PhosCan CHEMICAL CORP

PHOSCAN CHEMICAL CORP.
(Continued under the laws of Canada)
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JANUARY 31, 2015 AND 2014
(Expressed in Thousands of Canadian Dollars, Unless Otherwise Indicated)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Phoscan Chemical Corp. were prepared by management in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board. The most significant of these accounting principles have been disclosed in the notes to the consolidated financial statements. Management acknowledges responsibility for the preparation and presentation of the consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances.

Management has established processes, which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the consolidated financial statements and (ii) the consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements together with other financial information of the Company for issuance to the shareholders. These consolidated financial statements were authorized for issuance by the Board on April 30, 2015.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

"Stephen D. Case"
Stephen D. Case
President and Chief Executive Officer

"Michael A. Thome"
Michael A. Thome
Chief Financial Officer

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of PhosCan Chemical Corp.

We have audited the accompanying consolidated financial statements of PhosCan Chemical Corp. and its subsidiaries, which comprise the consolidated statement of financial position as at January 31, 2015 and the consolidated statements of operations and comprehensive loss, changes in shareholders' equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated 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 consolidated 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 audit. We conducted our audit 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 judgement, 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 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 PhosCan Chemical Corp. as at January 31, 2015 and its financial performance and its cash flows for the year ended January 31, 2015 in accordance with International Financial Reporting Standards

Other matter

The financial statements of PhosCan Chemical Corp. for the year ended January 31, 2014, were audited by another auditor who expressed an unmodified opinion on those statements on April 28, 2014.

Collins Barrow Toronto LLP

Chartered Accountants
Licensed Public Accountants
Toronto, Ontario
April 30, 2015

PHOSCAN CHEMICAL CORP.
(Continued under the laws of Canada)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Thousands of Canadian Dollars, Unless Otherwise Indicated)
AS AT

	Note	January 31, 2015	January 31, 2014
ASSETS			
Current			
Cash and cash equivalents	6	**$ 50,255**	$ 53,695
Marketable securities		**619**	971
Short term investments	6	**4,135**	1,556
Restricted cash	7	**-**	934
Sundry receivable and prepaid expenses	8	**53**	63
		55,062	57,219
Property, plant and equipment	9	**9**	13
Martison Phosphate Project	10	**1,456**	95,919
		1,465	95,932
		$ 56,527	**$ 153,151**
LIABILITIES			
Current			
Accounts payable and accrued liabilities		**93**	73
Due to a related parties	11(a)	**61**	39
		154	112
Deferred tax	16	**-**	16,039
		154	16,151
SHAREHOLDERS' EQUITY			
Share capital	12	**$ 40,801**	41,767
Share-based payment reserve		**6,588**	6,525
Reduction of capital reserve	12(c)	**93,205**	95,413
Other comprehensive income (loss)		**(230)**	(16)
Deficit		**(83,991)**	(6,689)
		56,373	137,000
		$ 56,527	$ 153,151

EVENTS AFTER REPORTING DATE (Note 17)

Approved by the Board

"Stephen D. Case"	"Stephen H. White"
Stephen D. Case Director, CEO and President	Stephen H. White Director

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

PHOSCAN CHEMICAL CORP.
(Continued under the laws of Canada)
CONSOLIDATED STATEMENTS OF OPERATIONAS AND COMPREHENSIVE LOSS
(Expressed in Thousands of Canadian Dollars, Unless Otherwise Indicated)
FOR THE YEARS ENDED JANUARY 31, 2015 AND 2014

	Note	2015	2014
Expenses			
Administration	13	$ **1,414**	$ 1,213
Share-based payments	12(e)	**63**	188
(Loss) from operations		**(1,477)**	(1,401)
Interest income		**804**	831
Gain (loss) on sale of marketable securities		**(43)**	42
Foreign exchange gain (loss)		**(2)**	157
Impairment of Martison Phosphate Project	10	**(94,745)**	-
Net (loss) before income taxes		**(95,463)**	(371)
Deferred income taxes	16	**16,039**	-
Net (loss) for the year		**(79,424)**	(371)
Other comprehensive income (loss)			
Item that will be reclassified subsequently to income			
Unrealised gain (loss) on marketable securities		**(214)**	7
Net (loss) and comprehensive (loss) for the year		**(79,638)**	(364)
(Loss) per share			
Basic and diluted (expressed in Canadian Dollars)	12(f)	$ **(0.51)**	$ (0.00)

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

PHOSCAN CHEMICAL CORP.
(Continued under the laws of Canada)
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Thousands of Canadian Dollars, Unless Otherwise Indicated)

	Share Capital	Share-based Payment Reserve	Reduction of Capital Reserve	Other Comprehensive income	Deficit	Total
Balance, January 31, 2013	$ 44,247	$ 6,337	$ 101,057	$ (23)	$ (11,888)	$ 139,730
Share-based payments		188	-	-	-	188
Unrealised gain (loss) on available-for-sale marketable securities before reclassification	-	-	-	49	-	49
Reclassification of realised gain on available-for-sale marketable securities	-	-	-	(42)	-	(42)
Repurchase of shares (Note 12(d))	(2,472)	-	(5,644)	-	5,570	(2,546)
Share repurchase costs	(8)					(8)
Net loss for the year	-	-	-	-	(371)	(371)
Balance, January 31, 2014	$ 41,767	$ 6,525	$ 95,413	$ (16)	$ (6,689)	$ 137,000
Share-based payments	-	63	-	-	-	63
Unrealised gain (loss) on available-for-sale marketable securities before reclassification	-	-	-	(257)	-	(257)
Reclassification of realised gain on available-for-sale marketable securities	-	-	-	43	-	43
Repurchase of shares (Note 12(d))	(966)	-	(2,208)	-	2,122	(1,052)
Net loss for the year	-	-	-	-	(79,424)	(79,424)
Balance, January 31, 2015	**$ 40,801**	**$ 6,588**	**$ 93,205**	**$ (230)**	**$ (83,991)**	**$ 56,373**

