



CONSOLIDATED FINANCIAL STATEMENTS
FOR THE
SIX MONTHS ENDED JUNE 30, 2015
Unaudited
(Expressed in Canadian Dollars)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Unaudited (Expressed in Canadian funds)

	June 30, 2015	Dec. 31, 2014
ASSETS		
Current		
Cash (Note 4)	\$ 984,171	\$ 1,153,325
Receivables (Note 5)	18,237	10,475
Prepays	4,867	14,067
Marketable securities (Note 6)	1,604	1,603
	1,008,879	1,179,470
Reclamation deposit (Note 7)	107,905	93,433
Exploration and evaluation assets (Note 7)	5,571,596	5,553,639
	\$ 6,688,380	\$ 6,826,542
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 8)	\$ 34,438	\$ 52,038
	34,438	52,038
SHAREHOLDERS' EQUITY		
Share capital (Note 9)	13,928,534	13,928,534
Reserves - share-based	451,020	451,020
Reserves - accumulated other comprehensive income/(loss)	(686)	(686)
Deficit	(7,724,926)	(7,604,364)
	6,653,942	6,774,504
	\$ 6,688,380	\$ 6,826,542

Nature of Operations and Going Concern (Note 1)

Approved on behalf of the Board:

"C.F. Staargaard"

"W. Hubert"

C.F. Staargaard, Director

W. Hubert, Director

The accompanying notes are an integral part of the consolidated financial statements

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

Unaudited (Expressed in Canadian funds)

	Three months ended		Six months ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
EXPENSES				
Communication and investor relations	\$ 34,518	\$ 28,270	\$ 52,580	\$ 39,480
Filing and regulatory	8,310	10,646	14,988	19,119
Foreign exchange loss (gain)	4,833	2,007	(27,352)	(605)
Management fees	21,000	42,000	42,000	84,000
Office and miscellaneous	7,939	7,593	15,949	19,248
Professional fees	9,424	27,682	14,224	40,897
Rent	6,000	5,400	11,800	10,800
Share-based compensation (Note 9)	-	10,966	-	21,932
Travel	780	6,393	780	8,397
Loss before other item	(92,804)	(140,958)	(124,969)	(243,268)
OTHER ITEM				
Interest income	1,913	479	4,407	1,254
Loss for the period	(90,891)	(140,479)	(120,562)	(242,014)
Other comprehensive loss:				
Unrealized loss on marketable securities	-	-	443	1,710
Comprehensive loss for the period	\$ (90,891)	\$ (140,479)	\$ (120,119)	\$ (240,304)
Basic and diluted loss per common share	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)
Weighted average shares outstanding	72,205,419	63,178,019	72,205,419	63,178,019

The accompanying notes are an integral part of the consolidated financial statements

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
 Unaudited (Expressed in Canadian funds)

	Shares Issued	Share Capital	Reserves – Share- Based	Reserves - Accumulated Other Comprehensive Income (Loss)	Deficit	Total
Balance December 31, 2013	63,178,019	\$12,429,212	\$1,483,559	\$(242)	\$(8,179,442)	\$5,733,087
Share-based compensation	-	-	21,932	-	-	21,932
Unrealized loss on marketable securities	-	-	-	1,952	-	1,952
Loss for the period	-	-	-	-	(242,015)	(242,015)
Balance June 30, 2014	63,178,019	\$12,429,212	\$1,505,491	\$1,710	\$(8,421,457)	\$5,514,956
Balance December 31, 2014	72,205,419	\$13,928,534	\$451,020	\$(686)	\$(7,604,364)	\$6,774,504
Loss for the period	-	-	-	-	(120,562)	(120,562)
Balance June 30, 2015	72,205,419	\$13,928,534	\$451,020	\$(686)	\$(7,724,926)	\$6,653,942

The accompanying notes are an integral part of the consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS
Unaudited (Expressed in Canadian funds)

