Condensed Interim Consolidated Financial Statements

Stroud Resources Ltd.

March 31, 2015 and 2014

Management's Responsibility for the Condensed Interim Consolidated Financial Statements

The accompanying unaudited condensed interim consolidated financial statements of Stroud Resources Ltd. (the "Company") are the responsibility of management and have been approved by the Board of Directors.

The unaudited condensed interim consolidated financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the unaudited condensed interim consolidated financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the date of the reporting period. In the opinion of management, the unaudited condensed interim consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Financial Reporting Standards.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors is responsible for reviewing and approving the unaudited condensed interim 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 unaudited condensed interim 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 unaudited condensed interim consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

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.

"Howard Atkinson"
Howard Atkinson
Director

"Mirsad Jakubovic"
Mirsad Jakubovic
Chief Executive Officer

Notice of no Auditor Review of Interim Financial Statements

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Stroud Resources Ltd.
Incorporated under the laws of Ontario

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

[Expressed in Canadian dollars]
[See note 2 - going concern]

As at

	March 31, 2015	December 31, 2014
	Cad $	**Cad $**
ASSETS		
Current		
Cash and cash equivalents	**4,943**	36,941
Accounts receivable	**54,661**	51,930
Total current assets	**59,604**	88,871
Capital assets, net *[note 5]*	**123,200**	132,000
Mineral properties and deferred costs *[note 6]*	**1,337,249**	1,334,050
Oil and gas interests, net of accumulated depletion *[note 7]*	**4,027**	4,777
	1,524,080	1,559,698
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	**1,210,972**	1,158,619
Advances from shareholders *[note 8]*	**940,275**	940,275
Total current liabilities	**2,151,247**	2,098,894
Long term income tax payable	**2,368**	2,368
Total Liabilities	**2,153,615**	2,101,262
Commitments *[notes 6 and 12]*		
Shareholders' equity *[note 9]*		
Share capital	**19,968,215**	19,968,215
Reserves	**3,029,023**	3,029,023
Deficit	**(23,628,504)**	(23,540,533)
Accumulated other comprehensive loss	**1,731**	1,731
Total shareholders' equity	**(629,535)**	(541,564)
	1,524,080	1,559,698

See accompanying notes

On behalf of the Board:

"Mirsad Jakubovic"
Director

"Howard Atkinson"
Director

Stroud Resources Ltd.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

[Expressed in Canadian dollars]

For the three months ended March 31,

	2015	2014
	$	$
OIL AND GAS OPERATIONS		
Revenue, net of royalties	**7,265**	26,140
Operating expenses	**5,944**	6,583
Depletion of oil and gas interests	**750**	1,000
	6,694	7,583
Income from oil and gas operations	**571**	18,557
ADMINISTRATIVE EXPENSES		
Business development	**—**	13,500
Interest expense	**33,711**	16,000
Licences and fees	**7,400**	5,200
Office and general	**246**	2,505
Depreciation	**8,800**	611
Professional fees	**18,237**	35,250
Rent	**1,369**	9,857
Mineral property expenditures	**18,779**	—
	88,542	82,923
Net loss and comprehensive loss	**(87,971)**	(64,366)
Basic and fully diluted loss per share	$(0.001)	$(0.001)
Weighted average number of common shares outstanding *[000's]*	**196,441**	196,441

See accompanying notes

Stroud Resources Ltd.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

[Expressed in Canadian dollars]

Three months ended March 31,

	2015	2014
	$	$
OPERATING ACTIVITIES		
Net loss for the period	**(87,971)**	(64,366)
Add items not involving cash		
Depletion and amortization	**9,550**	1,611
	(78,421)	(62,755)
Net change in non-cash working capital balances related to operations *[note 10]*	**49,622**	67,254
Cash used operating activities	**(28,799)**	4,499
INVESTING ACTIVITIES		
Mineral properties and deferred costs	**(3,199)**	(3,858)
Cash used in investing activities	**(3,199)**	(3,858)
Net increase (decrease) in cash and cash equivalents during the period	**(31,998)**	641
Cash and cash equivalents, beginning of period	**36,941**	1,809
Cash and cash equivalents, end of period	**4,943**	2,450

See accompanying notes

Stroud Resources Ltd.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

[Expressed in Canadian dollars]