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

PHOSCAN CHEMICAL CORP.
(Continued under the laws of Canada)
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Thousands of Canadian Dollars, Unless Otherwise Indicated)

	2015	2014
Cash flows from operating activities		
Net loss for the year	**$ (79,424)**	$ (371)
Adjustments not effecting cash:		
Impairment of Martison Phosphate Project	**94,745**	-
Share-based payments	**63**	188
Foreign exchange loss – unrealized	**15**	24
Depreciation	**4**	4
Loss (gain) on sale of marketable securities	**43**	(42)
Deferred income taxes	**(16,039)**	-
	(593)	(197)
Changes in non-cash working capital		
Sundry receivable and prepaid expenses	**10**	(17)
Accounts payable and accrued liabilities	**20**	(43)
Cash flows provided by (used in) operating activities	**(563)**	(257)
Cash flows from investing activities		
Proceeds on sale of marketable securities	**119**	337
Restricted cash	**934**	(934)
Purchase of marketable securities	**(24)**	(737)
Expenditures on Martison Phosphate Project	**(282)**	(167)
Redemption (purchase) of short-term investments	**(2,579)**	20,340
Additions to computer equipment	**-**	(5)
Cash flows used in investing activities	**(1,832)**	18,834
Cash flows from financing activities		
Due to/from related parties	**22**	(16)
Repurchase of shares	**(1,052)**	(2,546)
Share repurchase costs	**-**	(8)
Cash flows provided by financing activities	**(1,030)**	(2,570)
Net increase in cash	**(3,425)**	16,007
Effect of exchange rate changes on cash held in foreign currencies	**(15)**	(23)
Cash, beginning of year	**53,695**	37,711
Cash, end of year	**$ 50,255**	$ 53,695

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

1. REPORTING ENTITY

Phoscan Chemical Corp. (formerly MCK Mining Corp.) (the "Company") was incorporated under the laws of Ontario, Canada. Subsequently, the Company was continued under Section 187 of the Canada Business Corporations Act on October 19, 2006. The Company's common shares are listed on the Toronto Stock Exchange. The registered office of the Company is located at 36 Toronto Street, Suite 1000, Toronto, Ontario, Canada, M5C 2C5. The Company and its subsidiary, Baltic Resources Inc. ("Baltic"), are referred to as a "Group".

The Group's business consists of acquiring, exploring and developing mineral and natural resource properties such as its wholly-owned Martison Phosphate Project (the "Project"). The Project consists of the Martison phosphate deposit, which is located in Northern Ontario, and a planned phosphate mine, beneficiation plant, conversion complex and solid fertilizer production facility.

The Group has not yet determined whether its property contains reserves that are economically recoverable. The recoverability of the amounts shown for the resource property is dependent upon the existence of such economically recoverable reserves, the ability of the Group to obtain the necessary financing to complete exploration, evaluation and development, and the future profitable production or proceeds from disposition of such property.

As set out in Note 10, due to current general market conditions, the market capitalization of the Company and uncertainty in determining future cash flows, management has impaired the value of the Martison Phosphate Project intangibles as at January 31, 2015. Management continues to retain its 100% interest and will continue to evaluate appropriate financing and strategic alternatives to move the project forward.

2. BASIS OF PRESENTATION

Statement of Compliance

The consolidated financial statements have been prepared using historical cost convention (except for financial instruments explained in the accounting policies set out in Note 3 in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). The Group has prepared its comparative periods in accordance with IFRS. All financial information is presented in Canadian dollars rounded to the nearest thousand, except as otherwise indicated.

The Board of Directors approved the consolidated financial statements for the years ended January 31, 2015 and 2014 and authorized their issuance on April 30, 2015.

These financial statements have been prepared in accordance with the accounting policies set out in Notes 2 and 3 which have been applied consistently to all periods presented. In the opinion of management, all adjustments considered necessary for a fair presentation have been included.

Significant Accounting Judgements and Estimates

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

The areas involving accounting estimates are: capitalisation of exploration and evaluation costs; valuation and impairment of the Project; valuation of share-based payments; and deferred taxes.

Basis of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Baltic. Control is achieved when an investor has power over an investee to direct its activities, exposure to variable returns from an investee, and the ability to use the power to affect the investor's returns. All intercompany transactions between the Company and its subsidiary have been eliminated on consolidation.

Functional and Presentation Currency

The consolidated financial statements are presented in Canadian dollars rounded to the nearest thousand, unless otherwise indicated. It is also the Company's functional currency.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting polices set out below have been applied consistently to all periods presented in these consolidated financial statements.

Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation.