	For the six-months ended	
	June 30, 2015	June 30, 2014
OPERATING ACTIVITIES		
Loss for the period	\$ (120,562)	\$ (242,014)
Items not involving cash:		
Share-based compensation	-	21,932
Unrealized foreign exchange loss (gain) on reclamation deposit	(14,473)	(113)
Change in operating assets and liabilities:		
Decrease (increase) in receivables	(7,762)	14,074
Decrease (increase) in prepaids	9,200	9,073
Decrease (increase) in reclamation deposit	-	(10,957)
Decrease in accounts payable and accrued liabilities	(17,139)	76,350
Cash used in operating activities	(150,736)	(131,655)
INVESTING ACTIVITIES		
Exploration and evaluation assets	(18,418)	(165,750)
Cash used in investing activities	(18,418)	(165,750)
Increase(decrease) in cash during the period	(169,154)	(297,404)
Cash, beginning of year	1,153,325	350,771
Cash, end of period	\$ 984,171	\$ 53,366
Supplemental cash flow information		
	For the six-months ended	
	June 30, 2015	June 30, 2014
Interest paid	\$ -	\$ -
Income taxes paid	-	-

Supplemental disclosure with respect to cash flows (Note 11)

The accompanying notes are an integral part of the consolidated financial statements

1. NATURE OF OPERATIONS AND GOING CONCERN

On February 19, 2014, Lithic Resources Ltd. changed its name to InZinc Mining Ltd. (the "Company"). The Company was incorporated on October 24, 1997 under the laws of British Columbia and was continued under the Canada Business Corporations Act in June, 2002. The Company's head office is at 912 - 510 West Hastings Street, Vancouver, B.C., Canada, V6B 1L8. The Company is listed on the TSX Venture Exchange under the trading symbol IZN.V.

The consolidated financial statements of the Company are presented in Canadian dollars, which is the functional currency of the parent company and its subsidiary, unless otherwise indicated.

The Company's principal business activities include the acquisition and exploration of mineral exploration and evaluation assets. Its current focus is on a mineral property domiciled in the United States. The Company has not yet determined whether this exploration and evaluation asset contains ore reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production. To date, the Company has not earned any revenues and is considered to be in the exploration stage.

These consolidated financial statements have been prepared assuming the Company will continue on a going-concern basis. The Company has incurred losses since its inception and the ability of the Company to continue as a going-concern depends upon its ability to raise adequate financing and to develop profitable operations. The consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations. The Company estimates it has sufficient working capital to continue operations for the next year.

The continuance of the Company's operations is dependent on obtaining sufficient additional financing in order to realize the recoverability of the Company's investments in exploration and evaluation assets which is dependent upon the existence of economically recoverable reserves and market prices for the underlying minerals. Management closely monitors metal commodity prices, individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company if favourable or adverse market conditions occur.

2. STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with International Accounting Standards ("IAS") 1, "Presentation of Financial Statements" and utilize accounting policies consistent with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These financial statements were authorized for issue by the audit committee and Board of Directors on August 20, 2015.

3. SIGNIFICANT ACCOUNTING POLICIES**Basis of presentation**

The consolidated financial statements have been prepared on a historical cost basis except for certain non-current assets and financial instruments, which are measured at fair value, as explained in the following accounting policies. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The comparative figures presented in these consolidated financial statements are in accordance with IFRS.

Basis of consolidation

The consolidated financial statements of the Company include the accounts of the Company and its wholly-owned subsidiary N.P.R. (US) Inc., a Nevada corporation. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All inter-company transactions and balances have been eliminated upon consolidation.

Foreign currency transactions

The Company's reporting currency and the functional currency of all of its operations is the Canadian dollar as this is the principal currency of the economic environment in which the Company operates.

Transactions in foreign currencies are translated at the exchange rate in effect at the date of the transaction. Foreign denominated monetary assets and liabilities are translated to their Canadian dollar equivalents using foreign exchange rates prevailing at the statement of financial position date. Non-monetary items are translated into Canadian dollars at the exchange rate in effect on the respective transaction dates. Revenues and expenses are translated at average rates for the year, except for amortization, which is translated on the same basis as the related asset. Exchange gains or losses arising on foreign currency translation are reflected in profit or loss for the year.

Use of estimates

The preparation of consolidated 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 consolidated financial statements and the reported 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.

The most significant accounts that require estimates as the basis for determining the stated amounts include the recoverability of exploration and evaluation assets, determination of functional currency, valuation of share-based compensation and other equity based payments, and the recoverability and measurement of deferred tax assets and liabilities.

