

**RHYS RESOURCES LTD.**

**FINANCIAL STATEMENTS**

**For the years ended December 31, 2014 and 2013**

**(Expressed in Canadian Dollars)**

**RHYS RESOURCES LTD.**  
**INDEX TO FINANCIAL STATEMENTS**  
(Expressed in Canadian Dollars)

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	<b>PAGE</b>
<b>INDEPENDENT AUDITORS' REPORT</b>	3
<b>CONTENTS</b>	
STATEMENTS OF FINANCIAL POSITION	4
STATEMENTS OF LOSS AND COMPREHENSIVE LOSS	5
STATEMENTS OF CASH FLOWS	6
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY	7
NOTES TO THE FINANCIAL STATEMENTS	8

## INDEPENDENT AUDITORS' REPORT

To the Shareholders of  
Rhys Resources Ltd.

We have audited the accompanying financial statements of Rhys Resources Ltd., which comprise the statements of financial position as at December 31, 2014 and 2013 and the statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

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

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

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

### *Opinion*

In our opinion, these financial statements present fairly, in all material respects, the financial position of Rhys Resources Ltd. as at December 31, 2014 and 2013 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

**“DAVIDSON & COMPANY LLP”**

Vancouver, Canada

Chartered Accountants

April 21, 2015



**RHYS RESOURCES LTD.**  
**STATEMENTS OF FINANCIAL POSITION**  
(Expressed in Canadian Dollars)

	<b>December 31, 2014</b>	<b>December 31, 2013</b>
	<u>\$</u>	<u>\$</u>
<b>ASSETS</b>		
<b>Current</b>		
Cash	208,193	244,650
Receivables	2,214	6,165
Prepaid expenses	<u>13,597</u>	<u>300</u>
	<b>224,004</b>	<b>251,115</b>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Note 3)	<u>30,850</u>	<u>16,225</u>
<b>Shareholders' equity</b>		
Share capital (Note 4)	4,022,381	3,727,471
Reserves (Note 4)	1,099,448	1,099,448
Deficit	<u>(4,928,675)</u>	<u>(4,592,029)</u>
	<u>193,154</u>	<u>234,890</u>
	<b>224,004</b>	<b>251,115</b>
<b>NATURE OF OPERATIONS AND GOING CONCERN (Note 1)</b>		

*Approved and authorized on behalf of the Board:*

"Robert Bailey"  
*Director*

"Kiki Smith"  
*Director*

The accompanying notes are an integral part of these financial statements

**RHYS RESOURCES LTD.**  
**STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**  
(Expressed in Canadian Dollars)

	<b>For the year ended December 31,</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<b>Expenses</b>		
Consulting fees	17,325	60,000
Interest and bank charges	407	249
Office and miscellaneous	46,252	27,683
Professional fees	38,906	30,106
Project investigation costs	34,169	-
Rent	20,515	13,246
Shareholder liaison and filing fees	22,256	8,926
Transfer agent	6,816	5,634
	<u>(186,646)</u>	<u>(145,844)</u>
Deposit written off (Note 6)	(150,000)	-
	<u>(336,646)</u>	<u>(145,844)</u>
<b>Loss and comprehensive loss for the year</b>	<b>(336,646)</b>	<b>(145,844)</b>
<b>Basic and diluted loss per share</b>	<b>(0.02)</b>	<b>(0.01)</b>
<b>Weighted average number of common shares outstanding</b>	<b>14,628,867</b>	<b>10,265,534</b>

The accompanying notes are an integral part of these financial statements

**RHYS RESOURCES LTD.**  
**STATEMENTS OF CASH FLOWS**  
(Expressed in Canadian Dollars)

	<b>For the year ended December 31,</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<b>Cash flows used in operating activities</b>		
Loss for the year	(336,646)	(145,844)
Changes in non-cash working capital items:		
Decrease in receivables	3,951	8,799
Increase in prepaid expenses	(13,297)	-
Increase (decrease) in accounts payable and accrued liabilities	14,625	(5,661)
	<u>(331,367)</u>	<u>(142,706)</u>
<b>Cash flows from financing activities</b>		
Proceeds from shares issued	308,000	-
Share issuance costs	(13,090)	-
	<u>294,910</u>	<u>-</u>
<b>Net change in cash</b>	(36,457)	(142,706)
<b>Cash, beginning of year</b>	<u>244,650</u>	<u>387,356</u>
<b>Cash, end of year</b>	<u><b>208,193</b></u>	<u><b>244,650</b></u>