Depreciation is calculated on computer equipment and furniture and equipment using the diminishing balance method at the following rates:

Computer equipment:	30%
Furniture and equipment:	20%

Leasehold improvements are written off over the term of the lease.

The Group has applied the cost model as its accounting policy for these assets.

Foreign currency translation

The Group's functional and presentation currency is the Canadian dollar. Foreign currency accounts are translated into Canadian dollars as follows:

- At the transaction date, each asset, liability, revenue or expense is translated into Canadian dollars at the exchange rate in effect at that date; and

- At the reporting date, monetary assets and liabilities are translated into Canadian dollars at the exchange rate in effect at that date and the resulting foreign exchange gains and losses are included in income (loss) in the current period.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and high interest saving accounts with original maturities of three months or less and which are readily convertible into cash.

Short Term Investments

Short term investments include investment grade guaranteed investment certificates ("GIC") with original maturities of less than one year, but greater than three months.

Marketable Securities

The Group's marketable securities consist of an investment in the common equity shares of a publicly traded company. The investment is recognised or derecognised when the common equity shares are purchased or sold in accordance with the regulations of the relevant stock exchange or as agreed with a counterparty. The Group's investment in the marketable securities is classified as "available-for-sale". The initial recognition and classification of the investments as available-for-sale is based on the purpose for which the marketable securities were acquired. Available-for-sale investments are initially measured at cost, including transaction costs, and are measured at fair value on subsequent reporting dates. Gains and losses arising from changes in the fair value of available-for-sale investments are recognised in Other Comprehensive Income ("OCI") or Other Comprehensive Loss in shareholders' equity net of tax until the investments are disposed of or are determined to be impaired.

Realised gains and losses on sale of marketable securities are recognised in net income (loss) for the period.

Exploration and Evaluation

Costs relating to the acquisition, exploration and evaluation of the Project are capitalized as per the Group's policy, until such time as either commercially recoverable reserves are established, or the interest is sold or abandoned. These costs will be amortized against income if the Project is brought into commercial production or charged to income if the Project is, or is to be, abandoned or disposed of.

The Group has applied the cost model as its accounting policy for the Project.

Impairment of Non-Financial Assets

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss.

The Group treats its Project as two Cash Generating Units ("CGU") and reviews its expenditures at least annually for impairment to determine if the carrying value of the Project may not be recoverable. One CGU includes land owned by the Group, while the other includes intangibles on the project. The recoverable amount is the higher of fair value less costs to sell and its value in use. Value in use is the present value of future cash flows expected to be derived from the asset and its eventual disposition.

The recoverability of costs incurred on the Project, including the associated exploration and development expenditures, is dependent upon numerous factors including exploration results, environmental risks, commodity price risk, political risks, and the Group's ability to attain profitable production. It is reasonably possible, based on existing knowledge, that changes in future conditions could require a change in the determination of the need for and amount of any write-down.

Deferred Taxes

Deferred tax assets and liabilities are recognized for the income tax consequences attributed to the differences between the financial statement carrying values and their respective income tax bases. Deferred tax assets and liabilities are measured using substantively enacted income tax rates expected to apply when the asset is realized or the liability is settled. The effect on deferred tax assets and liabilities of a change in tax rates, if any, is included in income (loss) in the period of the rate change. Deferred income tax assets are evaluated and recognised to the extent their realization is considered probable.

Interest Income

Interest income is recognised on a time proportion basis when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income is accrued by reference to the amount invested or balance and the interest rate applicable for the period on a time basis.

Earnings (Loss) per Share

Basic earnings (loss) per common share amounts are computed by dividing earnings (loss) from operations by the weighted-average number of common shares outstanding for the period. Diluted per share amounts reflect the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted to common shares.

Equity Instruments

An equity instrument is a contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

A reduction of stated capital is allowed under the Canada Business Corporations Act by an approval of the Company's shareholders. The effect of the reduction in stated capital is a reclassification within the components of shareholders' equity, with a decrease in share capital and an increase in reduction of capital reserve.

Shares repurchased by the Company for cancellation under the normal course issuer bid (the "Bid") are recognized in equity and are measured at cost. The repurchased shares are recorded as a debit to share capital, a debit to reduction of capital reserve and a credit to deficit.

Share-Based Payments

The Company has a stock-based compensation plan which is described in Note 12(e). All stock-based awards are measured and recognized at the date of grant using the fair-value method. The estimated fair value of the stock options is recorded as share-based payment expense over the vesting period or at the date of grant if the options vest immediately with the corresponding effect recorded in share-based payment reserve within shareholders' equity. Any consideration paid to the Company with respect to the exercise of stock options is credited to share capital along with any related share-based payment reserve.

Financial instruments

All financial instruments are recorded initially at fair value. In subsequent periods, all financial instruments are measured based on the classification adopted for the financial instrument: held to maturity, loans and receivables, assets at fair value through profit or loss ("FVTPL"), available for sale, FVTPL liabilities or other liabilities.

FVTPL assets and liabilities are subsequently measured at fair value with the change in the fair value recognized in net income (loss) during the period.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

Held to maturity assets, loans and receivables, and other liabilities are subsequently measured at amortized cost using the effective interest rate method.

Available for sale assets are subsequently measured at fair value with the changes in fair value recorded in other comprehensive income (loss), except for equity instruments without a quoted market price in an active market and whose fair value cannot be reliably measured, which are measured at cost.

