



Pacific Bay Minerals Ltd.
Consolidated Financial Statements
December 31, 2015 and 2014

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LANCASTER & DAVID

CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Pacific Bay Minerals Ltd.:

We have audited the accompanying consolidated financial statements of Pacific Bay Minerals Ltd., which comprise the consolidated statements of financial position as at December 31, 2015 and 2014, and the consolidated statements of comprehensive loss, changes in equity, and cash flows for the years ended December 31, 2015 and 2014, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Pacific Bay Minerals Ltd. as at December 31, 2015 and 2014, and its financial performance and its cash flows for the years ended December 31, 2015 and 2014, in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about the ability of Pacific Bay Minerals Ltd. to continue as a going concern.

/s/ Lancaster & David
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC
April 29, 2016

Incorporated Partners: David E. Lancaster, CPA, CA ~ Michael J. David, CPA, CA, CPA (Illinois)

Address: Suite 510, 701 West Georgia Street, PO Box 10133, Vancouver, BC, Canada, V7Y 1C6

Telephone: 604.717.5526

Facsimile: 604.717.5560

Email: admin@lancasteranddavid.ca

Pacific Bay Minerals Ltd.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	December 31,	December 31,
	2015	2014
	\$	\$
ASSETS		
Current		
Cash and cash equivalents	2,523	540
Taxes receivable	2,507	9,404
Total current assets	5,030	9,944
Deposits (Note 5)	16,903	16,903
Property and equipment (Note 6)	6,025	7,533
Exploration and evaluation assets (Note 7)	562,435	962,551
Investment in jade production (Note 8)	475,053	–
Total non-current assets	1,060,416	986,987
Total Assets	1,065,446	996,931
LIABILITIES		
Current		
Accounts payable and accrued liabilities	236,046	245,801
Flow-through share liability	14,003	14,003
Due to related parties (Note 11)	309,032	259,338
Loans payable to a related party (Note 11)	244,855	134,215
Total Liabilities	803,936	653,357
SHAREHOLDERS' EQUITY		
Share capital (Note 10)	12,813,582	12,280,326
Contributed surplus	2,943,481	2,943,481
Accumulated deficit	(15,495,553)	(14,880,233)
Total shareholders' equity	261,510	343,574
Total Liabilities and Shareholders' Equity	1,065,446	996,931

Approved on behalf of the Board of Directors:

“David H. Brett” Director “Doug Blanchflower” Director

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

Pacific Bay Minerals Ltd.
Consolidated Statements of Comprehensive Loss
(Expressed in Canadian Dollars)

	For the Year Ended December 31,	
	2015	2014
	\$	\$
Revenue	30,000	–
Cost of sales		
Depletion	<u>(24,947)</u>	–
Gross profit	<u>5,053</u>	–
Expenses		
Accounting and audit	19,777	25,150
Consulting fees	30,000	37,500
Depreciation	1,508	1,883
Interest	12,161	13,840
Impairment of mineral property (Note 7)	439,116	–
Legal and professional	15,649	20,011
Listing and filing fees	26,866	19,668
Management and administrative fees (Note 11)	70,500	138,000
Office and general	1,955	8,595
Property expense	130	–
Rent and office services	7,418	9,757
Salaries and wages	–	453
Shareholders information	–	10,331
Stock-based compensation	–	42,360
Travel	–	1,610
	<u>625,080</u>	<u>329,158</u>
Net loss before other income	(620,027)	(329,158)
Other income		
Interest income	96	99
Settlement of flow-through shares liability	–	10,997
Finance expense	(3,057)	–
Gain on settlement of debt	<u>7,668</u>	<u>34,845</u>
Net loss for the year before taxes	(615,320)	(283,217)
Income taxes	–	9,675
Comprehensive loss for the year	<u>(615,320)</u>	<u>(273,542)</u>
Loss per share – basic and diluted	<u>(0.02)</u>	<u>(0.02)</u>
Weighted average shares outstanding	<u>25,710,000</u>	<u>17,280,000</u>

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

Pacific Bay Minerals Ltd.
Consolidated Statement of Changes in Equity
(Expressed in Canadian Dollars)