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

**RHYS RESOURCES LTD.**  
**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
(Expressed in Canadian Dollars)

	<u>Number of Shares Issued</u>	<u>Capital Stock</u> \$	<u>Reserves</u> \$	<u>Deficit</u> \$	<u>Total Shareholders' Equity</u> \$
<b>Balance at December 31, 2012</b>	10,265,534	3,727,471	1,099,448	(4,446,185)	380,734
Loss and comprehensive loss	-	-	-	(145,844)	(145,844)
<b>Balance at December 31, 2013</b>	<b>10,265,534</b>	<b>3,727,471</b>	<b>1,099,448</b>	<b>(4,592,029)</b>	<b>234,890</b>
Issuance of shares	6,160,000	308,000	-	-	308,000
Cost of share issuance	-	(13,090)	-	-	(13,090)
Loss and comprehensive loss	-	-	-	(336,646)	(336,646)
<b>Balance at December 31, 2014</b>	<b>16,425,534</b>	<b>4,022,381</b>	<b>1,099,448</b>	<b>(4,928,675)</b>	<b>193,154</b>

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

## **1. NATURE OF OPERATIONS AND GOING CONCERN**

Rhys Resources Ltd.'s ("the Company") main activities include the identification and assessment of potential exploration and evaluation asset acquisitions. The Company trades on the NEX Board of the TSX Venture Exchange ("TSX-V") under the symbol RYS.H. The Company's head office is located at Suite 912-1112 West Pender St. Vancouver, B.C. V6E 2S1

These financial statements have been prepared on a going-concern basis which assumes the Company will be able to realize its assets and discharge its liabilities and commitments in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing.

These financial statements do not reflect adjustments to the carrying value of assets and liabilities, the reported expenses and balance sheet classifications used that would be necessary if the going concern assumption were not appropriate.

As at December 31, 2014, the Company had an accumulated deficit of \$4,928,675 (2013 - \$4,592,029) and a working capital of \$193,154 (2013 - \$234,890). The Company estimates it has sufficient working capital to continue operations for the next year.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The following is a summary of significant accounting policies used in the preparation of these financial statements.

### **Statement of compliance**

These financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

These financial statements were authorized by the audit committee and board of directors of the Company on April 21, 2015.

### **Basis of presentation**

The financial statements of the Company have been prepared on an accrual basis and are based on historical costs, except for certain financial assets which are measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

### **Functional currency**

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency of the Company is the Canadian dollar. The reporting currency of the Company is the Canadian dollar.

### **Use of estimates**

The preparation of financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported revenues and expenses during the year.

Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **Use of estimates (continued)**

The most significant account that requires estimates as the basis for determining the stated amount is deferred income taxes.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments is as follows:

#### Income taxes

In assessing the probability of realizing income tax assets, management makes estimates related to expectation of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

### **Share capital**

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects. Costs related to issuances not completed will be recorded as deferred financing costs if the completion of the transaction is considered likely; otherwise they are expensed as incurred.

### **Basic and diluted loss per share**

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similarly to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods. For the years presented, this calculation proved to be anti-dilutive.

### **Warrants issued in equity financing transactions**

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate exploration and evaluation assets. These equity financing transactions may involve issuance of common shares or units. Each unit comprises a certain number of common shares and a certain number of warrants. Depending on the terms and conditions of each equity financing transaction, the warrants are exercisable into additional common shares at a price prior to expiry as stipulated by the transaction. Warrants that are part of units are assigned a value based on the residual value, if any, and included in reserves.

Warrants that are issued as payment for agency fee or other transactions costs are accounted for as share-based payments.

### **Share-based compensation**

The Company accounts for all grants of options to employees, non-employees and directors in accordance with the fair value method for accounting for share-based compensation. Share-based compensation awards are calculated using the Black-Scholes option pricing model.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **Share-based compensation (continued)**

Compensation expense is recognized immediately for past services and pro-rata for future services over the options vesting period. A corresponding increase in reserves is recorded when stock options are expensed. When stock options are exercised, share capital is credited by the sum of the consideration paid and the related portion of share-based compensation previously recorded in reserves.

Share-based compensation to non-employees, who are not providing similar services to employees, are measured at a the grant date by using the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services received cannot be reliably measured, and are recorded at the date the goods or services are received.

### **Financial instruments**

#### Financial assets

The Company classifies its financial assets into one of the following categories as follows:

*Fair value through profit or loss* - This category comprises derivatives and financial assets acquired principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss. The Company classifies cash as fair value through profit or 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 amortized cost using the effective interest method less any provision for impairment. The Company classifies its receivables as loans and receivables.

*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 less any provision for impairment.

*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 in other comprehensive income (loss). Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from accumulated other comprehensive income (loss) and recognized in profit or loss.

