Calico Resources Corp.

Condensed Consolidated Interim Financial Statements

Six Month Period Ended December 31, 2014

(Unaudited – prepared by Management)

(Expressed in Canadian Dollars)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The condensed consolidated interim financial statements of Calico Resources Corp. (An Exploration Stage Company) are the responsibility of the Company's management. The financial statements are prepared in accordance with International Financial Reporting Standards and reflect management's best estimates and judgment based on information currently available.

Management has developed and maintains a system of internal controls to ensure that the Company's assets are safeguarded, transactions are authorized and properly recorded and financial information is reliable.

The Board of Directors is responsible for ensuring management fulfills its responsibilities for financial reporting and internal controls through an audit committee. The Audit Committee reviews the results of the condensed consolidated interim financial statements prior to their submission to the Board of Directors for approval.

"Paul A Parisotto"	*"Alec Peck"*
Paul A Parisotto	Alec Peck
Chief Executive Officer	Chief Financial Officer

Condensed Consolidated Unaudited Interim Financial Statements

In accordance with National Instruments 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the condensed consolidated interim unaudited financial statements for the six months ended December 31, 2014.

(Expressed in Canadian dollars)

	Notes	December 31, 2014	June 30, 2014
ASSETS			
Current assets			
Cash and cash equivalents	4	$ 1,006,117	$ 7,689
Receivables		8,547	33,982
Prepaid expenses		6,658	7,531
		1,021,322	49,202
Non-current assets			
Equipment		1,147	1,349
Exploration and evaluation assets	5	10,519,473	8,777,390
		10,520,620	8,778,739
TOTAL ASSETS		**$ 11,541,942**	**$ 8,827,941**
LIABILITIES			
Current liabilities			
Trade payables and accrued liabilities	6	$ 680,464	$ 908,605
Loans payable	7	-	250,000
TOTAL LIABILIITES		**680,464**	**1,158,605**
SHAREHOLDERS' EQUITY			
Share capital	8	16,631,393	13,721,608
Subscriptions received	8	-	54,000
Reserves	9	2,419,318	2,399,598
Accumulated other comprehensive income		1,035,470	260,233
Deficit		(9,224,703)	(8,766,103)
TOTAL SHAREHOLDERS' EQUITY		**10,861,478**	**7,669,336**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$ 11,541,942**	**$ 8,827,941**

Approved on behalf of the Board by:

"Allan Williams"…… Director
Allan Williams

"Kevin Milledge" ….. Director
Kevin Milledge

(Expressed in Canadian dollars)

		Three month period ended December 31, 2014		Three month period ended December 31, 2013		Six month period ended December 31, 2014		Six month period ended December 31, 2013
Expenses								
Accounting and audit services	$	10,468	$	14,836	$	18,468	$	23,424
Administration		22,032		28,666		52,065		60,677
Depreciation		101		144		202		289
Insurance		2,662		4,654		5,325		7,974
Investor relations		11,509		12,632		24,394		40,632
Management fees		64,756		48,215		109,179		75,227
Legal services		24,498		113,846		61,105		197,975
Project generation		-		982		-		1,962
Share-based payments		11,496		-		154,562		-
Transfer agent and filing fees		6,518		7,967		31,522		10,282
Travel and accommodations		8,594		903		9,821		2,361
		(162,634)		(232,845)		(466,643)		(420,803)
Other items								
Interest income		-		1,071		58		1,770
Interest expense		-		-		(4,723)		-
Foreign exchange gain (loss)		963		9,624		12,708		7,075
Net loss for period		**(161,671)**		**(222,150)**		**(458,600)**		**(411,958)**
Other comprehensive loss								
Exchange differences on translating foreign operations		347,389		251,442		775,237		89,288
Loss and total comprehensive loss	**$**	**185,718**	**$**	**29,292**	**$**	**316,637**	**$**	**(322,670)**
Loss per share – basic and diluted	**$**	**(0.00)**	**$**	**(0.00)**	**$**	**(0.01)**	**$**	**(0.01)**
Weighted average number of common shares outstanding		**76,301,751**		**51,695,369**		**69,533,245**		**50,598,573**