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

The Company has classified its financial instruments as follows:

Financial instrument	Classification	Valuation Method
Cash and cash equivalents	FVTPL	Fair value
Marketable securities	Available-for-sale	Fair value
Short-term investments	FVTPL	Fair value
Restricted cash	FVTPL	Fair value
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Due to related parties	Other liabilities	Amortized cost

Fair value hierarchy

The Company's financial instruments measured at fair value on the balance sheet consist of cash, short-term investments and restricted cash. Cash, short-term investments, and restricted cash are measured at level 1 of the fair value hierarchy. There are three levels of the fair value hierarchy as follows:

Level 1: Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2: Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3: Values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

Impairment of Financial Assets

The Group assesses at each date of the statement of financial position whether a financial asset is impaired.

If there is objective evidence that an impairment loss on assets carried at amortized cost 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 discounted at the financial asset's original effective interest rate.

In respect of sundry receivable, a provision for impairment is made and an impairment loss is recognized in profit and loss when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through the use of an allowance account.

Decommissioning, Restoration and Environmental Liabilities

The operations of the Group may in the future be affected by changes in environmental regulations, including those for future removal and site restoration costs. Environmental expenditures that relate to ongoing environmental and reclamation programs are charged against earnings as incurred or capitalized and amortized depending on their future economic benefits. To date, the Group has not incurred or is not liable to incur environmental reclamation or site restoration expenditures relating to the exploration of its mining interests.

Future Accounting Pronouncements

Standards issued but not yet effective up to the date of issuance of these financial statements are listed below. This list is of standards and interpretations issued that the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective.

IFRS 9 Financial Instruments was issued in final form in July 2014 by the IASB and will replace IAS 39 Financial Instruments: Recognition and Measurement. 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. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 also includes requirements relating to a new hedge accounting model, which represents a substantial overhaul of hedge accounting which will allow entities to better reflect their risk management activities in the financial statements. The most significant improvements apply to those that hedge non-financial risk, and so these improvements are expected to be of particular interest to non-financial institutions. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted.

(Expressed in Thousands of Canadian Dollars, Unless Otherwise Indicated)

4. CAPITAL MANAGEMENT

The Group's capital structure consists of shareholders' equity, which amounted to $56,373 on January 31, 2015 ($137,000 on January 31, 2014). The Company is sourcing and reviewing corporate development opportunities. In addition, the Company has in place a normal course issuer bid and has made investments in marketable securities. Neither the Company nor its subsidiary is subject to externally imposed capital requirements. The capital structure of the Group has not changed in the period ended January 31, 2015.

5. FINANCIAL RISK FACTORS

The Group's risk exposures, their impact and sensitivity analysis are summarized below.

Credit Risk

The Group's credit risk is primarily attributable to cash and cash equivalents, short-term investments and sundry receivable. The Group has no significant concentration of credit risk arising from operations. Cash and cash equivalents of $50,255 (January 31, 2014 - $53,695) and short-term investments of $4,135 (January 31, 2014 - $1,556) consist of deposits in Canadian and U.S. dollar high-interest saving accounts and GICs invested with Canadian financial institutions, all guaranteed by Canadian Schedule I banks but in amounts in excess of the $100 of deposit insurance provided by the Canada Deposit Insurance Corporation. All of the Group's cash and cash equivalents and short-term investments are held with or issued by Canadian financial institutions with a Standard and Poor's ("S&P") credit rating of A or better. The Group manages its counterparty risk by monitoring the credit worthiness of the Canadian financial institution counterparties and management believes the risk of loss to be minimal.

Liquidity Risk

The Group's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at January 31, 2015, the Group had cash and cash equivalents and short-term investments of $54,390 (January 31, 2014 - $55,251) to settle current liabilities of $154 (January 31, 2014 - $112).

The aging analysis of the current liabilities is as follows:

	January 31, 2015	January 31, 2014
Current	**$ 60**	$ 99
30 to 90 days	**-**	13
More than 90 days	**94**	-
	$ 154	$ 112

Management has determined that cash and cash equivalents and short-term investments are of sufficient liquidity to meet the abovementioned financial liabilities.

Market Risk and Sensitivity Analysis

Components of market risk to which the Group is exposed are:

(i) Interest rate risk
(ii) Foreign currency risk
(iii) Equity price risk

Based on management's knowledge and experience of the financial markets, the Group believes the following movements are reasonably possible over one year period:

(i) Cash and cash equivalents and short-term investments include deposits at call which are at variable rates. As at January 31, 2015, if interest rates had decreased/increased by 0.50%, with all other variables held constant, the Group's loss for the year ended January 31, 2015 would have been approximately $275 higher/lower. Similarly, as at January 31, 2015, shareholders' equity would have been approximately $275 lower/higher had interest rates decreased/increased by 0.50%.

(ii) The Group is exposed to foreign currency risk on exchange rate fluctuations related to immaterial amounts of cash and accrued liabilities that are denominated in U.S. dollars and U.K. pounds sterling, respectively. As a result, the Group's foreign currency risk is immaterial.

(iii) The Group's investment in marketable securities amounting to $619 is subject to fair value fluctuations. As at January 31, 2015, if the fair value of the Company's marketable securities had decreased/increased by 50%, which is the volatility of the Group's marketable security investment, with all other variables held constant, comprehensive loss for the year ended January 31, 2015 would have been approximately $310 higher/lower. Similarly, as at January 31, 2015, shareholders' equity would have been approximately $310 lower/higher as a result of a 50% decrease/increase in the fair value of the Company's marketable securities.