	Common shares		Warrants		Other reserves	Deficit	Accumulated other comprehensive income (loss)	Total shareholders' equity
	#	$	#	$	$	$	$	**$**
December 31, 2012	189,540,650	19,850,215	4,114,715	146,106	2,862,917	(10,749,847)	(6,914)	**12,102,477**
Expiration of warrants	—	2,600	(4,114,715)	(146,106)	143,506	—	—	-
Net loss for the period	—	—	—	—	—	(129,320)	—	**(129,320)**
Cumulative translation adjustment	—	—	—	—	—	—	1,600	**1,600**
March 31, 2013	189,540,650	19,852,815	-	-	3,006,423	(10,879,167)	(5,314)	**11,974,757**
Net loss for the period	—	—	—	—	—	(103,334)	—	**(103,334)**
Cumulative translation adjustment	—	—	—	—	—	—	700	**700**
June 30, 2013	189,540,650	19,852,815	-	-	3,006,423	(10,982,501)	(4,614)	**11,872,123**
Issuance of common shares	6,900,000	115,400	3,450,000	22,600		—	—	138,000
Net loss for the period	—	—	—	—	—	(92,248)	—	**(92,248)**
Cumulative translation adjustment	—	—	—	—	—	—	400	**400**
September 30, 2013	196,440,650	19,968,215	3,450,000	22,600	3,006,423	(11,074,749)	(4,214)	**11,918,275**
Net loss for the period	—	—	—	—	—	(123,855)	—	(123,855)
Cumulative translation adjustment	—	—	—	—	—	—	8,543	8,543
December 31, 2013	196,440,650	19,968,215	3,450,000	22,600	3,006,423	(11,198,604)	4,329	**11,802,963**
Net loss for the period	—	—	—	—	—	(64,366)	—	(64,366)
March 31, 2014	**196,440,650**	**19,968,215**	**3,450,000**	**22,600**	**3,006,423**	**(11,262,970)**	**4,329**	**11,738,597**
Net loss for the period	—	—	—	—	—	(70,034)	—	(70,034)
Cumulative translation adjustment	—	—	—	—	—	—	—	—
June 30, 2014	**196,440,650**	**19,968,215**	**3,450,000**	**22,600**	**3,006,423**	**(11,333,004)**	**4,329**	**11,668,563**
Net loss for the period	—	—	—	—	—	(62,349)	—	(62,349)
Cumulative translation adjustment	—	—	—	—	—	—	—	—
September 30, 2014	**196,440,650**	**19,968,215**	**3,450,000**	**22,600**	**3,006,423**	**(11,395,353)**	**4,329**	**11,606,214**
Net loss for the period	—	—	—	—	—	(12,145,180)	(2,598)	(12,147,778)
December 31, 2014	**196,440,650**	**19,968,215**	**3,450,000**	**22,600**	**3,006,423**	**(23,540,533)**	**1,731**	**(541,564)**
Net loss for the period	—	—	—	—	—	(87,971)	—	(87,971)
March 31, 2015	**196,440,650**	**19,968,215**	**3,450,000**	**22,600**	**3,006,423**	**(23,628,504)**	**1,731**	**(629,535)**

See accompanying notes

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

[Expressed in Canadian dollars unless otherwise noted]

March 31, 2015 and 2014

1. CORPORATE INFORMATION

Stroud Resources Ltd. [the 'Company' or 'Stroud'] was incorporated on March 18, 1983 under the laws of the Province of Ontario. Stroud is an international mineral exploration company with an exploration portfolio in Canada and Mexico. The Company holds its interest in its Mexican properties through its wholly owned subsidiary, Compañia Minera San Diego y La Espanola S.A. de C.V. ['Compañia Minera'], which holds prospecting and exploration permits for the properties. The address of the Company's registered office is 1090 Don Mills Road, Suite 404, Toronto, Ontario M3C 3R6, Canada.

2. CONTINUANCE OF OPERATIONS AND GOING CONCERN

The Company has not yet determined whether its properties contain mineral reserves that are economically recoverable. The recoverability of the amounts shown for exploration and development costs is dependent upon the existence of economically recoverable resources, the ability of the Company to obtain all necessary permits and raise financing to complete the exploration and development, and future profitable production or proceeds from the disposition of such properties. In addition, the Company's properties may be subject to sovereign risk, including political and economic uncertainty, changes in existing government regulations to mining which may withhold the receipt of required permits or impede the Company's ability to acquire the necessary surface rights as well as currency fluctuations and local inflation. These risks may adversely affect the investment in the properties and may result in the impairment or loss of all or part of the Company's mineral properties.