	Common Shares		Contributed Surplus	Accumulated Deficit	Total
	Number	Value			
		\$	\$	\$	\$
Balance, December 31, 2013	12,447,523	11,916,815	2,886,121	(14,606,691)	196,245
Share consolidation adjustment	16	–	–	–	–
Issue of shares for cash pursuant to private placements, net of share issue costs	2,900,000	143,511	–	–	143,511
Issue of flow-through shares	714,285	50,000	–	–	50,000
Flow-through share liability	–	(25,000)	–	–	(25,000)
Value of warrants issued in private placements	–	(15,000)	15,000	–	–
Issue of shares for mineral property	2,000,000	80,000	–	–	80,000
Issue of shares for debt	3,250,000	130,000	–	–	130,000
Stock-based compensation	–	–	42,360	–	42,360
Net loss for the year	–	–	–	(273,542)	(273,542)
Balance, December 31, 2014	21,311,824	12,280,326	2,943,481	(14,880,233)	343,574
Issue of shares for cash pursuant to private placement, net of share issue costs	10,000,000	494,256	–	–	494,256
Issue of shares for mineral property	1,300,000	39,000	–	–	39,000
Net loss for the year	–	–	–	(615,320)	(615,320)
Balance, December 31, 2015	32,611,824	12,813,582	2,943,481	(15,495,553)	261,510

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

Pacific Bay Minerals Ltd.
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

For the Year Ended December 31	2015	2014
	\$	\$
Cash provided by (used in)		
Operating activities		
Net loss for the year	(615,320)	(273,542)
Items not involving cash:		
Depletion	24,947	–
Depreciation	1,508	1,883
Impairment of mineral property	439,116	–
Settlement of flow-through share liability	–	(10,997)
Recovery of income taxes	–	(9,675)
Stock-based compensation	–	42,360
Gain on settlement of debt	(7,668)	(34,845)
Net change in:		
Accounts payable and accrued liabilities	6,007	49,626
Due to related parties	49,694	117,438
Taxes receivable	6,897	(1,479)
	<u>(94,819)</u>	<u>(119,231)</u>
Investing activities		
Acquisition of investment in jade production (Note 8)	(500,000)	–
Deferred exploration expenditures	–	(123,736)
Accounts payable related to exploration activities	(8,094)	48,060
	<u>(508,094)</u>	<u>(75,676)</u>
Financing activities		
Loans from related party	110,640	10,922
Proceeds from issuance of shares, net of costs	494,256	183,511
	<u>604,896</u>	<u>194,433</u>
Increase (decrease) in cash and cash equivalents	1,983	(474)
Cash and cash equivalents, beginning of year	540	1,014
Cash and cash equivalents, end of year	<u>2,523</u>	<u>540</u>
Supplemental information:		
Interest paid	–	–
Taxes paid	–	–
Non-cash financing and investing activities:		
Issue of common shares for mineral properties	39,000	80,000
Issue of common shares for debt settlements	–	130,000

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

1. Corporate Information and Nature of Operations

Pacific Bay Minerals Ltd. (the "Company") business activity is the acquisition, exploration and evaluation of uranium, precious and base metal mineral properties in Argentina and Canada. The Company was incorporated in Canada under the Business Corporations Act (British Columbia). The Company is listed on the TSX Venture Exchange ("TSX.V") under the trading symbol "PBM-V", as a Tier 2 mining issuer and is in the process of exploring its mineral properties.

The underlying value and the recoverability of the amounts recorded as mineral properties is entirely dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete its acquisition, exploration and development of its mineral properties or receive proceeds from disposition of mineral properties. The carrying value of the Company's mineral properties does not reflect current or future values.

The Company's registered office is Suite 733-510 W. Hastings St, Vancouver, BC V6B 1L8.

2. Basis of Presentation

a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") on a going concern basis.

The consolidated financial statements were authorized for issue by the Board of Directors on April 29, 2016.

b) Basis of Measurement

The consolidated financial statements have been prepared on a historical cost basis. These consolidated financial statements are presented in Canadian dollars, which is also the Company's functional currency.