Fair Value Hierarchy Disclosure.

All the Group's financial instruments as at January 31, 2015 are valued using Level 1 measurement.

6. CASH AND CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS

The Group's cash and cash equivalents of $50,255 (January 31, 2014 - $53,695) consist of high interest savings accounts and dollar accounts held with Canadian financial institutions. Included in this amount is cash of $14 (January 31, 2014 - $195) denominated in U.S. dollars.

The Group's short-term investments of $4,135 (January 31, 2014 - $1,556) consist of GICs issued by a Canadian bank.

7. RESTRICTED CASH

In July 2013, the Company deposited $932 into a designated account with a trust company (the "Escrowed Funds"). The Escrowed Funds had been placed in trust in order to secure the payment of certain amounts under employment contracts between the Company and its management, which payments are to occur upon the fulfillment of certain conditions. On September 3, 2014 the Escrowed Funds were returned to the Company and accordingly, the amount which had been reported as restricted cash was reclassified and included in cash.

(Expressed in Thousands of Canadian Dollars, Unless Otherwise Indicated)

8. SUNDRY RECEIVABLE AND PREPAID EXPENSES

The aging analysis of the sundry receivable and prepaid expenses is as follows:

	January 31, 2015	January 31, 2014
Current	**$ 25**	$ 31
30 to 90 days	-	-
More than 90 days	-	-
Sundry receivable	**$ 25**	$ 31
Prepaid expenses	**28**	32
Total	**$ 53**	$ 63

9. PROPERTY AND EQUIPMENT

The following table sets forth the cost, accumulated depreciation and net book value of the Group's property and equipment:

	Computer Equipment	Furniture and Equipment	Leasehold Improvements	Total
Cost				
Balance at January 31, 2013	$ 22	$ 3	$ 49	$ 74
Additions	5	-	-	5
Disposals	(1)	-	-	(1)
Balance at January 31, 2014	$ 26	$ 3	$ 49	$ 78
Additions	-	-	-	-
Disposals	-	-	-	-
Balance at January 31, 2015	**$ 26**	**$ 3**	**$ 49**	**$ 78**
Accumulated Depreciation				
Balance at January 31, 2013	$ 18	$ 1	$ 43	$ 62
Depreciation	2	1	1	4
Disposals	(1)	-	-	(1)
Balance at January 31, 2014	$ 19	$ 2	$ 44	$ 65
Depreciation	2	-	2	4
Disposals	-	-	-	-
Balance at January 31, 2015	$ 21	$ 2	$ 46	$ 69
Carrying Amounts				
As at January 31, 2013	$ 4	$ 2	$ 6	$ 12
As at January 31, 2014	$ 7	$ 1	$ 5	$ 13
As at January 31, 2015	**$ 5**	**$ 1**	**$ 3**	**$ 9**

10. MARTISON PHOSPHATE PROJECT

During fiscal year 2000, the Company acquired a 50% interest in the Project by incurring cumulative exploration and evaluation expenditures of $1,334 on the property. On March 10, 2008, the Company completed the acquisition of Baltic pursuant to a plan of arrangement such that the Company now owns a 100% interest in the Project.

(Expressed in Thousands of Canadian Dollars, Unless Otherwise Indicated)

The Group's interest in the Martison phosphate deposit is subject to a net sales returns ("NSR") royalty of 1% for all phosphate concentrate sold, a royalty of $0.40 per tonne of phosphate concentrate produced subject to escalation based on phosphoric acid prices, and an NSR royalty of 2% for all non-phosphate-related products sold. The Company has a one-time right to acquire the 1% NSR royalty prior to commencement of commercial production for $3,000. The holder of the 1% NSR royalty may elect, in her sole discretion, to have the Company's payment made in cash or shares, provided that if regulatory approval to any share issue elected by the holder is not obtained within a reasonable time after the party has used its best efforts to obtain the same, the holder must accept the payment in cash.

The following table sets forth a reconciliation of Project costs from January 31, 2013 to January 31, 2015:

	Land	Intangibles	Total
Balance at January 31, 2013			
Pre-Feasibility Study stage (ii)	$ -	$ 78,693	$ 78,693
Feasibility Study stage	1,456	15,603	17,059
Project costs, January 31, 2013	$ 1,456	$ 94,296	$ 95,752
Additions - Feasibility Study stage (i)	-	167	167
Balance, January 31, 2014			
Pre-Feasibility Study stage (ii)	-	78,693	78,693
Feasibility Study stage	1,456	15,770	17,226
Project costs, January 31, 2014	$ 1,456	$ 94,463	$ 95,919
Additions - Feasibility Study stage (i)	-	282	282
Impairment (iii)			
Pre-Feasibility Study stage	-	(78,693)	(78,693)
Feasibility Study stage	-	(16,052)	(16,052)
Balance, January 31, 2015			
Pre-Feasibility Study stage	-	-	-
Feasibility Study stage	1,456	-	1,456
Project costs, January 31, 2015	**$ 1,456**	**$ -**	**$ 1,456**

(i) During the year ended January 31, 2015, the additions to intangible exploration and evaluation costs included engineering consulting services of $139, overheads of $119 and mining lease payments of $13. During the year ended January 31, 2014, the additions to in intangible exploration and evaluation costs included overheads of $73, metallurgical testing for niobium and rare earth elements of $36, project management consulting of $29 and mining lease payments of $13.