These condensed interim consolidated financial statements have been prepared using accounting policies applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they become due. The Company has an accumulated deficit of $23,628,504 as at March 31, 2015 [December 2014 - $23,540,533] of which a comprehensive loss of $87,971 was incurred during the current period. For the period ended March 31, 2015, the Company had negative operating cash flows of $28,799 [December 2014- $86,943] and as at March 31, 2015, its current liabilities exceeded its current assets by $2,091,643 [December 31, 2014 - $2,010,023].

The Company does not have sufficient cash to continue its operations for the foreseeable future and will require additional financing [note 13] which, if not raised, would result in the curtailment of activities, to the extent appropriate counterparties can be found, the sale, option or joint venturing of assets. The Company's ability to continue to meet its obligations and carry out its planned exploration activities is uncertain and dependent upon its ability to obtain further funds. There can be no assurances that the Company will be able to raise sufficient financing or on terms acceptable to management. The outcome of these matters cannot be predicted at this time and, accordingly, these matters create a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. If the going concern assumption is not appropriate, adjustments will be necessary to carrying amounts and classification of assets, liabilities and expenses in the condensed interim consolidated financial statements. Such adjustments could be material.

3. BASIS OF PRESENTATION

Statement of compliance

These condensed interim consolidated financial statements, including comparative figures, have been prepared in accordance with International Financial Reporting Standards ['IFRS'] as issued by the International Accounting Standards Board ['IASB'].

The condensed interim consolidated financial statements were authorized for issue on June 1, 2015, the date the Board of Directors approved the consolidated financial statements.

Significant accounting judgments, estimates and assumptions

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies.

[a] Principles of consolidation

The condensed interim consolidated financial statements reflect the financial position and results of operations of the Company and its wholly owned subsidiary Compañia Minera. All intercompany transactions and balances have been eliminated.

[b] Comprehensive loss

Comprehensive loss is comprised of net loss and other comprehensive loss. Other comprehensive income (loss) is comprised of the cumulative translation adjustment of its wholly-owned subsidiary Compañia Minera. The components of comprehensive loss, if any, are disclosed in the consolidated statements of loss and comprehensive loss.

[c] Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances with banks, and short-term fixed income deposits with original maturity dates shorter than three months.

[d] Exploration and evaluation expenditures

The Company is in the exploration stage with respect to its investment in mineral properties and follows the practice of capitalizing all costs relating to the acquisition of, exploration for and development of mineral claims and crediting all revenues received against the cost of the related claims. Such costs include, but not are not limited to, geological, geophysical studies, exploratory drilling and sampling. At such time as commercial production commences, these costs will be charged to operations on a unit-of-production method based on proven and probable reserves. Exploration and evaluation ['E&E'] assets are assessed for impairment only when facts and circumstances suggest that the carrying amount of an E&E asset may exceed its recoverable amount and when the Company has sufficient information to reach a conclusion about technical feasibility and commercial viability.

Industry-specific indicators for an impairment review arise typically when one of the following circumstances applies:

- Substantive expenditure on further exploration activities is neither budgeted nor planned;
- Title to the asset is compromised;
- A significant deterioration in expected future commodity prices;
- A significant adverse movement in foreign exchange rates;
- A significant increase in market interest rates; and
- Adverse changes in government regulations and environmental law.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within capital assets.

[e] Capital assets

Capital assets are stated at cost less accumulated depreciation and accumulated impairment losses, if any. The cost of an item of capital assets consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Depreciation is provided at rates calculated to write off the cost of capital assets, less their estimated residual value, using the declining balance method over the following expected useful lives:

Motor vehicle	30%
Furniture and fixtures	20%
Other equipment	30%
Drilling equipment	20%

If impairment indicators are present, the Company compares the carrying value of capital assets to estimated net recoverable amounts, based on estimated future cash flows to determine whether there is any impairment. The depreciation method, useful life and residual values are assessed annually.

[f] Share-based payment plans

The amount expensed for stock-based compensation is based on the application of the Black-Scholes option pricing model, which is highly dependent on the expected volatility of the Company's registered shares and the expected life of the options. The Company uses an expected volatility rate for its shares based on past stock trading data and actual volatility may be significantly different. While the estimate of the fair value of stock-based compensation can have a material impact on the operating results reported by the Company, it is a non-cash charge and, as such, has no impact on the Company's cash position or future cash flows.

[g] Determination of reserves and resources

The Company uses the services of experts to estimate the indicated and inferred resources of its mineral properties in Mexico and Canada. These experts express an opinion based on certain technological and legal information as prepared by management as being current, complete and accurate as of the date of their calculations and in compliance with National Instrument 43-101. These estimated resources are used in the evaluation of the carrying values, amortization rates and the timing of cash flows.