The preparation of the consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are explained in Note 4.

c) Going Concern

These consolidated financial statements are prepared on a going concern basis, which presume the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. Management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern.

2. Basis of Presentation (continued)

The Company has not generated revenue from operations. The Company incurred a net loss of \$615,320 for the year ended December 31, 2015 and, as of that date the Company's accumulated deficit was \$15,495,553. The Company does not generate sufficient cash flow from operations to adequately fund its future activities and has relied principally upon the issuance of securities to fund its exploration and administrative expenditures. These conditions raise significant doubt regarding the Company's ability to continue as a going concern.

The Company will require additional capital to fund its future property acquisitions and exploration programs as well as for administrative purposes. There is material uncertainty about whether the Company will be able to obtain additional capital. If management is unable to obtain new funding, the Company may be unable to continue its operations, and amounts realized for assets may be less than amounts reflected in these consolidated financial statements.

The consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

3. Summary of Significant Accounting Policies

a) Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Bahia Atlantica S.A., an Argentina corporation, and PBM Explorations (Namibia) (Pty) Ltd., a Namibia corporation. All intercompany transactions and balances have been eliminated.

b) Cash and Cash Equivalents

Cash and cash equivalent includes cash on hand, demand deposits with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are ready convertible to known amounts of cash and subject to insignificant risk of change in value.

c) Foreign Currency Transactions

Foreign currency accounts are translated into Canadian dollars as follows:

At the transaction date, each asset, liability, revenue and expense denominated in a foreign currency is translated into Canadian dollars by the use of the exchange rate in effect at that date. At the year-end date, unsettled monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at the year-end date and the related translation differences are recognized in net income.

Non-monetary assets and liabilities that are measured at historical cost are translated into Canadian dollars by using the exchange rate in effect at the date of the initial transaction and are not subsequently restated. Non-monetary assets and liabilities that are measured at fair value or a revalued amount are translated into Canadian dollars by using the exchange rate in effect at the date the value is determined and the related translation differences are recognized in net income or other comprehensive loss consistent with where the gain or loss on the underlying non-monetary asset or liability has been recognized.

3. Summary of Significant Accounting Policies (continued)

d) Leases

Where substantially all of the risks and rewards incidental to ownership of a leased asset are not transferred to the Company (an operating lease), the total rentals payable under the lease are charged to the statement of comprehensive loss on a straight – line basis over the lease term.

e) Earnings (Loss) Per Share

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

Diluted earnings (loss) per share is computed by dividing the net income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted.

f) Exploration and Evaluation Assets

i) Pre-exploration costs

Pre-exploration costs are expensed in the year in which they are incurred.

ii) Exploration and Evaluation Expenditures

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures (“E&E”) are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as material used, surveying costs, drilling costs, payments made to contractors and depreciation on plant and equipment during exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the year in which they occur.

The Company may occasionally enter into farm-out arrangements, whereby the Company will transfer part of a mineral interest, as consideration, for an agreement by the transferee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess cash accounted for as gain on disposal.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to the statement of comprehensive loss/income. The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. The recoverable amount is the higher of the asset’s fair value less costs and value in use.

Once the technical feasibility and commercial viability of extracting the mineral resources has been determined, the property is considered to be a mine under development and is classified as ‘mines under construction’. Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties.

As the Company currently has no operational income, any incidental revenues in connection with exploration activities are applied as reduction to capitalized exploration costs.

Mineral exploration and evaluation expenditures are classified as intangible assets.

3. Summary of Significant Accounting Policies (continued)

g) Reclamation Deposits

Cash which is subject to contractual restrictions on use is classified separately as reclamation deposits. Such cash is restricted for the costs of future reclamation work, if any, on the Company's British Columbia mineral properties. Reclamation deposits are classified as loans and receivables.

h) Property and Equipment

i) Recognition and Measurement

On initial recognition, property and equipment are valued at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

Property and equipment is subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses, with the exception of land which is not depreciated.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

ii) Subsequent Costs

The cost of replacing part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The cost of the day-to-day servicing the property and equipment are recognized in profit or loss as incurred.