All financial assets except those measured 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 objective evidence of impairment as a result of one or more events that have occurred after initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

#### Financial liabilities

The Company classifies its financial liabilities into one of two categories as follows:

*Fair value through profit or loss* - This category comprises derivatives and financial liabilities incurred principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

*Other financial liabilities* - This category consists of liabilities carried at amortized cost using the effective interest method, and includes accounts payable and accrued liabilities.

For the years presented, the Company did not have any derivative financial assets or liabilities.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **Income taxes**

#### Current income tax:

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the country where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

#### Deferred income tax:

Deferred income tax is based on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to 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 by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

### **New and amended IFRS pronouncements effective January 1, 2014**

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

IAS 32 Financial Instruments: Presentation (“Amended IAS 32”) was amended by the IASB in December 2011. The amendment clarifies that an entity has a legally enforceable right to offset financial assets and financial liabilities if that right is not contingent on a future event and it is enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The adoption of Amended IAS 32 did not have a significant impact on the Company’s financial statements.

IAS 36 Impairment of Assets (“Amended IAS 36”) was amended by the IASB in May 2013. The amendments require the disclosure of the recoverable amount of impaired assets when an impairment loss has been recognized or reversed during the period and additional disclosures about the measurement of the recoverable amount of impaired assets when the recoverable amount is based on fair value less costs of disposal, including the discount rate when a present value technique is used to measure the recoverable amount. The adoption of Amended IAS 36 did not have a significant impact on the Company’s financial statements.

IFRIC 21 Levies (“IFRIC 21”), an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets (“IAS 37”), on the accounting for levies imposed by governments was issued by the IASB in May 2013. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (“obligating event”). IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. IFRIC 21 is effective prospectively for annual periods commencing on or after January 1, 2014. The adoption of IFRIC 21 did not result in an adjustment to the Company’s financial statements.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Accounting pronouncements not yet effective**

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers ("IFRS 15"), which supersedes IAS 11 Construction Contracts, IAS 18 Revenue, 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 establishes a single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The standard is effective for annual periods beginning on or after January 1, 2017, with early adoption permitted. The Company is currently evaluating the impact the final standard is expected to have on its financial statements.

The IASB intends to replace IAS 39 Financial Instruments: Recognition and Measurement in its entirety with IFRS 9 Financial Instruments ("IFRS 9") which is intended to reduce the complexity in the classification and measurement of financial instruments. The IASB has determined that the revised effective date for IFRS 9 will be January 1, 2018. The Company is currently evaluating the impact the final standard is expected to have on its financial statements.

**3. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Accounts payable	20,850	3,225
Accrued liabilities	10,000	13,000
	<b>30,850</b>	<b>16,225</b>

**4. SHARE CAPITAL AND RESERVES**

**Authorized share capital**

Unlimited number of common shares without par value.

**Issued share capital**

*Issued during fiscal 2014:*

On April 11, 2014 the Company completed a non-brokered private placement offering of units of the Company at a price of \$0.05 per unit. Under the offering, the Company issued an aggregate 5,060,000 units for gross proceeds of \$253,000. Each unit is comprised of one common share and one transferable share purchase warrant, each warrant entitling the holder to purchase one additional common share of the Company at \$0.05 per share until April 11, 2015.

On May 9, 2014 the Company completed a non-brokered private placement offering of units of the Company at a price of \$0.05 per unit. Under this offering, the Company issued an aggregate 1,100,000 units for gross proceeds of \$55,000. Each unit is comprised of one common share and one transferable share purchase warrant, each warrant entitling the holder to purchase one additional common share of the Company at \$0.05 per share until May 9, 2015.

*Issued during fiscal 2013:*

There were no share issuances during fiscal 2013.

**4. SHARE CAPITAL AND RESERVES (continued)**

**Stock option plan**

The Company has a stock option plan that provides for the issuance of options to directors, officers, employees and consultants of the Company to purchase common shares. The maximum aggregate number of plan shares that may be reserved for issuance under the Plan at any point in time is 10% of the outstanding shares at the time. Vesting is determined at the discretion of the Board of Directors.

As at December 31, 2014 and 2013, there were no stock options issued or outstanding.

**Warrants**

As at December 31, 2014 the following were warrants outstanding:

	Number of Warrants	Weighted Average Exercise Price
Balance, December 31, 2012 and 2013	-	\$ -
Issued	6,160,000	0.05
Balance, December 31, 2014	6,160,000	\$ 0.05

As at December 31, 2014, the following warrants were outstanding and exercisable:

Number of Warrants	Exercise Price	Expiry Date
5,060,000	\$0.05	April 11, 2015
1,100,000	\$0.05	May 9, 2015

Subsequent to December 31, 2014, 5,060,000 warrants expired unexercised.

