VALENCIA VENTURES INC.

FINANCIAL STATEMENTS

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for the years ended
December 31, 2015 and 2014
(expressed in Canadian dollars)

McGovern, Hurley, Cunningham, LLP
Chartered Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Valencia Ventures Inc.

We have audited the accompanying financial statements of Valencia Ventures Inc., which comprise the statements of financial position as at December 31, 2015 and 2014, and the statements of operations and comprehensive loss, statements of cash flows and statements of changes in equity (deficiency) for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Valencia Ventures Inc. as at December 31, 2015 and 2014, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which indicates that the Company had continuing losses during the year ended December 31, 2015 and negative working capital as at December 31, 2015. These conditions along with other matters set forth in Note 1 indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

McGOVERN, HURLEY, CUNNINGHAM, LLP

McGovern, Hurley, Cunningham, LLP

Chartered Accountants
Licensed Public Accountants

TORONTO, Canada
April 28, 2016

VALENCIA VENTURES INC.

Statements of Financial Position

(Expressed in Canadian dollars)

As at:	Notes	December 31, 2015 $	December 31, 2014 $
ASSETS			
Current assets:			
Cash		27,959	347,300
Amounts receivable		5,959	4,805
Prepaid expenses		4,536	10,294
TOTAL ASSETS		38,454	362,399
LIABILITIES AND EQUITY (DEFICIENCY)			
Current liabilities:			
Accounts payable and accrued liabilities		312,531	149,775
Total liabilities		312,531	149,775
Equity:			
Share capital	7	336,896,958	336,896,958
Share-based payments reserve	8	132,700	249,950
Deficit		(337,303,735)	(336,934,284)
Total equity (deficiency)		(274,077)	212,624
TOTAL LIABILITIES AND EQUITY (DEFICIENCY)		38,454	362,399
Nature of operations and going concern	1		
Commitments and contingencies	15		

Approved on behalf of the Board of Directors:

"Fred Leigh"
Director

-See accompanying notes to the financial statements -

VALENCIA VENTURES INC.

Statements of Operations and Comprehensive Loss

(Expressed in Canadian dollars)
For the years ended December 31,

	Notes	2015 $	2014 $
Expenses			
Consulting, management and professional fees		140,517	378,727
Shareholder communications and filing fees	13	43,117	80,480
Office expenses		53,283	72,597
Travel expenses		-	3,069
Bad debt expense	6	250,000	-
Finance (income)		(216)	(664)
Interest expense		-	932
Loss on sale of investments	6	-	165,435
Other losses		-	402
Loss before income tax		486,701	700,978
Deferred income tax (recovery)	14	-	(14,501)
Net loss for the year		(486,701)	(686,477)
Other comprehensive income	9	-	150,000
Comprehensive loss for the year		(486,701)	(536,477)
Basic and diluted loss per share	7, 10	0.03	0.10
Weighted average number of common shares outstanding:			
Basic and diluted	7, 10	16,473,422	7,018,629

-See accompanying notes to the financial statements -

VALENCIA VENTURES INC.

Statements of Cash Flows

For the years ended December 31,
(Expressed in Canadian dollars)

	Notes		2015		2014
Cash provided by (used in)					
Operating activities					
Net loss		$	(486,701)	$	(686,477)
Bad debt expense		$	250,000	$	-
Items not involving cash:					
Deferred income tax recovery			-		(14,501)
Loss on sale of investments			-		165,435
Change in amounts receivable			(1,154)		21,615
Change in prepaid expenses			5,758		(426)
Change in accounts payables and accrued liabilities			162,756		(150,582)
Net cash used in operating activities			(69,341)		(664,936)
Investing activities					
Short-term loan to Chelsea CNG	6		(250,000)		-
Proceeds on sale of investment	6		-		44,565
Net cash provided by investing activities			(250,000)		44,565
Financing activities					
Private placement	7		-		839,500
Net cash provided by financing activities			-		839,500
Change in cash			(319,341)		219,129
Cash, beginning of the year			347,300		128,171
Cash, end of the year			27,959		347,300
Supplemental Information:					
Finders shares issued on private placement	7	$	-	$	22,750
Interest paid		$	-	$	932

-See accompanying notes to the financial statements -

VALENCIA VENTURES INC.