iii) Major Maintenance and Repairs

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliability. All other repairs and maintenance are charged to profit or loss during the financial year in which they incurred.

iv) Gains and losses

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount, and are recognized net within other income in profit or loss.

v) Depreciation

Depreciation is provided on a declining-balance basis over the estimated useful life of the assets as follows: Equipment 20%.

i) Investment in Jade Production

a) Recognition and Measurement

The Company's investment in jade production represents the capitalized expenditures related to the acquisition of its right to participate in jade production for a specified time period, net of accumulated depletion and accumulated impairment charges, if any.

b) Depletion

The capitalized cost of the Company's investment in jade production is depleted on a unit-of-production basis, as each jade item is sold, over the total weight of the jade that the Company is entitled to pursuant to its participation right.

3. Summary of Significant Accounting Policies (continued)

c) Impairment of Non-Financial Assets

Impairment test on intangible assets with indefinite useful economic lives are undertaken annually at the financial year-end. Other non-financial assets, including exploration and evaluation assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

An impairment loss is charged to profit or loss, except to the extent they reverse gains previously recognized in accumulated other comprehensive loss/income.

d) Financial Instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

At initial recognition the Company classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale and financial liabilities.

i) Financial Assets

Financial assets are classified into one of the following categories based on the purpose for which the asset was acquired. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

At Fair Value Through Profit or Loss

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Loans and receivables:

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

Held-to-Maturity Investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in noncurrent assets, except for those which are expected to mature within 12 months after the end of the reporting period.

3. Summary of Significant Accounting Policies (continued)

j) Financial Instruments (continued)

i) Financial Assets (continued)

Available-for-sale investments

Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. The Company's available-for-sale assets are marketable securities.

Available-for-sale investments are recognized at fair value and are subsequently carried at fair value. Gains or losses arising from changes in fair value are recognized in other comprehensive loss. Available-for-sale investments are classified as current except if they are expected to be realized beyond twelve months of the statement of financial position date, where they are classified as non-current.

ii) Financial liabilities

Financial liabilities are classified as other financial liabilities, based on the purpose for which the liability was incurred, and comprise accounts payable and accrued liabilities. These liabilities are initially recognized on the trade date at fair value when the Company becomes a party to the contractual provisions of the instrument and are subsequently carried at amortized cost using the effective interest rate method. The liabilities are derecognized when the Company's contractual obligations are discharged or cancelled or, they expire.

iii) Impairment of financial assets

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

k) Provisions

Rehabilitation provisions

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the period in which the obligation is incurred. The nature of the rehabilitation activities includes restoration, reclamation and re-vegetation of the affected exploration sites.

The rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related mineral property. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks.

Additional environmental disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and rehabilitation liability in the period in which they occur.

The Company has only performed preliminary exploratory work on its mineral properties, and has not incurred significant rehabilitation provisions in the current year or prior periods.

Other provisions

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

3. Summary of Significant Accounting Policies (continued)

l) Income Tax

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

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

Deferred tax assets and liabilities are recognized where the carrying amounts of an asset or liability differs from its tax base, except for the taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss. Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period, the Company re-assesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

m) Government grants

From time to time, the Company receives government incentive programs such as investment tax credits. Government incentives are accrued when there is reasonable assurance of realization and reflected as a reduction of the related asset or expense. In the event the investment tax credits received are less than the amount claimed, the difference will be reflected in profit or loss in the period in which it is determined.

n) Share capital

Unit offerings

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

Flow-through shares

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

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

3. Summary of Significant Accounting Policies (continued)

o) Share-based payments

The grant date fair value of share-based payment awards granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

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

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

p) Revenue recognition

Revenue from the Company's participation in jade production is recognized when persuasive evidence of an arrangement exists, title and risk passes to the buyer, collection is reasonably assured and the price is reasonably determinable. Generally, the Company recognizes its portion of the revenue from the sale of jade when the cash is received, net of the Company's portion of any shipping and handling costs.

q) Standards, amendments and interpretations not yet effective

The following new standards and amendments to existing standards have been published and are mandatory for the Company's accounting years beginning after January 1, 2016 or later, with early adoption permitted. None of these is expected to have a significant effect on the consolidated financial statements.