(Expressed in Canadian dollars)

	Share Capital		Subscriptions Received	Reserves	Accumulated other comprehensive income	Deficit	Total
	Number of shares	Amount	Amount	Warrant and stock option reserves			
Balance at June 30, 2013	**48,853,869**	**$ 12,954,481**	**$ -**	**$ 2,735,553**	**$ 145,272**	**$ (7,797,265)**	**$ 8,038,041**
Shares issued for cash - warrants exercised	1,170,500	140,460	-	-	-	-	140,460
Fair value of warrants exercised	-	42,717	-	(42,717)	-	-	-
Shares issued non-cash	1,671,000	317,490	-	(317,490)	-	-	-
Currency translation adjustment	-	-	-	-	89,288	-	89,288
Net loss for the period	-	-	-	-	-	(411,958)	(411,958)
Balance at December 31, 2013	**51,695,369**	**$ 13,455,148**	**$ -**	**$ 2,375,346**	**$ 234,560**	**$ (8,209,223)**	**$ 7,855,831**
Balance at June 30, 2014	**54,137,036**	**$ 13,721,608**	**$ 54,000**	**$ 2,399,598**	**$ 260,233**	**$ (8,766,103)**	**$ 7,669,336**
Shares issued for cash - private placements	17,886,665	2,508,000	(54,000)	-	-	-	2,454,000
Fair value of share purchase warrants		(421,197)	-	421,197	-	-	-
Shares issued for debt (Note 7, 8)	2,526,144	303,137					303,137
Share issue costs	-	(30,395)	-	(5,799)	-	-	(36,194)
Shares issued non-cash (Note 8)	2,896,000	550,240	-	(550,240)	-	-	-
Share-based payment	-	-	-	154,562			154,562
Currency translation adjustment	-	-	-	-	775,237	-	775,237
Net loss for the period	-	-	-	-	-	(458,600)	(458,600)
Balance at December 31, 2014	**77,445,845**	**$ 16,631,393**	**$ -**	**$ 2,419,318**	**$ 1,035,470**	**$ (9,224,703)**	**$ 10,861,478**

(Expressed in Canadian dollars)

	Three month period ended December 31, 2014	Three month period ended December 31, 2013	Six month period ended December 31, 2014	Six month period ended December 31, 2013
Operating activities				
Net loss for period	$ (161,671)	$ (222,150)	$ (458,600)	$ (411,958)
Adjustments for non-cash items:				
Depreciation	101	144	202	289
Share-based payments	11,496	-	154,562	-
Changes in non-cash working capital items:				
Other receivable and prepaid expenses	5,236	32,590	26,308	33,119
Trade payables and accrued liabilities	(85,474)	176,210	(258,988)	223,492
Net cash flows used in operating activities	(230,312)	(13,206)	(536,516)	(155,058)
Investing activities				
Expenditures on exploration and evaluation assets	(628,347)	(290,231)	(897,045)	(536,810)
Other income	-	369,355	-	369,355
Net cash flows used in investing activities	(628,347)	79,124	(897,045)	(167,455)
Financing activities				
Proceeds on issuance of common shares	1,787,154	-	2,417,806	140,460
Subscriptions received	(816,796)	-	-	-
Net cash flows from investing activities	970,358	-	2,417,806	140,460
Currency translation adjustment	17,684	-	14,183	-
Decrease in cash and cash equivalents	129,383	65,918	998,428	(182,053)
Cash and cash equivalents, beginning of the period	876,734	169,172	7,689	417,143
Cash and cash equivalents, end of the period	**$ 1,006,117**	**$ 235,090**	**$ 1,006,117**	**$ 235,090**

Note 13 – Non-cash transactions

1. Nature of operations

Calico Resources Corp. (the "Company") and its wholly owned subsidiary, Calico Resources USA Corp. are focused on advancing its 100% owned Grassy Mountain Gold Project located in Oregon, U.S.A. The Company's shares are traded on the TSX Venture Exchange ("TSX-V") under the symbol "CKB". The head office and principal address of the Company is located at Suite 615, 800 West Pender Street, Vancouver, British Columbia, Canada, V6C 2V6. The Company's registered and records office address is Suite 2600, 1066 West Hastings Street, Vancouver, British Columbia, Canada, V6E 3X1.