Critical judgments exercised in apply accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements are as follows:

Economic recoverability and probability of future economic benefits of exploration and evaluation assets:

Management has determined that exploration, evaluation, and related costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including, geologic and other technical information, a history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves, the quality and capacity of

3. SIGNIFICANT ACCOUNTING POLICIES (continued)**Use of estimates (continued)**

existing infrastructure facilities, evaluation of permitting and environmental issues and local support for the project.

Determination of functional currency:

The Company determines the functional currency through an analysis of several indicators such as expenses and cash flow, financing activities, retention of operating cash flows, and frequency of transactions with the reporting entity.

Valuation of share-based compensation:

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based compensation. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

Income taxes:

In assessing the probability of realizing deferred 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.

Exploration and evaluation assets

Pre-exploration costs are expensed as incurred.

Costs directly related to the exploration and evaluation of mineral properties are capitalized once the legal rights to explore the mineral properties are acquired or obtained. When the technical and commercial viability of a mineral resource have been demonstrated and a development decision has been made, the capitalized costs of the related property are transferred to mining assets and amortized over the estimated useful life of the property following commencement of commercial production.

If it is determined that capitalized acquisition, exploration and evaluation costs are not recoverable, or the property is abandoned or management has determined an impairment in value, the property is written down to its recoverable amount. Exploration and evaluation assets are reviewed for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount.

Capitalized amounts include the cash or other consideration and the assigned value of shares issued, if any, on the acquisition of exploration and evaluation assets. Costs related to properties acquired under option agreements or joint ventures, whereby payments are made at the sole discretion of the Company, are recorded in the accounts at such time as the payments are made. The Company does not accrue estimated future costs of maintaining its exploration and evaluation assets in good standing.

Capitalized costs as reported on the statements of financial position represent costs incurred to date and may not reflect actual, present, or future values. Recovery of carrying value is dependent upon future commercial success or proceeds from disposition of the exploration and evaluation property interests.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)**Exploration and evaluation assets (continued)**

Management evaluates each mineral interest on a reporting period basis or as events and circumstances warrant, and makes a determination based on exploration activity and results, estimated future cash flows and availability of funding as to which costs are capitalized or charged as impairment charges. Write-downs due to impairment in value are charged to profit or loss.

Exploration and evaluation assets, where future cash flows are not reasonably determinable, are evaluated for impairment based on results of exploration work, management's intentions and determination of the extent to which future exploration programs are warranted and likely to be funded.

General exploration costs not related to specific properties and general administrative expenses are charged to profit or loss in the year in which they are incurred.

Restoration and environmental obligations

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to exploration and evaluation assets along with a corresponding increase in the restoration provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The restoration asset will be depreciated on the same basis as other mining assets.

The Company's estimates of restoration costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related asset with a corresponding entry to the restoration provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in amount and timing of the Company's estimates of reclamation costs, are charged to profit or loss for the period.

The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred.

The Company has no restoration and environmental obligations for the years presented.

Impairment of assets

The carrying amount of the Company's assets (which includes exploration and evaluation assets) is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the profit or loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of assets (continued)

using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, share purchase warrants and stock options are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are recognized as a deduction from equity, net of tax.

Valuation of equity units issued in private placements:

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in private placements was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing price on the issuance date, the balance, if any, was allocated to the attached warrants. Any fair value attributed to the warrants is recorded to reserves. If the warrants expire unexercised, the value attributed to the warrants is transferred to share capital.

Share-based compensation:

The Company uses the fair value based method of accounting for stock options granted to employees and directors and for compensatory warrants. Under this method, the fair value of the stock options and compensatory warrants are determined using the Black-Scholes option pricing model. The fair value of stock options is recognized to expense over the vesting period, and the fair value of compensatory warrants is recognized as share issuance costs, with the offsetting credit to reserves. If the stock options or warrants are exercised, the proceeds are credited to share capital and the fair value of the options or warrants exercised are reclassified from reserves to share capital. If stock options expire unexercised, the value attributed to the options is transferred to deficit.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 similar 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. Options and warrants were excluded from diluted loss per share as they proved to be anti-dilutive.

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 receivables and reclamation deposit 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 profit or loss. The Company classifies marketable securities as available-for-sale.