IFRS 9 'Financial Instruments: Classification and Measurement' – introduces new requirements for the classification and measurement of financial instruments.

Annual Improvements to IFRSs 2012 - 2014 Cycle, including *IFRS 7, Financial Instruments: Disclosures* and *IAS 34, Interim Financial Reporting*

4. Critical Accounting Estimates and Judgments

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of the assets and liabilities recognized in the financial statements within the next financial year are discussed below:

i) **Impairment of Exploration and Evaluation Expenditure and Investment in Jade Production**

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

ii) **Title to Mineral Property Interests**

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

iii) **Income Taxes**

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision.

iv) **Share-Based Payment Transactions**

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. The estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the stock option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 10.

5. Deposits

The Company is required to make reclamation deposits in respect of its expected rehabilitation obligations. The reclamation deposits represent collateral for possible reclamation activities necessary on minerals properties in connection with the permits required for exploration activities by the Company. The reclamation deposits are held in certificates of deposits with a maturity dates of May 20 and June 1, 2016 with interest rates of 0.70% per annum.

	December 31, 2015	December 31, 2014
	\$	\$
Reclamation bonds.	12,000	12,000
Rent deposit	4,903	4,903
	16,903	16,903

6. Property and Equipment

	Field Equipment
	\$
Cost	
Balance at December 31, 2013 and 2014 and 2015	42,413
Accumulated Depreciation	
Balance at December 31, 2013	32,997
Depreciation for the year	1,883
Balance at December 31, 2014	34,880
Depreciation for the year	1,508
Balance at December 31, 2015	36,388
Carrying Amounts	
Balance at December 31, 2014	7,533
Balance at December 31, 2015	6,025

7. Exploration and Evaluation Assets

	Canada			Total \$
	Otish Mountain \$	Haskins Reed \$	Other \$	
Balance, December 31, 2013	8,104	750,711	–	758,815
Exploration costs	3,037	87,521	33,178	123,736
Issuance of shares for acquisition costs	–	40,000	40,000	80,000
Balance, December 31, 2014	11,141	878,232	73,178	962,551
Issuance of shares for acquisition costs	–	–	39,000	39,000
Impairment	–	(439,116)	–	(439,116)
Balance, December 31, 2015	11,141	439,116	112,178	562,435

Lode Gold Property, British Columbia

On February 25, 2014, the Company entered into an option agreement to acquire the Lode Gold Property in the New Westminster Mining Division, BC, for a total of 1,500,000 common shares issuable over four years. The property is subject to a 3% net smelter royalty, 2% of which is purchasable for \$1,500,000 per percentage point, with the remaining 1% not purchasable. On April 8, 2014, the Company issued 250,000 shares at a fair value of \$0.04 per share pursuant to the agreement. On May 26, 2015, the Company issued 300,000 shares with a fair value of \$0.03 per share, pursuant to the agreement.

Boulder Property, British Columbia

On February 25, 2014, the Company entered into an option agreement to acquire the Boulder Property in the Stikine Mining Division, BC, for a total of 5,000,000 shares issuable over 4 years. The property is subject to a 3% net smelter royalty, 2% of which is purchasable for \$1,500,000 per percentage point, with the remaining 1% not purchasable. On April 8, 2014, the Company issued 750,000 shares at a fair value of \$0.04 per share pursuant to the agreement. On May 26, 2015, the Company issued 1,000,000 shares with a fair value of \$0.03 per share, pursuant to the agreement.

Haskins-Reed Property, British Columbia

During the prior year ended December 31, 2014, the Company issued 1,000,000 common shares at \$0.04 per share and now holds an undivided 100% interest in the Haskins-Reed Property, subject to a 2% NSR. The Company recognized an impairment charge of \$250,237 during the year ended December 31, 2013, representing 25% of the remaining carrying costs of the property. The Company recognized a further impairment charge of \$439,116 during the year ended December 31, 2015, representing 50% of the remaining carrying costs of the property.