2. Statement of compliance and basis of preparation

These condensed consolidated interim financial statements were authorized for issue on February 23, 2015 by the directors of the Company.

Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards 34, *Interim Financial Reporting* ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The accounting policies and methods of computation applied by the Company in these condensed consolidated interim financial statements are the same as those applied in the Company's annual financial statements as at and for the year ended June 30, 2014.

The condensed consolidated interim financial statements do not include all of the information and note disclosures required for full annual financial statements and should be read in conjunction with the Company's annual financial statements as at and for the year ended June 30, 2014.

Going concern

These condensed consolidated interim financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. A different basis of measurement may be appropriate if the Company was not expected to continue operations for the foreseeable future. At December 31, 2014, the Company had not achieved profitable operations, had a net loss of $458,600 for the six month period ended December 31, 2014 and accumulated losses of $9,224,703 since inception, had not advanced its mineral properties to commercial production and expects to incur further losses in the development of its business, all of which indicate a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern. The Company's continuation as a going concern is dependent upon successful results from its mineral property exploration activities and its ability to attain profitable operations to generate funds and/or its ability to raise equity capital or borrowings sufficient to meet its current and future obligations. Although the Company has been successful in the past in raising funds to continue operations, there is no assurance it will be able to do so in the future.

Basis of preparation

The condensed consolidated interim financial statements have been prepared on a historical cost basis. The condensed consolidated interim financial statements are presented in Canadian dollars.

3. Significant accounting policies

These condensed consolidated interim financial statements are unaudited and prepared on a condensed basis in accordance with the International Accounting Standards (“IAS”) 34, *Interim Financial Reporting* issued by the International Accounting Standard Board (“IASB”). These condensed consolidated interim financial statements have been prepared in accordance with the accounting policies described in Note 3 of the Company’s Annual Financial Statements as at and for the year ended June 30, 2014. Accordingly, these condensed interim statements for the six month period ended December 31, 2014 and 2013 should be read together with the Annual Financial Statements as at, and for the year ended, June 30, 2014.

Recent accounting standards issued and not yet applied

The following standards, interpretations and amendments, which have not been applied to in these condensed consolidated interim financial statements, will or may have an effect on the Company’s future condensed consolidated interim financial statements. The Company is in the process of evaluating these new standards.

IFRS 9, *Financial Instruments*, addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent they do not clearly represent a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely. This standard is effective January 1, 2015.

IAS 32, *Financial instruments, Presentation*. IAS 32 was amended to clarify the requirements for offsetting financial assets and liabilities. The amendments clarify that the right of offset must be available on the current date and cannot be contingent on a future date. The amendments apply to annual periods beginning on or after January 1, 2014. The change in accounting standard will not have a significant impact on the Company’s consolidated financial statements.

IAS 24 - *Related Party Disclosures*. The amendments to IAS 24 clarify that a management entity, or any member of a group of which it is a part, that provides key management services to a reporting entity, or its parent, is a related party of the reporting entity. The amendments also require an entity to disclose amounts incurred for key management personnel services provided by a separate management entity. This replaces the more detailed disclosure by category required for other key management personnel compensation. The amendments will only affect disclosure and are effective for annual periods beginning on or after January 1, 2014. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

IFRIC 21 - *Levies*. The IASB issued 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. 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 for annual periods commencing on or after January 1, 2014. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

None of the other new standards, interpretations and amendments, which have not been adopted early, are expected to have a material effect on the Company‘s future consolidated financial statements.