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:

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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 and liabilities.

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.

Deferred tax:

Deferred taxes are recognized in respect of 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 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 tax asset to be utilized. The Company has not recognized any deferred tax assets for the years presented.

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

New and amended IFRS pronouncements

A number of new standards, amendments to standards and interpretations applicable to the Company are not yet effective for the year ending December 31, 2015 and have not been applied in preparing these condensed interim consolidated financial statements. The following standards may have a potential effect on the consolidated financial statements of the Company:

- a. IFRS 9, "Financial Instruments", replaces the guidance in IAS 39, "Financial Instruments: Recognition and Measurement", and includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. The standard is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. The Company does not intend to early adopt IFRS 9 in its financial statements for the year ending December 31, 2015. Management is assessing the impact of this standard.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)**New and amended IFRS pronouncements (continued)**

- b. IFRS 15, "Revenue from Contracts with Customers", establishes principles that an entity shall apply to report useful information to users of financial statements about 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 earlier application permitted. The Company does not intend to early adopt IFRS 15 in its financial statements for the year ending December 31, 2015. Management is assessing the impact of this standard.

None of the remaining standards and amendments to standards and interpretations are expected to have a significant effect on the condensed interim consolidated financial statements of the Company.

4. CASH

Cash is comprised of cash in Canadian and US financial institutions:

	June 30, 2015	December 31, 2014
Cash in US financial institutions	\$ 1,804	\$ 2,136
Cash in Canadian financial institutions	982,367	1,151,189
Total cash	\$ 984,171	\$ 1,153,325

5. RECEIVABLES

Trade and other receivables were comprised of the following:

	June 30, 2015	December 31, 2014
GST receivable	\$ 18,237	\$ 10,475
Receivable from vendor	-	-
	\$ 18,237	\$ 10,475

6. MARKETABLE SECURITIES

Marketable securities are classified as available for sale financial instruments, which are adjusted to market value. As at June 30, 2015 the fair market value of the securities held was \$1,603 (December 31, 2014 - \$1,603).

7. EXPLORATION AND EVALUATION ASSETS

Title to exploration and evaluation assets involves inherent risks due to difficulties of determining the validity of certain mineral claims and leases as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many exploration and evaluation assets. The Company has investigated title to its exploration and evaluation asset and, to the best of its knowledge, title is in good standing.

7. EXPLORATION AND EVALUATION ASSETS (continued)**West Desert Property**

The Company holds a 100% interest in various mining claims and a mineral lease referred to as the West Desert Property, located in Utah, USA.

The following table represents expenditures incurred on the exploration and evaluation assets during the three-months ended June 30, 2015:

	West Desert
Acquisition costs	
Balance, beginning and end of period	\$ 394,127
Deferred exploration costs	
Balance, beginning of year	5,159,512
Additions during the period:	
Analysis	-
Engineering	-
Field costs	4,284
Geological wages, fees and costs	2,985
Metallurgical	7,102
Property holding costs, taxes and fees	3,586
	<u>17,957</u>
Balance, June 30, 2015	<u>5,177,469</u>
Total	\$ 5,571,596

The following table represents expenditures incurred on the exploration and evaluation assets during the year ended December 31, 2014:

	West Desert
Acquisition costs	
Balance, beginning and end of year	\$ 394,127
Deferred exploration costs	
Balance, beginning of year	4,982,803
Additions during the year:	
Analysis	1,311
Engineering	105,214
Field costs	5,922
Geological wages, fees and costs	3,595
Metallurgical	10,423
Property holding costs, taxes and fees	50,244
	<u>176,709</u>
Balance, December 31, 2014	<u>5,159,512</u>
Total	\$ 5,553,639

Reclamation deposit

The Company has reclamation bonds of \$107,905 (December 31, 2014 - \$93,433) to cover potential disturbances on the property.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities were comprised of the following:

	June 30, 2015	December 31, 2014
Trade payables	\$ 22,578	\$ 34,955
Due to related parties	11,860	17,083
Total	\$ 34,438	\$ 52,038

9. SHARE CAPITAL AND RESERVES**[a] Common shares**

The Company has authorized share capital of unlimited common shares without par value.