[h] Income taxes

Income taxes are calculated using the liability method of tax accounting. Under this method, current income taxes are recognized for the estimated income taxes payable for the current year. Deferred income tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and on unclaimed losses carried forward and are measured using the substantively enacted tax rates that are expected to be in effect when the differences are expected to reverse or losses are expected to be utilized.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates [and tax laws] that have been enacted or substantively enacted at the reporting date.

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

[i] Provision for environmental rehabilitation

If required, provision will be made for asset retirement, restoration and for environmental rehabilitation costs [which include the dismantling and demolition of infrastructure, removal of residual materials and remediation of disturbed areas] in the financial period when the related environmental disturbance occurs, resulting in a legal or constructive obligation to the Company. The provision would be based on the estimated future costs using information available at the consolidated statement of financial position date. The provision would be discounted using a current market-based pre-tax discount rate and the accretion of the discount would be included in amortization and accretion expense. At the time of establishing the provision, a corresponding asset would be capitalized, where it gives rise to a future benefit, and depreciated over future production from the mine to which it relates.

Any provision would be reviewed on an annual basis for changes to obligations, legislation or discount rates that effect change in cost estimates or life of operations. The cost of the related asset would be adjusted for changes in the provision resulting from changes in the estimated cash flows or discount rate, and the adjusted cost of the asset would be depreciated prospectively.

[j] Foreign currency

The functional currency of the Company is the Canadian dollar and the functional currency of the Company's subsidiary is the Mexican peso. The condensed interim consolidated financial statements are presented in Canadian dollars, which is the Company's presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the condensed interim consolidated statements of loss and comprehensive loss.

The results and financial position of entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each consolidated balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each consolidated statement of loss and comprehensive loss are translated at average exchange rates [unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the date of the transaction]; and
- all resulting exchange differences are recognized as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations is recorded in equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognized in the consolidated statements of loss and comprehensive loss as part of the gain or loss on sale.

[k] Financial instruments

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and short-term advances. The Company has designated its cash and cash equivalents as financial assets at fair value through profit or loss, which are measured at fair value. Accounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities and short-term advances are classified as other financial liabilities, which are measured at amortized cost.

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the condensed interim consolidated statement of financial position at fair value with changes in fair value recognized in the condensed interim consolidated statement of loss and comprehensive loss.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the condensed interim consolidated statement of loss and comprehensive loss.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss recognized in the condensed interim consolidated statement of loss and comprehensive loss.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

Financial liabilities
The Company classifies its financial liabilities as other financial liabilities. This category includes accounts payables, accrued liabilities and short-term advances, which are recognized at amortized cost.

Determination of fair value
The Company has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies; however, considerable judgment is required to develop these estimates. The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements of the fair value of financial assets and liabilities.

- Level one includes quoted prices [unadjusted] in active markets for identical assets or liabilities.
- Level two includes inputs that are observable other than quoted prices included in level one.
- Level three includes inputs that are not based on observable market data.

The Company has determined that available-for-sale instruments and other financial assets fall within level one of the fair value hierarchy, and all other financial instruments outstanding as at the date of the condensed interim consolidated statements of financial position fall within level two of the fair value hierarchy.

[l] Loss per share

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the year. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the year, if dilutive. The 'treasury stock method' is used for the assumed proceeds upon the exercise of the options and warrants that are used to purchase common shares at the average market price during the year.

[m] Significant accounting judgments

The critical judgments that the Company's management has made in the process of applying the Company's accounting policies, apart from those involving estimations, that have the most significant effect on the amounts recognized in the Company's condensed interim consolidated financial statements, are related to the economic recoverability of the mineral properties, functional currency determination for the Company and its subsidiaries, and assumption of going concern (refer to note 2).

[n] Significant accounting estimates

The preparation of these condensed interim consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The condensed interim consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the consolidated statements of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- the recoverability of amounts receivable and prepayments which are included in the consolidated statements of financial position;
- impairment of non-financial assets;
- the estimated useful lives of capital assets, which are included in the consolidated statement of financial position and the related depreciation included in the consolidated statements of loss and comprehensive loss;
- the inputs used in accounting for share-based compensation expense in the consolidated statements of loss and comprehensive loss;
- the provision for income taxes which is included in the consolidation statements of loss and comprehensive loss and compositions of deferred income tax assets and liabilities included in the consolidated statement of financial position as at December 31, 2014; and
- the inputs used in determining the various commitments and contingencies accrued in the consolidated statements of financial position.