7. Exploration and Evaluation Assets (continued)

Otish Mountains, Québec (Uranium Exploration)

During the year ended December 31, 2014, the Company prepared and filed a submission to the Bureau d'audiences publiques sur l'environnement ("BAPE") in Quebec, a governmental public consultation body that is conducting a province-wide consultation process regarding uranium mining, recommended to the Government that uranium exploration and mining in the Province not be supported. As potential exists for the moratorium to be lifted, also for possible recoveries from the Province of Quebec through legal action, the Company retains a modest assets balance on the Otish Property in its financial statements.

8. Investment in Jade Production

On July 14, 2015, the Company entered into an agreement whereby, in consideration for payment of \$500,000, the Company would participate on a 50/50 basis in the sale proceeds of the 2015 jade mining operations on certain claims located in Northern British Columbia. The agreement includes a 4-year option whereby the Company can automatically renew the terms for another year by providing the same amount of financing by March 1 of each year, commencing March 1, 2016. During 2015, the Company recognized depletion of \$24,947.

9. Commitments

The Company entered into a lease for office premises which commenced February 1, 2013 and terminates on January 31, 2016. The following is a summary of the future lease commitments over the remaining term of the agreement:

2016	\$ 3,438
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10. Share Capital

Authorized common shares:

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

Issued and outstanding common shares:

On April 8, 2014, the Company issued 3,250,000 shares to settle debt of \$162,500, including 3,100,000 shares to settle amounts owing of \$40,000 to the President of the Company and \$115,000 to a director of the Company.

On April 8, 2014, the Company issued 1,000,000 shares at a fair value of \$40,000 to complete the 100% purchase of the Haskins-Reed property.

On April 8, 2014, the Company issued 750,000 shares at a fair value of \$30,000 pursuant to the Boulder property agreement.

10. Share Capital (continued)

On April 8, 2014, the Company issued 250,000 shares at a fair value of \$10,000 pursuant to the Lode Gold property agreement.

On April 8, 2014, the Company issued 1,000,000 units pursuant to a private placement at \$0.05 per unit for gross proceeds of \$50,000. Each unit consisted of one common share and one common share purchase warrant entitling the holder to purchase an additional common share at \$0.10 per share on or before April 8, 2015. The Company allocated \$10,000 to the value of the warrants.

On August 1, 2014, the Company issued 500,000 units pursuant to a private placement at \$0.05 per unit for gross proceeds of \$25,000. Each unit consists of one common share and one common share purchase warrant entitling the holder to purchase an additional common share at \$0.10 on or before August 1, 2015. The Company allocated \$5,000 to the value of the warrants.

On December 22, 2014, the Company issued 1,400,000 units pursuant to a private placement at \$0.05 per unit for gross proceeds of \$70,000. Each unit consists of one common share and one common share purchase warrant entitling the holder to purchase an additional common share at \$0.10 on or before December 22, 2015. The Company allocated \$nil to the value of the warrants.

On December 22, 2014, the Company issued 714,285 units pursuant to a flow-through private placement at \$0.07 per unit for gross proceeds of \$50,000. Each unit consists of one common share and one common share purchase warrant entitling the holder to purchase an additional common share at \$0.10 on or before December 22, 2015. The Company allocated \$nil to the value of the warrants.

On May 26, 2015, the Company issued 300,000 shares at a fair value of \$9,000 pursuant to the Lode Gold property agreement.

On May 26, 2015, the Company issued 1,000,000 shares at a fair value of \$30,000 pursuant to the Boulder property agreement.

On August 21, 2015, the Company issued 10,000,000 common shares pursuant to a private placement at \$0.05 per share for gross proceeds of \$500,000. The Company paid share issue costs of \$5,744.

Share purchase warrants

The following table summarizes the changes in warrants:

	December 31, 2015		December 31, 2014	
	Number of Warrants	Weighted Average Exercise Price \$	Number of Warrants	Weighted Average Exercise Price \$
Outstanding, beginning of year	3,614,285	0.10	–	–
Issued	–	–	3,614,285	0.10
Expired/cancelled	(3,614,285)	(0.10)	–	–
Outstanding, end of year	–	–	3,614,285	0.10

As at December 31, 2015, there were no outstanding common share purchase warrants.