(Expressed in Canadian dollars)

4. Cash and cash equivalents

Cash and cash equivalents include guaranteed investment certificates with a term to maturity of up to three months from date of acquisition and which can be redeemed at any time without penalty.

5. Exploration and evaluation assets

The following is a description of the Company's Grassy Mountain exploration and evaluation assets and the related spending commitments.

		Period ended December 31, 2014
Property acquisition costs		
Balance, June 30, 2014	$	3,370,184
Additions		123,441
Balance, December 31, 2014	$	3,493,625
Exploration and evaluation costs		
Balance, June 30, 2014	$	5,407,206
Costs incurred during year:		
Consulting (Note 10)		121,283
Engineering		436,221
Environmental		173,683
Field supplies		209
Other costs		16,870
Permits and fees		88,139
Travel and accommodations		21,182
		857,587
Balance, December 31, 2014		6,264,793
Currency translation adjustment		761,055
Balance, December 31, 2014	$	10,519,473

USA – Oregon

On February 5, 2013, the Company exercised its option to acquire a 100% interest in the Grassy Mountain Project from Seabridge Gold Inc. ("Seabridge") by issuing 6,433,000 common shares (the "Issued Shares") and 4,567,000 Special Warrants to Seabridge. The shares and Special Warrants were valued at $0.19 each which was based on the trading price of the shares at the date of issuance.

(Expressed in Canadian dollars)

5. Exploration and evaluation assets (cont'd)

On September 26, 2013, Seabridge acquired, on behalf of its wholly owned subsidiary, Seabridge Gold Corp., 1,671,000 common shares upon exercise of 1,671,000 Special Warrants. Including the initial 2,000,000 common shares issued under the original definitive option agreement dated April 18, 2011, at that time, Seabridge then owned and controlled 10,104,000 common shares and 2,896,000 Special Warrants of the Company, representing 19.55% of the outstanding common shares and 100% of the Special Warrants of the Company.

On February 19, 2014, the Company held its Annual and Special General Meeting of its shareholders. Shareholders approved the exercise by Seabridge of the balance of its 2,896,000 Special Warrants, then resulting in Seabridge holding 13 million common shares of the Company, representing 23.81% of Calico's common shares at that time.

There are existing letters of credit posted with the State of Oregon – Department of Geology and Mineral Industries (DOGAMI) in the amount of $146,200 in respect of possible reclamation work required on the property. This existing security has been posted by Seabridge. The Company is required to use reasonable commercial efforts to arrange for the release of the existing security and replace this existing security with new letters of credit or reclamation bonds as soon as possible after registered title to the property has transferred to the Company. This replacement of security has not been completed by the Company.

On November 1, 2014, the Company entered into an amendment of the mining lease and agreement regarding Grassy Mountain with Sherry and Yates Inc., which originally provided the Company with an option to buy down the royalty to 1%, with a cash payment of $2.1 US million at any time up to February 16, 2015.

Sherry & Yates Inc. have now agreed to extend the buy down option for a further 3 years as follows:

- from February 17, 2015 to February 16, 2016 the royalty can be bought down to 1% for $2.2 US million;
- from February 17, 2016 to February 16, 2017 the royalty can be bought down to 1.25% for $2.3 US million; and
- from February 17, 2017 to February 16, 2018 the royalty can be bought down to 1.5% for $2.4 US million.

The advance royalty payment remains the same at $100,000 US per year, due on February 15th of each year.

6. Trade payables and accrued liabilities

	December 31, 2014	June 30, 2014
Trade payables *	$ 565,325	$ 763,705
Amounts due to related parties (Note 10)	99,139	112,900
Accrued liabilities	16,000	32,000
	$ 680,464	$ 908,605

*Included in trade payables is the amount of $373,725 representing invoiced legal fees from the previous legal counsel. A filing has been made in the Supreme Court of British Columbia for a review of all of these invoices. As the outcome of this review is uncertain at the date of approving these financial statements, the full amount invoiced is included in the trade payables.