[o] Flow-through shares

Flow-through shares issued are recognized in share capital based on the quoted market price of the Company's shares on the date of issue. Any premium between the amount recognized in common shares and the amount the investor pays for the shares is recognized as a deferred gain, which is recognized in net income as gain on flow-through share premium when the eligible expenditures are renounced and the related spending has occurred.

[p] New accounting standards and interpretation

The Company has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2014. The changes were made in accordance with the applicable transitional provisions.

IAS 32 *Financial Instruments: Presentation* ("IAS 32")

In December 2011, IAS 32 Financial Instruments, Presentation has been amended to clarify the requirements for offsetting financial assets and liabilities. The amendments clarify that the right to offset must be available on the current date and cannot be contingent on a future event. These amendments are effective for annual periods beginning on or after January 1, 2014. The adoption of IAS 32 did not result in any changes to disclosures in the Company's consolidated financial statement.

IFRIC 21 *Levies*

IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014. The adoption of IFRIC 21 did not result in any impact on the consolidated financial statements.

The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Future changes in accounting standards:

The following are future changes in accounting policies effective as at March 31, 2015 that may impact the Company:

IFRS 9, Financial Instruments (“IFRS 9”)

International Financial Reporting Standard 9, Financial Instruments (“IFRS 9”), as issued in 2014, introduces new requirements for the classification and measurement of financial instruments, a new expected-loss impairment model that will require more timely recognition of expected credit losses and a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. IFRS 9 also removes the volatility in profit or loss that was caused by changes in an entity’s own credit risk for liabilities elected to be measured at fair value. IFRS 9 is effective for annual periods beginning on or after

January 1, 2018. Earlier application is permitted. The Company has not yet begun the process of evaluating the impact of this standard on its consolidated financial statements.

IFRS 15, Revenue from Contracts with Customers (“IFRS 15)

International Financial Reporting Standard 15, Revenue from Contracts with Customers (“IFRS 15”), was issued in May 2014, which will replace IAS 11, Construction Contracts, IAS 18, Revenue Recognition, IFRIC 13, Customer Loyalty Programmes, IFRIC 15, Agreements for the Construction of Real Estate, IFRIC 18, Transfers of Assets from Customers, and SIC-31, Revenue – Barter Transactions Involving Advertising Services. IFRS 15 provides a single, principles-based five-step model that will apply to all contracts with customers with limited exceptions, including, but not limited to, leases within the scope of IAS 17; financial instruments and other contractual rights or obligations within the scope of IFRS 9, IFRS 10, Consolidated Financial Statements and IFRS 11, Joint Arrangements. In addition to the five-step model, the standard specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The incremental costs of obtaining a contract must be recognized as an asset if the entity expects to recover these costs. The standard’s requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity’s ordinary activities. IFRS 15 is required for annual periods beginning on or after January 1, 2017. Earlier adoption is permitted. The Company has not yet begun the process of evaluating the impact of this standard on its consolidated financial statements.

[q] Impairment of non-financial assets

The carrying values of mineral properties and deferred costs are reviewed periodically, when impairment factors exist, for possible impairment. If it is determined that the estimated net recoverable amount is less than the carrying value, then a write-down to the estimated fair value amount is made with a charge to operations. The estimated recoverable amount of a development property include estimates of recoverable ounces of gold and silver based on estimated resources.

Acquisition costs of mining claims, together with direct exploration and development expenditures thereon, are capitalized in the accounts by specific project and are written off if the project area is abandoned. When the carrying value of a property exceeds its net recoverable amount, the excess is charged to income.

Upon sale of an entire property, the capitalized costs of the property are removed from the accounts and any gain or loss thereon is recorded in income. Upon partial sale of a property, the proceeds are netted against the capitalized costs of the property and no gain or loss is recognized thereon.

[r] Oil and gas interests

Costs capitalized include land acquisition costs, geological and geophysical expenditures, rentals on undeveloped properties and drilling and overhead expenses related to exploration and development activities.

Revenue, net of royalties from oil and gas operations, is recognized when title passes from the Company to the customer, generally at the time of shipment.

The costs related to oil and gas interests are depleted and amortized on a unit-of-production basis. The carrying values of oil and gas assets are reviewed periodically, when impairment factors exist, for possible impairment. The recoverable amounts of oil and gas assets are determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. Estimates include but are not limited to estimates of the discounted future after-tax cash flows expected to be derived from the Company's oil and gas assets and the discount rate.

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[s] Provisions

The Company records provisions which include various estimates, including the Company's best estimate of the future costs associated with settlement of the obligation, with discount rates applied. Such estimates are necessarily calculated with reference to external sources, all of which are subject to annual review and change.

4. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities, short-term advances and advances from shareholders. Unless otherwise noted, the Company is not exposed to significant interest rate, currency or credit risks arising from these financial instruments.

Fair value

The fair values of cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities approximates their carrying values due to their short-term maturity. The fair value of short-term advances is not determinable in that they were provided to the Company by a related party.

Credit risk

Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the consolidated statement of financial position dates.

[i] Cash

The Company minimizes its exposure to credit risk by keeping the majority of its cash as cash on deposit with a major Canadian chartered bank. Management expects the credit risk to be minimal.

[ii] Receivables

Management does not expect these counterparties to fail to meet their obligations. Accounts receivable are in good standing as of December 31, 2014. The Company does not have receivables that it considers impaired or otherwise uncollectible.

Foreign currency risk

The prices paid by the Company for some services and supplies are paid in U.S. dollars or Mexican pesos and the Company raises funds in Canadian dollars. As at March 31, 2015, the Company believes the currency risk is limited and not a risk to be hedged at the present time.

Interest rate risk

In Interest rate risk arises because of changes in market interest rates. The Company is exposed to interest rate risk on short-term advances and advances from shareholders. Due to the short-term nature of these borrowings and the fixed nature of their interest rates, the Company believes interest rate risk is minimal.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities as they come due. The Company's objective is to maintain sufficient liquid resources to meet operational requirements. As at March 31, 2015, the Company had cash and cash equivalents of $4,943 [December 31, 2014 - $36,941]. In addition, at March 31, 2015, the Company's working capital position was negative $2,091,643 [December 31, 2014 - negative $2,010,023]. The Company is working to raise additional monies to fund future exploration programs, but there can be no assurance that it will be successful in these efforts*[Note 2]*.

Capital risk

The Company's objectives when managing capital are: [i] to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties and provide returns for shareholders, and [ii] to maintain a flexible capital structure, which optimizes the cost of capital at an acceptable risk. The Company includes the components of shareholders' equity, long-term debt, cash and cash equivalents and short-term investments, if any, in the management of capital.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents and short-term investments.

To facilitate the management of its capital requirements, the Company prepares forecasts or expenditure budgets for its activities that are used to monitor performance. Variances to plan will result in adjustments to capital deployment subject to various factors and industry conditions. The Company's activities and associated forecasts or budgets are approved by the Board of Directors.

The Company is not subject to any externally imposed capital requirements limiting or restricting the use of its capital. In order to maximize ongoing development efforts, the Company does not pay out dividends at this time.

The Company's investment policy is to invest its cash in highly liquid, short-term, interest-bearing investments with maturities of less than a year from the original date of acquisition, selected with regard to the expected timing of expenditure from operations.

[Expressed in Canadian dollars unless otherwise noted]

5. CAPITAL ASSETS

Capital assets consist of the following:

	Drilling equipment $	Motor vehicle $	Furniture and fixtures $	Other equipment $	Total $
Cost					
As at December 31, 2013	674,382	44,253	34,934	94,669	848,238
Additions	—	—	—	—	—
Disposals	—	(44,253)	(34,934)	(94,669)	(173,856)
As at December 31, 2014	674,382	—	—	—	674,382
Additions	—	—	—	—	—
Disposals	—	—	—	—	—
As at March 31, 2015	674,382	—	—	—	674,382
Accumulated depreciation					
As at December 31, 2013	509,382	42,468	34,333	86,924	673,107
Depreciation for the year	33,000	1,785	601	7,745	43,131
As at December 31, 2014	542,382	—	—	—	542,382
Depreciation for the year	8,800	—	—	—	8,800
Disposals	—	—	—	—	—
As at March 31, 2015	**551,182**	—	—	—	**551,182**
Net book value					
As at December 31, 2014	132,000	—	—	—	132,000
As at March 31, 2015	**123,200**	—	—	—	**123,200**

Amortization of nil [2014 - $33,402] has been capitalized to mineral properties and deferred costs,

[Expressed in Canadian dollars unless otherwise noted]

6. MINERAL PROPERTIES AND DEFERRED COSTS

The mineral properties to which the Company has exploration rights are as follows:

Hislop project

The mineral properties to which the Company has exploration rights are as follows:

	Hislop Project	Leckie / Penrose Project	Santo Domingo Project	Total Mineral Properties
Balance, December 31, 2012	1,283,246	—	11,174,256	12,457,502
Additions	13,961	—	109,625	123,586
Balance, December 31, 2013	**1,297,207**	**—**	**11,283,881**	**12,581,088**
Additions	36,843	—	212,161	249,004
Impairment	—	—	(11,496,042)	(11,496,042)
Balance, December 31, 2014	**1,334,050**	**—**	**—**	**1,334,050**
Additions	3,199	—	—	3,199
Balance, March 31, 2015	**1,337,249**	**—**	**—**	**1,337,249**

Hislop project

The Company has a 100% interest in properties located in Hislop Township, Ontario. The interests in this property are 100% owned and not subject to any outstanding obligations or commitments. As at March 31, 2015, this site is considered to be in the pre-production stage.