(ii) Of this amount, $70,378 relates to the acquisition of Baltic's 50% interest in the Project.

(iii) Due to current general market conditions, the market capitalization of the Company and uncertainty in determining future cash flows, management has impaired the value of the Martison Phosphate Project intangibles as at January 31, 2015. Management continues to retain its 100% interest and will continue to evaluate appropriate financing and strategic alternatives to move the project forward.

(Expressed in Thousands of Canadian Dollars, Unless Otherwise Indicated)

11. RELATED PARTY TRANSACTIONS

(a) The balance due to a related party is as follows:

	January 31, 2015	January 31, 2014
Due to a firm of which an officer of the Company is a partner ((b)(i))	**$ 23**	$ 13
Due to an officer of the Company for consulting fees ((b)(ii))	**7**	-
Due to directors	**31**	26
Due to related parties	**$ 61**	$ 39

The above amount is unsecured, non-interest bearing and due within 30 days of the invoice date.

(b) Related Party Transactions

(i) The Group paid or accrued professional fees to a law firm, of which the Secretary of the Group is a partner, for the year ended January 31, 2015 in the amounts of $257 (January 31, 2014 - $220). Of this amount, $23 (January 31, 2014 - $5) was capitalised to the Project.

(ii) The Group paid or accrued professional fees to a consulting firm for the services of the current Chief Financial Officer, for the year ended January 31, 2015, in the amount of $19 (January 31, 2014 - $0).

These transactions are in the normal course of operations.

(c) Compensation to Key Management Personnel

Compensation to key management personnel for the years ended January 31, 2015 and January 31, 2014 is as follows:

	January 31, 2015	January 31, 2014
Salaries and benefits	**$ 458**	$ 472
Share-based payments	**63**	168
Consulting fees	**19**	32
Directors' fees (i)	**139**	50

(i) The Group accrued consulting fees for the year ended January 31, 2015 in the amount of $0 to directors (January 31, 2014 - $29), which were capitalized to the Project.

12. SHARE CAPITAL

(a) Authorized

Unlimited number of common shares, one vote per share, no par value
Unlimited number of non-voting special shares, no par value

(Expressed in Thousands of Canadian Dollars, Unless Otherwise Indicated)

(b) Issued

Commons shares	Number of Shares		Amounts
Balance, January 31, 2013	166,100,368	$	44,247
Repurchase of shares (Note 12(d))	(9,277,535)		(2,480)
Balance, January 31, 2014	156,822,833	$	41,767
Repurchase of shares (Note 12(d))	(3,629,040)		(966)
Balance, January 31, 2015	153,193,793	$	40,801

(c) Reduction of Stated Capital

On October 14, 2011, the Board of Directors reduced the stated capital of the common shares by $105,000 pursuant to the authorization given to the directors by the shareholders on February 11, 2009. The purpose of the reduction in stated capital was to satisfy corporate law requirements applicable to undertake a normal course issuer bid. This resulted in a decrease in share capital of $105,000 and an increase in reduction of capital reserve of $105,000.

(d) Normal Course Issuer Bid

On October 18, 2013, a normal course issuer bid which commenced on October 19, 2012 expired (the "Second Expired Bid").

On October 17, 2013, the Company received approval from the Toronto Stock Exchange (the "TSX") to renew the Bid to repurchase up to an additional 10 million of its common shares, representing at that time approximately 8.3% of the public float of the Company. Pursuant to TSX policies, daily purchases made by the Company will not exceed 47,085 common shares, being 25% of the average daily trading volume on the TSX for the past six months, subject to certain exceptions (including block purchases) prescribed by the TSX. All shares purchased under the Bid will be cancelled. The Bid expired on October 20, 2014.

On October 17, 2014, the Company received approval from the Toronto Stock Exchange (the "TSX") to renew its normal course issuer bid to repurchase up to 10 million of its common shares (the "Bid"), representing at that time approximately 8.5% of the public float of the Company. Pursuant to TSX policies, daily purchases made by the Company will not exceed 19,510 common shares, being 25% of the average daily trading volume on the TSX for the six months ended September 30, 2014, subject to certain exceptions (including block purchases) prescribed by the TSX. All shares purchased under the Bid will be cancelled. The Bid expires on October 20, 2015.

During the year ended January 31, 2015 the Company purchased 3,629,040 (2014 – 9,277,535) common shares for cancellation under the Bid for total consideration of $1,052 (2014 - $2,546) including commission. The difference between the consideration and the carrying value of the common shares of $966 (2014 - $2,472) was credited to accumulated deficit. In addition, a portion of the reserve related to the capital reduction in the amount of $2,208 (2014 - $5,644) (calculated on a prorata basis of the number of common shares repurchased to the total number of common shares outstanding) was also credited to accumulated deficit.