7. Loans payable

At June 30, 2014, the Company had two loans payable as follows:

a) On November 13, 2013, the Company received a loan from Seabridge Gold Inc. and as a result issued a promissory note in the principal amount of $100,000 plus simple interest of 5%. On July 14, 2014, the Company issued 859,477 common shares at a price of $0.12 in settlement of the Seabridge loan of $100,000, plus accrued interest of $3,137.

b) On March 21, 2014, the Company received a loan from an unrelated party and as a result issued a promissory note in the principal amount of $150,000 plus interest accruing at a rate of 5%. On July 17, 2014, the Company repaid the loan plus interest in full settlement.

8. Share capital

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

At December 31, 2014, there were 77,445,845 issued and fully paid common shares (June 30, 2014 – 54,137,036).

On July 3, 2014, the Company closed the second tranche of its non-brokered private placement originally announced March 25, 2014. In the second tranche, the Company issued 800,000 units at a price of $0.12 per unit. The total gross proceeds raised in this tranche amounted to $96,000.

On July 14, 2014, the TSX Venture Exchange approved the issuance of a total of 2,526,144 shares and 833,333 share purchase warrants in settlement of a total of $303,137 in Company debt. The Company issued 1,666,667 units at a price of $0.12 per unit in settlement of legal fees of $200,000. Each unit is comprised of one common share and one-half of one transferable share purchase warrant. Each warrant is exercisable at a price of $0.15 into one common share until July 14, 2015. Additionally, the Company issued 859,477 common shares at a price of $0.12 in settlement of the Seabridge loan of $100,000, plus accrued interest of $3,137.

On July 17 and 25, 2014, the Company closed the third and final tranche of its non-brokered private placement originally announced March 25, 2014. In the third tranche, the Company issued a total of 5,033,334 units at a price of $0.12 per unit. The total gross proceeds raised in this tranche amounted to $604,000.

On August 6, 2014, Seabridge Gold Inc., on behalf of its wholly-owned subsidiary, Seabridge Gold Corporation, exercised 2,896,000 special warrants and was issued 2,896,000 common shares.

(Expressed in Canadian dollars)

8. Share capital (cont'd)

On September 10, 2014, the Company announced a non-brokered private placement of up to 13,333,333 units ("Units") of the Company at a price of $0.15 per Unit to raise total gross proceeds of up to $2,000,000. Each Unit consists of one common share and one-half of one share purchase warrant. Each full warrant will entitle the holder to purchase one additional common share of the Company for a period of 12 months from the closing date of the private placement at an exercise price of $0.18 per share for the first six-month period following closing and at an exercise price of $0.21 per share for the second six-month period following closing. On October 6, 2014, the Company closed the first tranche of this financing. In this tranche, the Company issued 7,963,331 Units, raising gross proceeds of $1,194,500. The Company paid a 5% cash finder's fee to certain parties who qualified in accordance with securities legislation and TSX Venture Exchange policies to receive a finders' fee. On October 17, 2014, the Company closed the second and final tranche of this financing. In this tranche, the Company issued 4,090,000 Units, raising gross proceeds of $613,500. No finder's fee was paid in respect to this tranche.

Warrants

The following table summarizes information about the issued and outstanding warrants for the six month period ended December 31, 2014 and the year ended June 30, 2014:

	December 31, 2014		June 30, 2014	
	Number of warrants	**Weighted average exercise price**	**Number of warrants**	**Weighted average exercise price**
Warrants outstanding, beginning of period	5,753,683	$ 0.29	8,860,350	$ 0.35
Warrants issued	9,776,663	0.18	1,220,833	0.15
Warrants exercised	-	-	(1,170,500)	0.12
Warrants expired	(1,807,850)	0.40	(3,157,000)	0.46
Warrants outstanding and exercisable, end of period	13,722,496	$ 0.20	5,753,683	$ 0.29

(Expressed in Canadian dollars)

