$ 0.15	2.52	October 7, 2018
Warrants issued	3,000,000	$ 0.15	4.52	October 5, 2020
Warrants issued	8,145,000	$ 0.20	4.70	December 11, 2020
Balance, December 31, 2015	41,664,800	$ 0.26	2.71	
Balance, March 31, 2016	41,664,800	$ 0.26	2.46	

	Number of Warrants Exercisable	Weighted Average Exercise Price	Years to expiry	Expiry Date
Warrants issued	2,912,125	$ 0.30	1.01	April 2,, 2017
Agent's warrants issued	361,455	$ 0.30	1.01	April 2, 2017
Warrants issued	3,985,667	$ 0.30	1.25	July 2, 2017
Agent's warrants issued	213,500	$ 0.30	1.25	July 2, 2017
Warrants issued	4,192,833	$ 0.30	1.31	July 21, 2017
Agent's warrants issued	203,400	$ 0.30	1.31	July 21, 2017
Warrants issued	9,568,000	$ 0.35	1.67	November 30, 2017
Agent's warrants issued	203,400	$ 0.35	1.69	December 7, 2017
Warrants issued	1,625,000	$ 0.30	1.73	December 23, 2017
Warrants issued as finder's fee	150,000	$ 0.30	1.98	December 23, 2017
Warrants issued	1,170,000	$ 0.15	2.31	July 21,2018
Warrants issued	1,227,220	$ 0.15	2.41	August 27, 2018
Warrants issued	4,100,000	$ 0.15	2.52	October 7, 2018
Warrants issued	3,000,000	$ 0.15	4.52	October 5, 2020
Warrants issued	8,145,000	$ 0.20	4.70	December 11, 2020
Balance, March 31, 2016	41,664,800	$ 0.26	2.46	

Related Party Transactions

During the three months ended March 31, 2016 the Company entered into the following transactions with related parties:

a) Paid or accrued management fees of $13,500 (2015 - $12,000) to a director and officer and $30,000 (2015 - $Nil) to the Company's Chief Executive Officer.

b) Included in professional fees is $15,000 (2015 - $12,000) paid to an officer and director for accounting services.

c) Included in due from related party as at March 31, 2016 is $9,355 (December 31, 2015 - $15,143) of funds paid in advance to an officer and director for credit card and out of pocket expenses.

d) Included in amounts due to related parties as at March 31, 2016 is $705,309 (December 31, 2015 - $419,934) due to the Company's officers, directors and/or entities controlled by officers or directors for management fees, professional fees and/or expenses incurred on behalf of the Company. During the three months ended March 31, 2016, Trappers Transport Ltd, which is controlled by the Company's CEO charged a total amount of $217,783 (2015 - $Nil) to the Company for services. provided.

These transactions are in the normal course of operations and have been valued in these consolidated financial statements at the exchange amount, which is the amount of consideration established and agreed to by the related party. Please also see Note 9 for credit facilities provided by related parties.

Liquidity and Capital Resources

The Company has financed its operations primarily from proceeds from the sale of shares.

As at March 31, 2016 the Company had working capital deficiency of $2,445,203 compared to working capital deficiency of $1,891,237 as at December 31, 2015.

Cash provided by the issuance of units pursuant to a non-brokered private placement, exercise of warrants, agent's warrants and stock options for new common shares during the three months ended March 31, 2016 was $Nil and during the fiscal year ended December 31, 2015 was $1,697,205. Cash provided from the draw down of credit facility during the fiscal year ended December 31, 2015 was $719,722.

The Company believes that funds on hand will be sufficient to fund its cash requirements through 2014. However, the Company plans to issue more securities at such time as it believes additional capital could be obtained on favourable terms. There can be no assurance that such funds can be available on favourable terms, if at all.

Commitments

The Company's contractual obligations, not recorded on the balance sheet, at March 31, 2016 include:

	2016	2017	2018	2019 and later
	$	$	$	$
Operating eases	25,624	25,624	21,919	20,708
Management fees	120,000	120,000	70,000	-
	145,624	145,624	91,919	20,708

See "Interest in Mineral Properties".