(Expressed in Thousands of Canadian Dollars, Unless Otherwise Indicated)

(e) Stock option plan

The changes in stock options for the years ended January 31, 2015 and January 31, 2014 are as follows (per share amounts are expressed in Canadian Dollars):

	January 31, 2015		January 31, 2014	
	Number of Options	**Weighted Average Exercise Price**	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of period	**3,950,000 $**	**0.40**	7,020,000 $	0.72
Granted	-	-	1,050,000	0.40
Forfeited and cancelled	**(925,000)**	**0.40**	(1,500,000)	0.40
Expired	-	-	(2,620,000)	1.25
Outstanding, end of period	**3,025,000 $**	**0.40**	3,950,000 $	0.40
Options exercisable at period end	**2,075,000 $**	**0.40**	1,712,500 $	0.40
Weighted average fair value of options granted during the period	**$**	-	$	0.10
Weighted average fair value of options expired and cancelled during the period	**$**	**0.40**	$	0.14

As of January 31, 2015, the following stock options were outstanding and exercisable:

	Options Outstanding			**Options Exercisable**	
Option Expiry date	**Number of Options**	**Weighted Average Remaining Contractual Life (years)**	**Weighted Average Exercise Price**	**Number of Options**	**Weighted Average Exercise Price**
January 22, 2018 (i)	**2,000,000**	**2.98**	**$ 0.40**	1,550,000 $	0.4(
December 3, 2018 (ii)	**1,025,000**	**3.84**	**0.40**	525,000	0.4(
Outstanding, end of year	**3,025,000**	**3.27**	**$ 0.40**	2,075,000 $	0.4(

The aggregate number of common shares which may be issued under the Company's stock option plan (the "Plan") is limited to 10,000,000 common shares of the Company. As at January 31, 2015, stock options in respect of an additional 4,005,000 common shares were available for issue under the Plan.

(i) The fair value of each tranche of stock options granted on January 21, 2013 was estimated on the date of grant using the Black-Scholes option pricing model with the following inputs: dividend yield of 0%; expected volatility of 70% based on daily closing share prices for the previous 5 year period; risk-free interest rate of 1.48%; share price of $0.28; and expected average life of 5 years.

(ii) The fair value of each tranche of stock options granted on December 2, 2013 was estimated on the date of grant using the Black-Scholes option pricing model with the following inputs: dividend yield of 0%; expected volatility of 53% based on daily closing share prices for the previous 5 year period; risk-free interest rate of 1.73%; share price of $0.28; and expected average life of 5 years.

(iii) On January 21, 2013, 4,400,000 stock options were granted to officers, directors and employees of the Company. The stock options are exercisable at $0.40 per common share, expire within a period of five years and are subject to vesting restrictions. The fair value of each tranche of stock options was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0%; expected volatility of 70%; risk-free interest rate of 1.48% and an expected average life of 5 years. The estimated value of $620 thousand will be recorded in the statements of loss, comprehensive loss and credited to share-based payment reserve as the stock options vest.

(iv) On September 13, 2013, a director of the Company who had been granted 500,000 stock options on January 21, 2013 at an exercise price of $0.40 per common share resigned. On the resignation date, 375,000 stock options, being the number of stock options that had not vested, were forfeited by the director and cancelled by the Company.

(v) On October 4, 2013, two directors of the Company who had each been granted 500,000 stock options on January 21, 2013 at an exercise price of $0.40 per common share resigned. On the resignation date, 375,000 stock options held by each director, being the respective number of stock options that had not vested, were forfeited by each director and cancelled by the Company. The balance held by each director, being 125,000 stock options, had vested and remain exercisable until January 2, 2014.

(vi) On December 2, 2013, 1,050,000 stock options were granted to officers, directors and employees of the Company. The stock options are exercisable at $0.40 per common share, expire within a period of five years and are subject to vesting restrictions. The fair value of each tranche of stock options was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0%; expected volatility of 53%; risk-free interest rate of 1.73% and an expected average life of 5 years. The estimated value of $110 thousand will be recorded in the statements of loss, comprehensive loss and credited to share-based payment reserve as the stock options vest.

(vii) On June 19, 2014, an employee of the Company who had been granted 50,000 stock options on January 21, 2013 at an exercise price of $0.40 per common share resigned. On the resignation date, 25,000 stock options, being the number of stock options that had not vested, were forfeited by the employee and cancelled by the Company. The balance being 25,000 stock options, had vested and were unexercised and were cancelled on September 17, 2014

(Expressed in Thousands of Canadian Dollars, Unless Otherwise Indicated)

(viii) On July 31, 2014, a director of the Company who had been granted 500,000 stock options on January 21, 2013 at an exercise price of $0.40 per common share resigned. On the resignation date, 250,000 stock options, being the number of stock options that had not vested, were forfeited by the director and cancelled by the Company. The balance being 250,000 stock options, had vested and were unexercised and were cancelled on October 29, 2014

(ix) On September 2, 2014, an employee of the Company who had been granted 150,000 stock options on January 21, 2013 at an exercise price of $0.40 per common share resigned. On the resignation date, 75,000 stock options, being the number of stock options that had not vested, were forfeited by the employee and cancelled by the Company. The balance being 75,000 stock options, had vested and were unexercised and were cancelled on December 1, 2014

(x) On December 18, 2014, an officer of the Company who had been granted 400,000 stock options on January 21, 2013 at an exercise price of $0.40 per common share, and 50,000 stock options on December 2, 2013 at an exercise price of $0.40 per common share, resigned. On the resignation date, 200,000 of the January 21, 2013 stock options, and 25,000 of the December 2, 2013 stock options, being the number of stock options that had not vested, were forfeited by the officer and cancelled by the Company. The balance being 200,000 of the January 21, 2013 stock options and 25,000 of the December 2, 2013, had vested and were unexercised and were cancelled on March 18, 2015