10. Share Capital (continued)

Stock options

The Company has a Stock Option Plan ("the Plan") for directors, officers and employees. The maximum number of common shares to be issued under the Plan is restricted such that it cannot at any given time be more than 10% of the Company's issued and outstanding shares. The number of shares reserved for issuance at any one time to any one person shall not exceed 5% of the outstanding shares issued. Options granted must be exercised no later than two years after the date of the grant or such lesser periods as regulations require.

The following table summarizes the changes in stock options:

	December 31, 2015		December 31, 2014	
	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$
Outstanding, beginning of year	1,000,000	0.10	510,000	0.50
Granted	–	–	1,000,000	0.10
Expired/cancelled	(100,000)	0.10	(510,000)	0.50
Outstanding, end of year	900,000	0.10	1,000,000	0.10
Exercisable, end of year	900,000	0.10	1,000,000	0.10

The following table summarizes information about stock options outstanding and exercisable at December 31, 2015:

Expiry Date	Number of Options	Exercise Price
October 29, 2016	900,000	\$0.10
	900,000	

Stock-based compensation expense is determined using the Black-Scholes option pricing model. During the prior year ended December 31, 2014, the Company recognized stock-based compensation expense of \$42,360 in contributed surplus. The weighted average fair value of the options granted during the prior year ended December 31, 2014 was \$0.04 per option. The Company used the following weighted average assumptions:

	2015	2014
Risk-free interest rate	–	1.04%
Expected share price volatility	–	225%
Expected option life in years	–	2.00
Dividend yield	–	NIL

11. Related Party Transactions

Related party transactions not disclosed elsewhere in these financial statements were as follows:

For the Years Ended December 31,	2015	2014
	\$	\$
Management and consulting fees paid or accrued to directors and officers of the Company	100,500	168,000
Stock-based compensation expense recognized for options granted to directors and officers	-	38,124
Fair value of shares issued the President and a director to settle debt	-	124,000

As at December 31, 2015, the Company is indebted to the officers and directors of the Company in the amount of \$309,032 (2014 - \$259,338). The amount is unsecured, non-interest bearing and due on demand.

On May 23, 2012 the Company entered into a loan agreement with a director of the Company for \$200,000, which was due on or before December 31, 2012, with interest at the rate of 7% per annum. In addition, the Company agreed to issue the lender 160,000 bonus shares within 10 days of TSX Exchange acceptance. On July 16, 2012, the Company issued 160,000 bonus shares with a fair value of \$32,000. On December 20, 2012, the loan was extended to December 31, 2013. On December 20, 2013, the loan was extended to December 31, 2014. On April 8, 2014, the Company issued 2,300,000 shares with a fair value of \$92,000 to settle \$115,000 of this loan. As at December 31, 2015, the balance of this loan was \$85,000 and the accrued interest owing was \$31,610. As at December 31, 2015, the director has also advanced the Company a total of \$159,855, which is unsecured, non-interest bearing and due on demand, bringing the total loans payable to the director to \$244,855.

On April 8, 2014, the Company issued 800,000 shares with a fair value of \$32,000 to settle \$40,000 of accrued management fees due to the President of the Company.

During the prior year ended December 31, 2014, the Company granted incentive stock options to directors and officers of the Company to purchase up to 900,000 common shares at \$0.10 per share, exercisable to October 29, 2016. The total fair value of stock options granted to directors and officers during the year ended December 31, 2014 using the Black-Scholes option pricing model was \$38,124.