Leckie/Penrose project

The Company has a 100% interest in the Leckie/Penrose project. The interests in this property are 100% owned and not subject to any outstanding obligations or commitments. To date, there has been no revenue earned on this project as production has not commenced. As at December 31, 2014, this site is considered to be in the pre-production stage and no costs have been incurred or capitalized and included in mineral properties from 2009 to 2015.

Santo Domingo project

The Company has a 100% interest in Compañia Minera. Compañia Minera owns certain mineral concessions in the state of Jalisco, Mexico. The Company is obligated to pay Amerix Precious Metals Corporation ['APM'] a royalty fee of 5% from any of Compañia Minera's net proceeds of sale of minerals to a maximum of $1,000,000.

An additional amount of US$2,450,000 is to be paid in quarterly installments to a prior owner, if and when revenue is generated from minerals extracted by Compañia Minera, commencing three months after the start of commercial production. Each quarterly installment will be equal to 0.5% of the net smelter return [defined as revenue actually received by Compañia Minera from the sale of smelter minerals]. In 2011, the Company paid US$100,000 to the prior owner in consideration for the prior owner agreeing to reduce the additional amount to be paid to US$2,325,000.

In 2014, the Company paid US$30,000 to the prior owner in consideration for the prior owner agreeing to reduce the additional amount to be paid to US$2,285,000.

As at December 31, 2014, this site is considered to be in the pre-production stage. The Company determined there were indicators of impairment as at December 31, 2014 due to the prolonged decrease in commodity prices and therefore tested the property for impairment. The Company estimated the recoverable amount as fair value less cost to sell using a multiple of resources and determined that a write-down of the property is required in the current economic circumstances. The carrying value of $11,496,042 [2013 - $11,283,881] has been reduced to nil as an impairment of mineral rights.

A provision with respect to costs on the Santo Domingo projects of $765,000 [2013 - $50,000] is included in accounts payable and accrued liabilities. This provision is based on the Company's best estimate of a provision with a maximum exposure of U.S.$660,000.

[Expressed in Canadian dollars unless otherwise noted]

7. OIL AND GAS INTERESTS

	Total $
Cost	
As at December 31, 2013 and 2014	517,182
Accumulated depreciation	
As at December 31, 2013	509,405
Depreciation for the year	3,000
As at December 31, 2014	512,405
Depreciation for the period	750
As at December 31, 2014	**513,155**
Net book value	
As at December 31, 2014	4,777
As at March 31, 2015	**4,027**

The Company holds a 3.75% interest in six oil and gas producing properties in Alberta. The properties are currently operated by Omers Energy Inc. The Company's proportionate share of the revenue from these properties, net of operating expenses, is received from the operator on a monthly basis.

8. RELATED PARTY TRANSACTIONS

During the year, the Company entered into the following related party transactions:

- The Company accrued $1,000 [2014 -$37,422] payable to a law firm in which a past director of the Company is a partner.
- In December 2013, a Company related to an Officer of the Company extended a promissory note of $600,000 with an interest rate of 12% per annum. The principal amount and accrued interest was payable on January 31, 2014. After January 31, 2014, the principal amount remaining unpaid shall bear interest at the rate of 1% per month and accrued daily. This note and related interest of $45,275 was repaid by the Company during 2014.
- During 2014, shareholders advanced $940,275 to the Company. These amounts accrue interest at 16% and 12% with interest outstanding as at December 31, 2014 of $56,803

[Expressed in Canadian dollars unless otherwise noted]

recorded in accounts payable and accrued liabilities. An additional $33,711 of interest expense was recognized in the three months ended March 31, 2015. The amounts are repayable on December 31, 2015 and are secured against 47.5% of the Company's Hislop property.

9. SHAREHOLDERS' EQUITY

[a] Share capital

Authorized share capital consists of unlimited common shares with no par value.