(f) Basic and Diluted (Loss) per Share

The following table sets forth the computation of basic and diluted (loss) per share (per share amounts expressed in Canadian Dollars):

	January 31, 2015	**January 31, 2014**
Net (loss) for the year	**$ (79,424)**	**$ (371)**
Weighted-average number of common shares	**156,055,726**	**161,895,832**
Basic and diluted (loss) per share	**$ (0.51)**	**$ (0.00)**

13. ADMINISTRATION EXPENSES

The following table sets forth the items under administration expenses:

	January 31, 2015	January 31, 2014
Salaries and benefits (Note 11)	**$ 553**	$ 609
Professional and legal fees (Note 11(b)(ii))	**484**	316
Directors' fees (Note 11)	**139**	50
Reporting issuer costs	**66**	70
Rent	**75**	67
Depreciation	**4**	4
Other	**93**	97
	$ 1,414	$ 1,213

(Expressed in Thousands of Canadian Dollars, Unless Otherwise Indicated)

14. COMMITMENTS AND CONTINGENCIES

i) The future minimum payments under the Company's operating leases for office premises, warehouse facilities and office equipment are as follows:

Not later than 1 year	$	48
Later than 1 year but less than 5 years		78
	$	126

(ii) The Group has three 21 year mining leases with the Province of Ontario which grant the Company surface and mining rights to the Deposit. One of the mining leases commenced on August 1, 2002 and the remaining two on May 1, 2011. The annual payment for the August 1, 2002 lease is $1 and the aggregate annual payment for the May 1, 2011 leases is $12.

(ii) In order to develop the Project, the Group will be required to enter into an Impact and Benefit Agreement ("IBA") with a First Nation. The IBA concerns lands that the Group will explore and develop as part of the Project and which the First Nation asserts are its traditional lands and in respect of which the First Nation asserts it holds constitutionally protected rights. The Group expects to reimburse the First Nation for legal, professional advisory and other out-of-pocket expenses that the First Nation will incur during their participation in negotiations with the Group regarding the IBA.

(iii) Upon commencement of commercial production at the Project, an NSR royalty, a phosphate concentrate production royalty and an NSR royalty on production of products other than phosphate concentrate are payable to a successor or permitted transferee as assigned by a former director (Note 10).

15. SEGMENTED INFORMATION

The Group's operations comprise a single reporting operating segment engaged in mineral exploration and evaluation of the Project in Ontario, Canada.

16. INCOME TAXES

The movement in deferred tax in the statement of financial position and the Company's deferred tax assets and liabilities are as follows:

Nature of temporary differences		**2015**		2014
Non-capital loss carry-forwards	**$**	**3,060**	$	2,771
Exploration and evaluation expenditures		**9,205**		1,637
Capital loss carry-forwards		**840**		793
Cumulative eligible capital		**17**		13
Equipment		**23**		12
Marketable securities		**57**		4
Total deferred tax assets		**13,202**		5,230
Impairment allowance		**(13,202)**		(5,230)
Deferred income tax assets recognized	**$**	**-**	$	-

(Expressed in Thousands of Canadian Dollars, Unless Otherwise Indicated)

As at January 31, 2014, the Company had deferred income tax liabilities of $16,039 which were recorded as part of the purchase price allocation for Baltic. The deferred income tax liabilities arose because the portion of the purchase price for Baltic allocated to the 50% of the Project owned by Baltic exceeded the carry-forward tax values. As at January 31, 2015, the Company impaired the value of the Martison Phosphate Project intangibles and consequently reversed the deferred tax liabilities.

Income taxes differ from that which would be expected from applying the combined effective Canadian federal and provincial tax rates of 26.5% (2014- 25%) to the loss before income taxes as follows:

	2015	2014
Net income (loss) before income taxes	**$ (95,463)**	$ (371)
Income tax (recovery) at the combined federal and provincial rate of 26.5% (2014 - 25%)	**(25,298)**	(93)
Non-deductible stock-option compensation	**15**	47
Difference due to non-conterminous year-end of Baltic	**17**	4
Non-taxable capital (gain) loss on the sale of securities	**12**	(5)
Change in tax rate and other	**1,314**	1
Potential income tax recovery not recognized	**7,901**	46
Total income tax (recovery)	**$ (16,039)**	$ -

The Company has non-capital loss carry forwards of approximately $11,549, Canadian exploration and evaluation expenditures of approximately $34,196, and foreign exploration and evaluation expenses of approximately $1,974, all of which can be used to reduce future years' taxable income. The Company has capital losses of approximately $6,341, which can be used to reduce future capital gains. The potential tax benefit of these losses and expenditures has not been recognized in these financial statements. The non-capital losses will expire as follows:

2016	$ 248
2017	352
2028	744
2029	1,173
2030	2,635
2031	1,948
2032	1,777
2033	1,290
2034	844
2035	538
	$ 11,549

17. EVENTS AFTER THE

For the period February 1, 2015 to April 30, 2015, the Company repurchased 945,010 common shares for cancellation under its normal course issuer bid for total consideration of $273 including commission (Note 12(d)).