Statements of Changes in Equity (Deficiency)

(Expressed in Canadian dollars)

	Share capital		Share-based payments reserve	Accumulated other comprehensive (loss)	Deficit	Total equity (deficiency)
	No.	$	$	$	$	$
Balance, December 31, 2014	16,473,422	336,896,958	249,950	-	(336,934,284)	212,624
Expiry of stock options	-	-	(117,250)	-	117,250	-
Loss for the year	-	-	-	-	(486,701)	(486,701)
Balance, December 31, 2015	**16,473,422**	**336,896,958**	**132,700**	**-**	**(337,303,735)**	**(274,077)**
Balance, December 31, 2013	2,094,258	336,057,458	415,635	(150,000)	(336,398,990)	(75,897)
Expiry of stock options	-	-	(56,240)	-	56,240	-
Expiry of warrants	-	-	(109,445)	-	94,944	(14,501)
Other comprehensive income	-	-	-	150,000	-	150,000
Private placement (net of issue costs)	13,999,998	816,750	-	-	-	816,750
Finders shares issued on private placement	379,166	22,750	-	-	-	22,750
Loss for the year	-	-	-	-	(686,478)	(686,478)
Balance, December 31, 2014	**16,473,422**	**336,896,958**	**249,950**	**-**	**(336,934,284)**	**212,624**

-See accompanying notes to the financial statements -

1. Nature of operations and going concern

Valencia Ventures Inc. (the "Company" or “Valencia”) is primarily engaged in the acquisition, exploration and evaluation of mineral properties in Canada. The Company currently has no interests in exploration and evaluation properties. The registered head office of the Company is located at 65 Queen Street West, Suite 815, Toronto, Ontario, Canada, M5H 2M5.

The Company’s shares are listed on the NEX Board of the TSX Venture Exchange (“NEX”). The financial statements of the Company for the years ended December 31, 2015 and 2014 were reviewed, approved and authorized for issue by the Board of Directors on April 29, 2016.

The business of exploring for minerals involves a high degree of risk and there can be no assurance that current operations, including exploration and evaluation programs will result in profitable mining operations. The Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise additional financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis.

The Company has a need for equity capital and financing for working capital and exploration and evaluation activities. Because of continuing operating losses, negative working capital and a cumulative deficit as at December 31, 2015, the Company's continuance as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operation. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operations. These financial statements do not include the adjustments that would be necessary should the company be unable to continue as a going concern. Such adjustments could be material.

2. Basis of preparation

These financial statements of the Company were prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”), and have been prepared in accordance with accounting policies based on the IFRS standards and International Financial Reporting Interpretations Committee (“IFRIC”) interpretations. The policies set out in note 4 were consistently applied to all the periods presented unless otherwise noted below.

These financial statements have been prepared on a historical cost basis except for available-for-sale investments which are reflected at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

3. Critical accounting judgements and estimation uncertainties

The preparation of financial statements in conformity with IFRS requires the Company’s management to make judgments, estimates and assumptions about future events that affect the amounts reported in the financial statements and related notes to the financial statements. Although these estimates are based on management’s best knowledge of the amount, event or actions, actual results may differ from those estimates and these differences could be material.

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

- Assets’ carrying values and impairment changes

In the determination of carrying values and impairment changes, management looks at the higher of recoverable amount or fair value less costs to sell in the case of assets and at objective evidence significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period. See note 15.

3. Critical accounting judgements and estimation uncertainties (continued)

- Income taxes and recoverability of potential deferred tax assets

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers whether relevant tax planning opportunities are within the Company's control, are feasible, and are within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

- Share-based payments

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

- Income, value added, withholding and other taxes

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

- Contingencies

See Note 15.