**5. RELATED PARTY TRANSACTIONS**

The Company entered into the following transactions with related parties during the year ended December 31, 2014:

- Paid or accrued rent of \$20,515 (2013 - \$13,246) to a company related by significant shareholder;
- Paid or accrued professional fees of \$14,500 (2013 - \$15,000) and administration fees included in "office and miscellaneous" of \$14,500 (2013 - \$15,000) to a company related by a significant shareholder;
- Paid or accrued consulting fees of \$15,000 (2013 - \$60,000) to a company related by a significant shareholder: and

Summary of key management personnel compensation (includes officers and directors of the Company):

	2014	2013
	\$	\$
Office and miscellaneous	10,000	12,000
	<b>10,000</b>	<b>12,000</b>

Included in accounts payable and accrued liabilities are amounts owing to related parties of \$4,855 (2013 - \$nil).

**RHYS RESOURCES LTD.**  
Notes to the Financial Statements  
**For the year ended December 31, 2014**  
(Expressed in Canadian Dollars)

**6. DEPOSITS WRITTEN-OFF**

During fiscal 2014, the Company made a non-refundable deposit of \$150,000 to acquire BDJ Energy Inc., a private company in the energy sector. The transaction did not complete and the Company wrote-off the deposit as at December 31, 2014.

**7. INCOME TAXES**

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	<b>December 31, 2014</b>	<b>December 31, 2013</b>
	<b>\$</b>	<b>\$</b>
Loss before income taxes	(336,646)	(145,844)
Combined Canadian federal and provincial statutory rate	26.00%	25.75%
Expected income tax recovery at statutory tax rates	(88,000)	(38,000)
Change in statutory rate and other items	-	(19,000)
Expiry of non-capital losses	113,000	-
Share issue cost	(3,000)	-
Change in unrecognized deductible temporary differences	(22,000)	57,000
<b>Total deferred taxes</b>	<b>-</b>	<b>-</b>

The significant components of the Company's unrecorded deferred tax assets are as follows:

	<b>December 31, 2014</b>	<b>December 31, 2013</b>
	<b>\$</b>	<b>\$</b>
Non-capital loss carry-forwards	475,000	499,000
Capital loss carry forwards	75,000	75,000
Share issuance costs	3,000	1,000
<b>Total unrecognized deferred tax assets</b>	<b>553,000</b>	<b>575,000</b>

Tax attributes are subject to review and potential adjustment by tax authorities.

The significant components of the Company's unrecognized temporary differences and unused tax losses are as follows:

	<b>December 31, 2014</b>	<b>Expiry dates</b>	<b>December 31, 2013</b>	<b>Expiry dates</b>
	<b>\$</b>		<b>\$</b>	
Share issuance costs	11,000	2035 to 2038	5,000	2034 to 2037
Allowable capital losses	287,000	No expiry	287,000	No expiry
Non-capital losses	1,826,000	2015 to 2034	1,920,000	2014 to 2033
	<b>2,124,000</b>		<b>2,212,000</b>	

## **8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The Company's financial instruments consist of cash, receivables and accounts payable and accrued liabilities. The fair value of these financial instruments approximates their carrying values because of the short-term nature of these instruments. Cash is measured at fair value using level 1 inputs.

### **Financial risk factors**

The Company is exposed to a variety of financial risks by virtue of its activities including currency, credit, interest rate, liquidity and price risk.

#### *Credit risk*

The Company is exposed to industry credit risks arising from its cash holdings and receivables. The Company manages credit risk by placing cash with major Canadian financial institutions. The Company's receivables consist of sales tax recoverable due from the Federal Government of Canada. Management believes that credit risk related to these amounts is nominal.

#### *Liquidity risk*

Liquidity risk is the risk that the Company will not have sufficient funds to meet its financial obligations when they are due. To manage liquidity risk, the Company reviews additional sources of capital and financing to continue its operations and discharge its commitments as they become due.

#### *Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

- (a) Interest rate risk

The Company has cash balances only.

- (b) Foreign currency risk

As at December 31, 2014, the Company did not have any balances in foreign currencies.

- (c) Price risk

The Company has limited exposure to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities.

## **9. CAPITAL MANAGEMENT**

The Company considers its equity as capital. The Company's objective when managing capital is to fund its operations and corporate overhead costs, meet obligations as they come due, and to maintain a flexible capital structure, which optimizes the cost of capital at an acceptable risk. The Company has no earnings and therefore it must finance its activities and corporate overhead costs by the sale of common shares or loans.

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, or acquire or dispose of assets. In order to maximize ongoing development efforts, the Company does not pay out dividends.

Given its objectives, the Company determines the amount of capital to be raised and retained based on the scope of operating activities and potential acquisitions management's assessment of the expected availability of acceptably priced capital in future periods.

There were no changes in the Company's approach to capital management during the year ended December 31, 2014. The Company is not subject to externally imposed capital requirements.