8. Share capital (cont'd)

As at December 31, 2014 there were 13,722,496 warrants outstanding and exercisable as follows:

Number of warrants outstanding		Exercise price		Expiry date
1,475,000	$	0.28		April 9, 2015
1,250,000	$	0.28		April 12, 2015
1,220,833	$	0.15		April 29, 2015
400,000	$	0.15		July 3, 2015
833,333	$	0.15		July 14, 2015
1,266,667	$	0.15		July 17, 2015
1,250,000	$	0.15		July 25, 2015
3,981,663	$	0.18 / 0.21	(1)	October 6, 2015
2,045,000	$	0.18 / 0.21	(2)	October 17, 2015
13,722,496				

(1) Exercisable at $0.18 from October 6, 2014 until April 6, 2015 and at a price of $0.21 from April 7, 2015 to October 6, 2015.

(2) Exercisable at $0.18 from October 17, 2014 until April 17, 2015 and at a price of $0.21 from April 18, 2015 to October 17, 2015.

Special warrants

	December 31, 2014	
	Number of special warrants	**Weighted average exercise price**
Special warrants outstanding, beginning of period	2,896,000	$ -
Special warrants exercised	(2,896,000)	-
Special warrants outstanding, end of period	-	$ -

On August 6, 2014, Seabridge Gold Inc., on behalf of its wholly-owned subsidiary, Seabridge Gold Corporation, exercised 2,896,000 special warrants and was issued 2,896,000 common shares.

Stock options

The Company has adopted an incentive stock option plan, which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the TSX Venture Exchange requirements, grant to directors, officers, employees and technical consultants of the Company, non-transferable stock options to purchase common shares, provided that the number of common shares reserved for issuance is a rolling plan of 10% of the issued and outstanding common shares. Such options will be exercisable for a period of up to 5 years from the date of grant. Subject to the Board of Directors discretion, options vest on date of grant.

(Expressed in Canadian dollars)

8. Share capital (cont'd)

The changes in options during the six month period ended December 31, 2014 and the year ended June 30, 2014 are as set out below:

	December 31, 2014		June 30, 2014	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding and exercisable, beginning of period	1,415,000	$ 0.45	2,195,000	$ 0.46
Options granted	2,075,000	0.16	-	-
Options cancelled	(70,0000)	0.42	(780,000)	0.47
Options outstanding and exercisable, end of period	3,420,000	$ 0.28	1,415,000	$ 0.45

The weighted average expected life remaining of stock options outstanding at December 31, 2014 is 3.31 years (June 30, 2014 – 2.40 years).

On August 18, 2014, the Company granted 1.35 million incentive stock options to key non-director employees of the Company at an exercise price of $0.16 per share and exercisable for five years. Of these options, 675,000 vest immediately while the remaining 675,000 will vest immediately while the remaining 675,000 will vest upon the earlier of: (1) the sale of the Company; (2) sale of the Grassy Mountain asset; (3) completion of a joint venture agreement on Grassy Mountain; or (4) approval of a Plan of Operation by the state of Oregon.

On August 25, 2014, the Company granted 725,000 incentive stock options to directors and consultants of the Company pursuant to its stock option plan. These options are exercisable for a period of five years from the grant date at a price of $0.17 per share. Of these options 362,500 will vest immediately while the remaining 362,500 will vest upon the earlier of: (1) the sale of the Company; (2) sale of the Grassy Mountain asset; (3) completion of a joint venture agreement on Grassy Mountain; or (4) approval of a Plan of Operation by the state of Oregon.

For the six month period ended December 31, 2014, the Company recorded share-based payments of $154,562 (2013 - $Nil) relating to options vested during the period, based on the following weighted average assumptions:

	Period ended December 31, 2014	June 30, 2014
Expected life of options	5 years	-
Annualized volatility	113%	-
Risk-free interest rate	1.42%	-
Dividend rate	0%	-

(Expressed in Canadian dollars)

9. Reserves

Stock option reserve

The stock option reserve records items recognized as share-based payments until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital.