4. Significant accounting policies

Foreign currency translation
The Company's functional and presentation currency is the Canadian dollar. In preparing the financial statements, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Foreign exchange gains and losses are presented in the statement of operations within “other (income) losses”.

Share-based payments
Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in the share-based payment note.

The fair value is measured at grant date and each tranche is recognised on a graded-vesting basis over the period in which options vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share-based payment reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. For those options that expire after vesting, the recorded value is transferred to deficit.

Taxation
Current tax
Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of operations because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off tax assets against tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its tax assets and liabilities on a net basis.

4. Significant accounting policies (continued)

Interest in mineral exploration and development properties

Exploration and evaluation properties

Once a license to explore an area has been secured, expenditures on exploration and evaluation activities, net of government assistance received and pre-production revenues, are capitalized to exploration and evaluation. Exploration and evaluation expenditures relate to the initial search for deposits with economic potential and to detailed assessments of deposits or other projects that have been identified as having economic potential.

Once an economically viable reserve has been determined for an area and the decision to proceed with development has been approved, exploration and evaluation assets attributable to that area are first tested for impairment and then reclassified to construction in progress within mineral properties and deferred exploration expenditures.

Subsequent recovery of the resulting carrying value depends on successful development or sale of the undeveloped project. If a project does not prove viable, all irrecoverable costs associated with the project net of any impairment provisions are written off.

Development properties

When economically viable reserves have been determined and the decision to proceed with development has been approved, the expenditures related to construction are capitalized as construction-in-progress and classified as a component of mineral properties and deferred exploration expenditures. Costs associated with the commissioning of new assets, in the period before they are operating in the way intended by management, are capitalized, net of any pre-production revenues.

Interest on borrowings related to the construction and development of assets are capitalized until substantially all the activities required to make the asset ready for its intended use are complete.

When a mine construction project moves into the production stage, the capitalization of certain mine construction costs ceases and costs are either regarded as inventory or expensed, except for costs which qualify for capitalization relating to mining asset additions or improvements, underground mine development or mineable reserve development.

Depletion

Accumulated mine development costs are depleted on a unit-of-production basis over the estimated economically recoverable reserves of the mine concerned.

Impairment of non-financial assets

The carrying values of exploration and evaluation expenditures are assessed for impairment when indicators of such impairment exist. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated. The recoverable amount is determined as the higher of the fair value less costs to sell for the asset and the asset's value in use.

Impairment is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, the individual assets of the Company are grouped together into cash generating units ("CGUs") for impairment purposes. Such CGUs represent the lowest level for which there are separately identifiable cash inflows that are largely independent of the cash flows from other assets or other group of assets. This generally results in the Company evaluating its non-financial assets on a geographical basis.

If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to the statement of operations so as to reduce the carrying amount to its recoverable amount.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation/amortization, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of operations.

4. Significant accounting policies (continued)

Financial assets
Financial assets within the scope of IAS 39 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or derivatives. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, (i.e., the date that the Company commits to purchase or sell the asset).

The Company's financial assets include cash, investments and loan receivable.

Subsequent measurement
The subsequent measurement of financial assets depends on their classification as follows:
Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in other gains and losses in the statement of operations.

The Company evaluates its financial assets at fair value through profit and loss (held for trading) to determine whether the intent to sell them in the near term is still appropriate. When the Company is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Company may elect, in rare circumstances, to reclassify these financial assets. The reclassification to loans and receivables, available-for-sale or held-to-maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method ("EIR"), less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the statement of operations. The losses arising from impairment are recognised in the statement of operations. Cash and loan receivable have been classified as loans and receivables.

Available for sale
Available-for-sale assets are those financial assets that are not classified as held-for-trading, held-to-maturity or loans and receivables, and are carried at fair value. Any gains or losses arising from the change in fair value are recorded as other comprehensive income. Available-for-sale investments are written down to fair value through operations whenever it is necessary to reflect other than temporary impairment. Cumulative gains and losses arising upon the sale of the instrument are included in operations. Investments are designated between held-for-trading or available-for-sale based on management intentions with the investment. Regular way purchases and sales of financial assets are accounted for at the trade date. Investments have been classified as available for sale.