Legal Action

In 2007, Gladiator Equipment Inc. ("Gladiator") took legal action against the Company, seeking rental and repair payments for a generator that was used on the Company's property for total amount of $34,272. The Company defended by making a statement that all required payments had been made and no liability was owing to Gladiator. The last legal step taken was an affidavit sworn in response to interrogatories delivered by Gladiator on May 20, 2009. No meaningful steps have been taken by both parties since then, leaving the litigation dormant. The Company believe the claim has no merit and no provision was recorded at March 31, 2016.

Finning International Inc. ("Finning") was claiming damages of $77,576 and accrued interest calculated in accordance with the agreed interest rate of 1.5% per month against the Company for failing to pay its parts and services account when due and owing. Judgment was granted in Finning's favour on March 1, 2013. The judgment amount of $77,567, plus pre-judgment interest in the amount of $16,933 and costs as Scale B were registered on title of the Company's properties on June 7, 2013. As at August 31, 2015, the judgment amount of $77,567 and interest in amount of $20,569 has not been paid and has been recorded as accounts payable.

A Notice of Claim dated December 11, 2012 was filed by United Rentals of Canada Inc. ("United Rentals") against the Company and numerous other defendants in the Nelson Registry of the BC Supreme Court whereby United Rentals seeks $26,841 for equipment rentals and other relief. Judgment was granted in United Rental's favour on June 1, 2015. The judgment amount of $26,841, plus pre-judgment interest in the amount of 24% per year from October 15, 2011 to the date of judgement and costs in the amount of $3,526 were registered on title of the Company's properties on June 11, 2015. As at August 31, 2015, the judgment amount of $26,841 and interest in amount of $22,494 has not been paid and has been recorded as accounts payable.

In 2014, the Company was served with a notice of Civil Claim by 0743122 BC Ltd. The claim was for alleged unpaid consulting work and services in the amount of $78,076. In 2015, Discovery Ventures Inc. has reached settlement with 0743122 BC Ltd. by making four payments in the total of $81,365 including both the principle and accrued interest.

Subsequent Events

There were no significant reportable events that occurred subsequent to March 31, 2016.

Financing Risks

The Company has limited financial resources and there is no assurance that additional funding will be available to it for further exploration and development of its projects or to fulfil its obligations under applicable agreement. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of the property interest of the Company with the possible dilution or loss of such interest. Further, revenues, financings and profits, if any, will depend upon various factors, including the success, if any, of exploration programs and general market conditions for natural resources. There is no assurance that the Company can operate profitably or that it will successfully implement its plans.

The Company has only recently commenced operations and has no operating earnings. The likelihood of success of the Company must be considered in light of the problems, expenses and difficulties, complications and delays frequently encountered in connection with the establishment of any business. The Company operates at a loss and there is no assurance that the Company will ever be profitable.

Risk and uncertainties

Exploration for minerals is a speculative venture necessarily involving some substantial risk. The program proposed by the Company is an exploratory search for ore. There is no certainty that the expenditures to be made by the Company in the acquisition and exploration of the interests will result in discoveries of commercial quantities of ore. The property of the Company does not contain any known body of commercial ore.

Resource exploration and development is a speculative business and involves a high degree of risk. The marketability of natural resources, which may be acquired or discovered by the Company, will be affected by numerous factors beyond the control of the Company. These factors include market fluctuations, the proximity and capacity of natural resource markets and processing equipment, government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital.

The grade of any ore ultimately mined from a mineral deposit may differ from that produced from drilling results. Production volumes and costs can be affected by such factors as the proximity and capacity of processing facilities, permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations and work interruptions. Short-term factors relating to ore reserves, such as the need for orderly development of ore bodies or the processing of new or different grades, may also have an adverse effect on the results of operations. Moreover, there can be no assurance that minerals recovered in small-scale laboratory tests will be achieved under production scale conditions. Although precautions to minimize risks will be taken, processing operations are subject to hazards such as equipment failure or failure of tailings impoundment facilities, which may result in environmental pollution and consequent liability.