Warrant reserve

The warrant reserve records items recognized as part of a unit financing until such time that the warrants are exercised, at which time the corresponding amount will be transferred to share capital.

Accumulated other comprehensive income

The accumulated other comprehensive income reserve records exchange differences arising on translation of a subsidiary of the Company that has a functional currency other than the Canadian dollar.

10. Related party balances and key management personnel

The following amounts due to related parties are included in trade payables and accrued liabilities. These amounts are unsecured, non-interest bearing and have no fixed terms of payments. These amounts were paid subsequent to each period end. All related party amounts are to key management personnel.

	December 31, 2014	June 30, 2014
Directors and officers of the Company	$ 99,139	$ 112,900

Transactions with related parties are summarized in the table below:

	Six month period ended	
	December 31 2014	December 31 2013
Management fees (1)	$ 158,464	$ 123,235
	$ 158,464	$ 123,235

(1) In 2014, $46,285 (2013: $27,127) of management fees were allocated to exploration and evaluation assets as warranted.

11. Financial risk management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

11. Financial risk management (cont'd)

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash and cash equivalents held in bank accounts. The majority of cash and cash equivalents are deposited in bank accounts which are held with major banks in Canada and U.S.A. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents.

Historically, the Company's main source of funding has been the issuance of equity securities for cash and cash equivalents, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

Foreign exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company does not hedge its exposure to fluctuations in foreign exchange rates.
The following is an analysis of the Canadian dollar equivalent of financial assets and liabilities that are denominated in U.S. dollars:

	December 31, 2014	June 30, 2014
Cash and cash equivalents	$ 20,574	$ 3,934
Accounts payable	(250,934)	(271,447)
	$ (230,360)	$ (267,513)

Based on the above net exposures, as at December 31, 2014, a 10% change in the U.S. dollar to Canadian dollar exchange rate would impact the Company's net loss by $23,036.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to significant interest rate risks.

Capital management

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity, comprising share capital, net of accumulated deficit.

(Expressed in Canadian dollars)

11. Financial risk management (cont'd)

There were no changes in the Company's approach to capital management during the period. The Company is not subject to any externally imposed capital requirements.

Fair value

The Company's financial instruments consist of cash and cash equivalents, trade payables and accrued liabilities and loans payable. The carrying value of these financial instruments approximates their fair values due to the short term nature of these instruments.

12. Segmented information

Operating segments

The Company operates in a single reportable operating segment – the acquisition and exploration of mineral properties.

Geographic segments

The Company's non-current assets are located in the following countries:

	As at December 31, 2014		
	Canada	**U.S.A.**	**Total**
Equipment	$ 1,147	$ -	$ 1,147
Exploration and evaluation assets	-	10,519,473	10,519,473
	$ 1,147	$ 10,519,473	$10,520,620

	As at June 30, 2014		
	Canada	**U.S.A.**	**Total**
Equipment	$ 1,349	$ -	$ 1,349
Exploration and evaluation assets	-	8,777,390	8,777,390
	$ 1,349	$ 8,777,390	$ 8,778,739

13. Supplemental disclosure with respect to cash flows

During the six month period ended December 31, 2014 and 2013, the Company incurred the following non-cash investing and financing activities that are not reflected in the statements of cash flows:

	Six month period ended	
	December 31, 2014	**December 31, 2013**
Exploration and evaluation assets included in trade payables and accrued liabilities	$ 163,926	$ 70,652

14. Subsequent events

On January 20, 2015, the Company granted 300,000 incentive stock options to directors of the Company pursuant to its stock option plan. These options are exercisable for a period of five years from the grant date at a price of $0.17 per share. Of these options 150,000 will vest immediately while the remaining 150,000 will vest upon the earlier of: (1) the sale of the Company; (2) sale of the Grassy Mountain asset; (3) completion of a joint venture agreement on Grassy Mountain; or (4) approval of a Plan of Operation by the state of Oregon.