Derecognition
A financial asset is derecognised when:

- The rights to receive cash flows from the asset have expired.
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
  (a) the Company has transferred substantially all the risks and rewards of the asset; or
  (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

4. Significant accounting policies (continued)

Impairment of financial assets
The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a 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 have occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortized cost, the Company first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of operations. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the statement of operations. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the statement of operations.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

Financial liabilities
Initial recognition and measurement
Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, other financial liabilities, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value, plus in the case of other financial liabilities, directly attributable transaction costs.

The Company's financial liabilities are accounts payable and accrued liabilities.

Subsequent measurement
The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss:
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of operations. The Company has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

4. Significant accounting policies (continued)

Other financial liabilities
After initial recognition, other financial liabilities are subsequently measured at amortized cost using the EIR method. Gains and losses are recognised in the statement of operations when the liabilities are derecognised, as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance cost in the statement of operations.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially lower terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of operations.

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

Fair value of financial instruments
The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

Cash
Cash in the statement of financial position comprise cash at banks and on hand.

For the purpose of the statement of cash flows, cash is as defined above, net of outstanding bank overdrafts.

Provisions
General
Provisions are recognised when (a), the Company has a present obligation (legal or constructive) as a result of a past event, and (b), it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the statement of operations, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Rehabilitation provision
The Company records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas.

The obligation generally arises when the asset is installed or the ground / environment is disturbed at the production location. When the liability is initially recognised, the present value of the estimated cost is capitalised by increasing the carrying amount of the related assets to the extent that it was incurred prior to the production of related ore. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognised in the statement of operations as a finance cost. Additional disturbances or changes in rehabilitation costs will be recognised as additions or charges to the corresponding assets and rehabilitation liability when they occur. For closed sites, changes to estimated costs are recognised immediately in the statement of operations.

Loss per share
Loss per share is based on the weighted average number of common shares of the Company outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding share options and warrants, in the weighted average number of common shares outstanding during the period, if dilutive. During the years ended December 31, 2015 and 2014 all outstanding options and warrants were anti-dilutive and were therefore excluded from the diluted loss per share calculation.

(Expressed in Canadian dollars unless otherwise noted)

4. Significant accounting policies (continued)

Investment in associated company

The equity method is used to account for investments in associated companies where the Company has significant influence. The share of earnings, gains and losses, realized dispositions and write downs to reflect other than temporary impairment are recognised in income and the carrying value of investment is adjusted. The loss in value of an investment in an associated company is considered to be other than a temporary decline when there is significant or prolonged decline in the fair value of an investment below its carrying value. The Company's proportion of dividends paid by the associated company reduces the carrying value of the investment.

5. New and future accounting policies

During the year ended December 31, 2015, the Company adopted an amendment to IAS 24. The adoption of this amendment did not have any material impact on the Company's financial statements.

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after January 1, 2016 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

IAS 1 – Presentation of Financial Statements ("IAS 1") was amended in December 2014 in order to clarify, among other things, that information should not be obscured by aggregating or by providing immaterial information, that materiality consideration apply to all parts of the financial statements and that even when a standard requires a specific disclosure, materiality considerations do apply. The amendments are effective for annual periods beginning on or after January 1, 2016.

6. Investments

		December 31, 2015		December 31, 2014	
		No. held	Value	No. held	Value
	Classification		$		$
Valere Mining Ltd. (a)	Equity investment	17,300,000	-	17,300,000	-
South American Rare Earth Corp. ("SARE") (b)	Available-for-sale	500,000	-	500,000	-
			-		-

(a) The Company owns 50% of Valere Mining Ltd. ("Valere"), however, as the Company does not control Valere, it accounts for it as an equity investment.