Mining operations generally involve a high degree of risk. Hazards such as unusual or unexpected formations and other conditions are involved. The Company may become subject to liability for pollution, cave-ins or hazards against which it cannot insure or against which it may elect not to insure. The payment of such liabilities may have a material adverse effect on the Company's financial position.

There is a degree of uncertainty attributable to the calculation of reserves, resources and corresponding grades being dedicated to future production. Until reserves or resources are actually mined and processed, the quantity of reserves or resources and grades must be considered as estimates only. In addition, the quantity of reserves or resources may vary depending on metal prices. Any material change in the quantity of reserves, resource grade or stripping ratio may affect the economic viability of the Company's properties. In addition, there can be no assurance that mineral recoveries in small-scale laboratory tests will be duplicated in large tests under on-site conditions or during production.

While the Company has obtained the usual industry standard title report with respect to its properties, this should not be construed as a guarantee of title. The properties may be subject to prior unregistered agreements or transfers or native land claims and title may be affected by undetected defects. The Company must expend monies to carry out further work on the properties in order to keep in good standing.

The Company's properties include mineral claims, which have not been surveyed, and therefore, the precise location of the mineral claims may be in doubt.

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge; title to all of its properties is in good standing.

The mineral exploration and mining business is competitive in all of its phases. The Company competes with numerous other companies and individuals, including competitors with greater financial, technical and other resources that the Company, in the search for and the acquisition of attractive mineral properties. The ability of the Company to acquire properties in the future will depend not only on its ability to develop its present properties, but also on its ability to select and acquire suitable properties or prospects for mineral exploration. There is no assurance that the Company will continue to be able to compete successfully with its competition in acquiring such properties or prospects.

The current or future operations of the Company, including exploration and development activities and commencement of production on its properties, require permits from various levels of government. Such operations are and will be governed by laws and regulations governing prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. The Company believes it is in substantial compliance with all material laws and regulations that currently apply to its activities. There can be no assurance however, that all permits which the Company may require for construction of mining facilities and conduct of mining operations, particularly environmental permits, will be obtainable on reasonable terms or that compliance with such laws and regulations would not have an adverse effect on the profitability of any mining project that the Company might undertake.

Failure to comply with applicable laws, regulations and permit requirements may result in enforcement actions there under, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations and, in particular, environmental laws.

Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new mining properties.

Mining, like many other extractive natural resource industries, is subject to potential risks and liabilities associated with pollution of the environment and the disposal of waste products occurring as a result of mineral exploration and production. Environmental liability may result from mining activities conducted by others prior to the Company's ownership of its properties. To the extent the Company is subject to uninsured environmental liabilities, the payment of such liabilities would reduce funds otherwise available of the Company and could have a material adverse effect on the Company. Should the Company be unable to fund fully the cost of remedying an environmental problem, the Company might be required to suspend operations or enter into interim compliance measures.

Summary of Quarterly Results

The following table sets out selected quarterly information for the eight most recent quarters ended March 31, 2016:

Quarters ended in 2016 fiscal year	**December 31 $**	**September 30 $**	**June 30 $**	**March 31 $**
Interest income				202
Loss				(480,421)
Loss per common share				(0.01)
Quarters ended in 2015 fiscal year	**December 31 $**	**September 30 $**	**June 30 $**	**March 31 $**
Interest income	2,228	-	-	45
Loss	(2,279,981)	(190,110)	(447,983)	(288,468)
Loss per common share	(0.03)	(0.00)	(0.01)	(0.00)
Quarters ended in 2014 fiscal year	**December 31 $**	**September 30 $**	**June 30 $**	
Interest income	-	-	-	
Loss	(679,582)	(1,403,896)	(198,979)	
Loss per common share	(0.01)	(0.02)	(0.00)	

DISCOVERY VENTURES INC.

CORPORATE DATA

May 27, 2016

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CAPITALIZATION

Authorized:	Unlimited number of common shares, no par value
Issued:	100,041,385
Warrants:	41,664,800
Options:	7,591,999

LISTINGS

TSX Venture Exchange
Trading Symbol: DVN.V
CUSIP #: 25470R