12. Income Taxes

The provision for income taxes differs from the amount calculated using the Canadian Federal and Provincial statutory income tax rates as follows:

	2015	2014
	\$	\$
Net loss before taxes	(615,320)	(283,217)
Expected income tax recovery at statutory rate	(160,000)	(73,700)
Non-deductible stock option compensation	-	11,000
Other temporary differences	119,800	500
Permanent differences	(1,100)	(16,300)
Effect on reduction in statutory rate	-	-
Increase in valuation allowance	41,300	78,500
Future income tax recovery	-	-

The temporary differences that give rise to estimated future tax assets and liabilities at December 31, 2015 and 2014 are as follows:

	2015	2014
	\$	\$
Non-capital losses carried forward	878,000	913,000
Property, plant and equipment	26,000	25,000
Undeducted financing costs	1,000	-
Cumulative exploration and development expense	771,000	657,000
Cumulative eligible capital deduction	11,000	12,000
Valuation allowance	(1,687,000)	(1,607,000)
	-	-

The Company's future tax assets include approximately \$5,000 (2014 - \$1,000) related to deductions for share issue costs in excess of amounts deducted for financial reporting purposes. If and when the valuation allowance related to these amounts is reversed, the Company will recognize this benefit as an adjustment to share capital as opposed to income tax expense in the Consolidated Statements of Comprehensive Loss.

The Company establishes its valuation allowance based on projected future operations. When circumstances cause a change in management's judgment about the recoverability of future tax assets, the impact of the change on the valuation allowance will be reflected in current income.

The Company has approximately \$3,527,000 (2014 - \$3,488,000) of exploration and development costs which are available for deduction against future income for tax purposes. In addition, the Company has non-capital losses of approximately \$3,378,000 (2014 - \$3,510,000) expiring in various amounts from 2026 to 2035.

13. Financial Instruments and Risk Management

The Company is exposed through its operations to the following financial risks:

- Market Risk
- Credit Risk
- Liquidity Risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous years unless otherwise stated in the note.

General Objectives, Policies and Processes:

The Board of Directors has overall responsibility for determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function. The Board of Directors receive quarterly reports from the Company's Financial Controller through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

Market Risk;

Market risk is the risk that the fair value of future cash flow of a financial instrument will fluctuate because of changes in the market prices. Market prices are comprised of four types of risk: foreign currency risk, interest rate risk, commodity price risk and equity price risk.

i) Foreign Currency Risk:

Foreign currency risk is the risk that a variation in exchange rates between the Canadian dollar and the Argentina Pesos or other foreign currencies will affect the Company's operations and financial results.

ii) Interest Rate Risk:

Interest rate risk is the risk that future cash flow will fluctuate as a result of changes in the market interest rates. The Company does not have any borrowings. Interest rate risk is limited to potential decreases on the interest rate offered on cash and cash equivalents held with chartered Canadian financial institutions. The Company consider this risk to be immaterial.

iii) Commodity Price Risk

The Company's ability to raise capital to fund operation of its properties is subject to risks associated with fluctuations in the market prices of uranium, gold, silver and other commodities.

iv) Equity Price Risk:

Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Company is exposed to this risk through its equity holdings. The available-for-sale investments in the common shares of companies are monitored by Management with decisions on sale taken at Board level.

13. Financial Instruments and Risk Management (continued)

Credit Risk;

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments which are potentially subject to credit risk for the Company consist primarily of cash and cash equivalents. Cash and cash equivalents are maintained with financial institutions of reputable credit and may be redeemed upon demand.

The carrying amount of financial assets represents the maximum credit exposure. The Company has gross credit exposure at December 31, 2015 and 2014 relating to cash and cash equivalents of \$2,522 and \$540, respectively.

Liquidity Risk;

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's policy is to ensure that it always has sufficient cash to allow it to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The key to success in managing liquidity is the degree of certainty in the cash flow projections. If future cash flows are fairly uncertain, the liquidity risk increases. The Company monitors its risk of shortage of funds by monitoring the maturity dates of existing trade and other liabilities.

Determination of Fair Value:

Fair values have been determined for measurement and /or disclosure purposes based on the following methods. When applicable, further information about assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in Levels 1 to 3 based on the degree to which the fair value is observable:

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities; and

Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for asset or liability, either directly as prices or indirectly derived from prices; and

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on an observable market.

14. Capital Management

The Company monitors its cash, common shares, warrants and stock options as capital. The Company's objectives when maintaining capital are to maintain sufficient capital base in order to meet its short-term obligations and at the same time preserve investor's confidence required to sustain future development and production of the business. The Company is not exposed to any externally imposed capital requirements.