(Expressed in Canadian dollars unless otherwise noted)

6. Investments (continued)

(b) The Company owns 500,000 common shares of SARE.

(c) On July 16, 2012, the disposition of the Cachinal Property and the Nuevo Juncal Silver Property was completed. The Company received the remaining cash payment of $174,830 and was issued 3,000,000 common shares of Apogee Silver Ltd. (APE: TSX-V) ("Apogee") valued at $210,000 based on the market price of Apogee's shares on the day of issuance. During the year ended December 31, 2014, the Company sold its Apogee shares for proceeds of $44,565. A realised loss of $nil (December 31, 2014: $165,435) was recorded in the statement of operations and comprehensive loss in the year ended December 31, 2015.

(d) On January 29, 2016, the Company terminated an amalgamation agreement ("Agreement") with Chelsea Natural Gas Ltd., a British Columbia company, ("Chelsea CNG") and 1028827 B.C. LTD., a British Columbia company and a wholly-owned subsidiary of the Company, ("VVI Subco"), whereby the Company would acquire all of the issued and outstanding shares of Chelsea CNG by way of a three-cornered amalgamation. The Company had provided Chelsea CNG with a $250,000 loan for working capital purposes. In connection with the termination, the Company has requested Chelsea CNG to pay back the loan. The Company has fully provided for this loan and has recorded a bad debt expense of $250,000 on the statement of operations.

7. Share capital

a) As at December 31, 2015 and December 31, 2014, the Company's authorized number of common shares was unlimited without par value.

b) Common shares	Number of Shares \#	Amount $
Balance, December 31, 2013	**2,094,258**	**336,057,458**
Private placement, net of cost of issue	13,999,998	839,500
Finders shares issued on private placement	379,166	-
Balance, December 31, 2014 and December 31, 2015	**16,473,422**	**336,896,958**

On June 27, 2014, the Company consolidated its common shares on the basis of one new common share for every eight old common shares held. All references to common shares, per share amounts, warrants and options for all periods presented have been retroactively restated to reflect this consolidation.

On August 28, 2014, the Company completed a private placement of 13,999,998 common shares at a purchase price of $0.06 per share for gross proceeds of approximately $840,000. A former officer of the Company a director of the Company and a corporation controlled by a director of the Company subscribed to 2,250,000 shares of this private placement. A total of 379,166 finder shares were issued to certain finders valued at $22,750 based on the price of the private placement.

(Expressed in Canadian dollars unless otherwise noted)

8. Share-based payments reserve

Under the Company's stock option plan (the "Plan"), the Company may grant to directors, officers, employees and consultants options to purchase shares of the Company. The Plan provides for the issuance of stock options to acquire up to 10% of the Company's issued and outstanding capital. The Plan is a rolling plan as the number of shares reserved for issuance pursuant to the grant of stock options will increase as the Company's issued and outstanding share capital increases. Options granted under the Plan will be for a term not to exceed 5 years.

The Plan provides that it is solely within the discretion of the Board to determine who should receive stock options and in what amounts. In no case (calculated at the time of grant) shall the Plan result in:

- The number of options granted in a 12-month period to any one consultant exceeding 2% of the issued shares of the Company;
- The aggregate number of options granted in a 12-month period to any one individual exceeding 5% of the outstanding shares of the Company;
- The number of options granted in a 12-month period to employees or consultants undertaking investor relations activities exceeding in aggregate 2% of the issued shares of the Company;
- The aggregate number of common shares reserved for issuance to any one individual upon the exercise of options granted under the Plan or any previously established and outstanding stock option plans or grants exceeding 5% of the issued shares of the Company in any 12-month period.

During the year ended December 31, 2015, 20,938 stock options expired unexercised and a value of $117,250 was recorded against deficit (year ended December 31, 2014: 18,500 options valued at $56,240).