The continuity of share capital is as follows:

	Shares #	Amount $
Balance, December 31, 2012	189,540,650	19,850,215
Issuance of shares in private placement	6,900,000	115,400
Tax impact of warrant expiry	—	2,600
Balance, December 31, 2013	196,440,650	19,968,215
Issuance of shares in private placement	—	—
Balance, December 31, 2014 and March 31, 2015	196,440,650	19,968,215

[i] On August 30, 2013, the Company completed a private placement for 6,900,000 units at a price of $0.02 per unit, raising gross proceeds of $138,000. Each unit consisted of one common share and one-half of one common share purchase warrant. Each full warrant entitles the holder to acquire one common share at an exercise price of $0.05 until August 30, 2014 and thereafter at a price of $0.10 until August 30, 2015. Management determined the warrants to have a value of $0.006 per whole warrant and accordingly, $22,600 of the proceeds from the issuance was allocated to reserves, and the balance of the proceeds was allocated to common shares.

The fair value of the warrants issued was estimated using a Black-Scholes pricing model with the following assumptions:

Risk free interest rate	1.20%
Expected life in years	2 years
Expected volatility	188.0%
Dividends per share	0.0%

[Expressed in Canadian dollars unless otherwise noted]

[b] Warrants

The Company had the following purchase warrants outstanding:

	Shares #	Exercise price $	Expiry date #	Year of issue
Outstanding, March 31, 2015 and December 31, 2014	**3,450,000**	**$0.10**	**08/30/2015**	**2013**

The weighted average exercise price of the outstanding warrants as at March 31, 2015 was $0.10 [2014 - $0.10].

[c] Stock options

No stock-based compensation expense was recorded for the three months ended March 31, 2015 and the years ended December 31, 2014 and December 31, 2013.

As at December 31, 2014, the Company has available for issuance 21,328,500 stock options under this plan. All previous stock options outstanding have expired without exercise.

	2014		2013	
	Number #	Weighted average exercise price $	Number #	Weighted average exercise price $
Outstanding, beginning of year	**4,870,000**	0.11	7,570,000	0.11
Expired	**(4,870,000)**	0.11	(2,700,000)	0.11
Outstanding, end of year	—	—	4,870,000	0.11

[d] Diluted loss per share

There has been no impact on diluted loss per share as a result of outstanding stock options and warrants, as the impact would be anti-dilutive.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

[Expressed in Canadian dollars unless otherwise noted]

March 31, 2015 and 2014

10. CONSOLIDATED STATEMENTS OF CASH FLOWS

The net change in non-cash working capital balances related to operations consists of the following:

	2013 $	2014 $
Accounts receivable	(2,731)	(13,172)
Prepaid expenses and sundry assets	—	30
Accounts payable and accrued liabilities	52,353	80,396
	49,622	67,254

The Company accrued interest expense of $33,751 during the three months ended March 31, 2015 (2014 - $16,000).

11. INCOME TAXES

The provision for income taxes differs from the expense that would be obtained by applying Canadian statutory rates to loss before income taxes as a result of the following:

	2014 $	**2013** $
Loss before income taxes	(11,701,929)	(448,757)
Statutory tax rate	25.75%	25.75%
Expected income tax recovery	(3,013,247)	(111,555)
Losses not tax benefitted	(3,013,247)	111,555
Total income tax recovery	—	—

[Expressed in Canadian dollars unless otherwise noted]

Deductible temporary differences and unused tax losses

The following deductible temporary differences and tax losses have not been tax-benefited on the consolidated financial statements as at December 31:

	2014 $	2013 $
Deductible temporary differences		
Non-capital losses carried forward	3,906,491	3,821,051
Mineral properties and deferred costs	998,589	998,589
Capital assets	881,601	838,470
Other	875,195	871,985
Total	6,661,876	6,530,095

The Company's Mexican subsidiary has $627,000[2013 -$669,000] of tax losses that have not been benefited and will expire between 2015and 2021 as follows:

	$
2015	192,000
2016	36,000
2017	21,000
2018	157,000
2021	119,000
	669,000

In addition, the Company has non-capital losses for Canadian tax purposes totaling approximately $3,614,000 that have not been benefited and expire as follows:

	$
2015	126,000
2026	355,000
2027	357,000
2028	372,000
2029	321,000
2030	444,000
2031	548,000
2032	453,000
2033	464,000
2034	174,000
	3,614,000

12. SEGMENTED INFORMATION

The Company operates in two segments: [1] mineral exploration and [2] oil and gas exploration and development. All required segment information is disclosed in the Company's condensed interim consolidated statements of loss and comprehensive loss and notes 6 and 7.