The following share-based payment arrangements were in existence during the current and prior reporting periods:

	No. of options	Weighted Average Exercise Price	Value of options	No. of warrants	Weighted Average Exercise Price	Value of warrants	Total Value
	#	$	$	#	$	$	$
December 31, 2013	190,688	2.45	306,190	694,444	1.60	109,445	415,635
Expired	(18,500)	8.00	(56,240)	(694,444)	-	(109,445)	(165,685)
December 31, 2014	172,188	1.00	249,950	-	-	-	249,950
Expired	(20,938)	8.00	(117,250)	-	-	-	(117,250)
December 31, 2015	151,250	1.00	132,700	-	-	-	132,700

STOCK OPTIONS:

No. outstanding	No. exercisable	Grant date	Expiry date	Exercise price	Fair value at grant date	Expected volatility	Expected life (yrs)	Expected dividend yield	Risk-free interest rate
3,125	3,125	29-Jun-11	29-Jun-16	$ 6.40	$ 17,500	137%	5.00	0%	1.44%
80,625	80,625	15-Aug-12	15-Aug-17	$ 0.96	$ 77,400	192%	5.00	0%	1.51%
67,500	67,500	2-May-13	2-May-18	$ 0.80	$ 37,800	190%	5.00	0%	1.15%
151,250	151,250				$ 132,700				

The weighted average remaining contractual life of outstanding options as of December 31, 2015 is 1.95 years (December 31, 2014: 2.70 years)

(Expressed in Canadian dollars unless otherwise noted)

9. Accumulated other comprehensive income

	$
December 31, 2013	(150,000)
Realized on sale of available-for-sale investments (Note 6 (c))	150,000
December 31, 2014 and December 31, 2015	-

10. Loss per share

Total shares issuable from options and warrants excluded from the computation of diluted loss per share because their effect would be anti-dilutive for the year ended December 31, 2015 were 151,250 and nil respectively (2014: 172,188 and nil).

11. Financial instruments

Financial assets and financial liabilities as at December 31, 2015 and 2014 were as follows:

December 31, 2015	Cash, loans and receivables $	Financial liabilities $	TOTAL $
Cash	27,959	-	27,959
Accounts payable and accrued liabilities	-	(312,532)	(312,532)

December 31, 2014	Cash, loans and receivables $	Financial liabilities $	TOTAL $
Cash	347,300	-	347,300
Accounts payable and accrued liabilities	-	(149,775)	(149,775)

The carrying value of amounts receivable and accounts payable and accrued liabilities reflected in the statement of financial position approximate fair value because of the limited term of these instruments.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below. There have been no significant changes in the risks, objectives, policies and procedures for managing risk during the years ended December 31, 2015 and 2014.

Credit risk

The Company's credit risk is primarily attributable to amounts receivable and loan receivable from Chelsea CNG.

Liquidity risk

The Company's approach to managing liquidity risk is to endeavour to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2015, the Company had a cash balance of $27,959 (December 31, 2014: $347,300) to settle current liabilities of $312,532 (December 31, 2014: $149,775). All of the Company's financial liabilities at December 31, 2015 and 2014 have contractual maturities of less than 30 days and are subject to normal trade terms.

Market risk

(a) Interest rate risk

The Company has cash balances at December 31, 2015. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. The Company considers interest rate risk to be minimal as investments are short term, the Company does not carry interest-bearing debt, and expects future financings will be primarily secured from private placements.

11. Financial instruments (continued)

(b) Foreign currency risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company does not carry significant balances in foreign currencies that would give rise to a significant foreign currency risk.

(c) Commodity price risk

The Company is exposed to price risk with respect to commodity prices. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company. Commodity prices fluctuate on a daily basis and are affected by numerous factors beyond the Company's control. The supply and demand for these commodities, the level of interest rates, the rate of inflation, investment decisions by large holders of commodities including governmental reserves and stability of exchange rates can all cause significant fluctuations in prices. Such external economic factors are in turn influenced by changes in international investment patterns and monetary systems and political developments. Price risk is remote as the Company is not a producing entity.

(d) Securities price risk

The Company carries investments in certain public securities for which price fluctuations can affect the Company's earnings. The Company classifies these investments as available-for-sale and price volatility is reflected in other comprehensive income/(loss).

(e) Fair value

A fair value hierarchy prioritizes the methods and assumptions used to develop fair value measurements for those financial assets where fair value is recognized on the statement of financial position. These have been prioritized into three levels:
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3: Inputs for the asset or liability that are not based on observable market data.
Fair value amounts represent point-in-time estimates and may not reflect fair value in the future. The measurements are subjective in nature, involve uncertainties and are a matter of significant judgment.

At December 31, 2015, the Company has financial instruments that are carried at fair value, with an estimated fair value of $nil.

12. Capital management

The Company manages and adjusts its capital structure based on available funds in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company considers its capital to consist of share capital, stock options and warrants.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company's capital management objectives, policies and processes have remained unchanged during the years ended December 31, 2015 and 2014. The Company is not subject to any capital requirements imposed by a lending institution or regulatory body.

(Expressed in Canadian dollars unless otherwise noted)

12. Related party disclosures

During the year ended December 31, 2015, the Company entered into the following transactions in the ordinary course of business with related parties that are not subsidiaries of the Company.

	Purchases of goods and services Year ended December 31, 2015	2014
Forbes & Manhattan, Inc.	$ -	$ 87,500

The Company shares office space and other technical services with other companies who may have similar officers or directors. The costs associated with this space are administered by 2227929 Ontario Inc. Stan Bharti, a former director of the Company, is an officer of Forbes & Manhattan, Inc. An administration fee of $12,500 per month was charged by Forbes & Manhattan, Inc until July 2014.

Compensation of key management personnel of the Company
The remuneration of directors and other members of key management personnel during the period were as follows:

	Year ended December 31, 2015	2014
Short-term benefits	$ 44,250	$ 181,496

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

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends. See note 15.

See also Notes 7 and 8.

14. Income Taxes

a) Provision for Income Taxes

Major items causing the Company's effective income tax rate to differ from the combined Canadian federal and provincial statutory rate of 26.5% (2014 - 26.5%) were as follows:

	2015 $	**2014 $**
(Loss) before income taxes	(486,701)	(686,477)
Expected income tax recovery based on statutory rate	129,000	182,000
Adjustment to expected income tax benefit:		
Stock Based Compensation	-	-
Expired non-capital losses	(225,000)	(306,000)
Expenses not deductible for tax purposes	(44,000)	(32,000)
Other	1,000	(15,501)
Change in Benefit of tax assets not recognized	139,000	157,000
Deferred income tax provision (recovery)	-	(14,501)

(Expressed in Canadian dollars unless otherwise noted)

14. Income Taxes (continued)

b) Deferred Income Tax

Deferred income tax assets have not been recognized in respect of the following deductible temporary differences:

	2015 $	2014 $
Non-capital loss carry-forwards	8,762,000	9,356,000
Capital losses	85,780,000	85,639,000
Share issue costs	14,000	19,000
Mineral property costs	3,122,000	3,122,000
Investments	1,138,000	1,138,000
Other temporary differences	176,000	176,000
Total	98,992,000	99,450,000

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can use the benefits.

The Company has approximately $8,762,000 of non-capital losses in Canada which under certain circumstances can be used to reduce the taxable income of future years. These losses expire in the following periods:

Year	
2026	582,000
2027	1,115,000
2028	1,440,000
2029	877,000
2030	831,000
2031	1,173,000
2032	1,235,000
2033	728,000
2034	540,000
2035	241,000
	8,762,000

15. Commitments and contingencies

The Company is party to certain management contracts. These contracts contain clauses requiring additional payments of up to approximately $22,000 be made upon the occurrence of certain events such as management contract termination and a change of control. As a triggering event has not taken place, the contingent payments have not been reflected in these financial statements.

The Company's exploration activities are subject to various law and regulations governing the protection of the environment. These law and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.