On August 29, 2014 the Company closed a non-brokered private placement consisting of 3,333,400 units at a price of \$0.18 per unit for proceeds of \$600,012. Each unit consisted of one common share and one-half of one common share purchase warrant. Each full warrant entitles its holder to subscribe for one share at \$0.30 per share until August 29, 2016.

On September 30, 2014 the Company closed a non-brokered private placement consisting of 5,694,000 units at a price of \$0.18 per unit for gross proceeds of \$1,024,920. Each unit consisted of one common share and one-half of one common share purchase warrant. Each full warrant entitles its holder to acquire one additional common share of the Company at a price of \$0.30 per share until September 30, 2016. In connection with the private placement, the Company paid a finders' fee on a portion of the placement consisting of a cash fee of \$101,204 and issued 353,119 warrants, valued at \$24,407, having the same attributes as the warrants comprised in the units. The finder's warrants were valued using the Black-Scholes option pricing model assuming a life expectancy of 2-years, a risk free rate of 1.13%, a forfeiture rate of nil, and volatility of 111%.

[b] Stock options

The Company grants stock options to employees and consultants as compensation for services, pursuant to its incentive Share Option Plan (the "Plan"). Options issued must have an exercise price greater than or equal to the "Discounted Market Price" of the Company's stock on the grant date. Options have a maximum expiry period of up to five years from the grant date and vest at such time as may be determined by the Board of Directors at the date of the grant. Options granted to consultants performing investor relations activities shall vest in stages over a 12-month period with a maximum of one-quarter of the options vesting in any three-month period. The number of options that may be issued under the Plan is limited to no more than 10% of the Company's issued and outstanding shares on the grant date.

During the six-months ended June 30, 2015 and the year ended December 31, 2014, the Company did not grant any options.

Share-based compensation expense of \$43,865 in fiscal 2014 relates to vesting of options granted in a prior period.

The fair value of options granted is estimated on the grant date using the Black-Scholes option pricing model using the variables as follows:

9. SHARE CAPITAL AND RESERVES (continued)**Stock Options (continued)**

Volatility was computed using historical volatility over the preceding periods equal to the expected life of the options.

	Year-ended December 31, 2014	Year-ended December 31, 2013
Risk-free interest rate	-	1.14%
Expected option life in years	-	2 years
Expected stock price volatility	-	128%
Expected dividend yield	-	0%
Expected forfeiture rate	-	0%

A summary of stock options activities are as follows:

	Number of Options	Exercise Price (\$)
Balance – December 31, 2013	4,300,000	0.14 ⁽¹⁾
Expired during the year	(450,000)	0.10
Balance – December 31, 2014	3,850,000	0.15 ⁽¹⁾
Expired during the period	(400,000)	0.10
Expired during the period	(800,000)	0.33
Balance – June 30, 2015	2,650,000	0.10 ⁽¹⁾
Exercisable	2,450,000	0.10 ⁽¹⁾

⁽¹⁾ weighted average

The Company has outstanding options entitling the holder to purchase an aggregate number of common shares at June 30, 2015 as follows:

Number of Options	Exercise Price	Expiry Date	Contractual life remaining(years)
2,650,000	0.10	November 2, 2017	2.34

[c] Warrants

Warrant transactions are summarized as follows:

In conjunction with the August 29, 2014 financing the Company issued 1,666,700 warrants, each exercisable into one common share of the Company at a price of \$0.30 for 24-months.

9. SHARE CAPITAL AND RESERVES (continued)**[c] Warrants (continued)**

In conjunction with the September 30, 2014 financing the Company issued 2,847,000 warrants, each exercisable into one common share of the Company at a price of \$0.30 for 24-months. The Company also issued 353,119 finder's warrants.

	Number of Warrants	Exercise Price
Balance – December 31, 2013	nil	\$nil
Issued in the year ended December 31, 2014	4,866,819	\$0.30
Balance – June 30, 2015 and December 31, 2014	4,866,819	\$0.30

Warrants outstanding as at June 30, 2015 are as follows:

Number of Warrants	Exercise Price	Expiry Date	Contractual life remaining(years)
1,666,700	0.30	August 29, 2016	1.16
2,847,000	0.30	September 30, 2016	1.25
353,119	0.30	September 30, 2016	1.25
4,866,819	\$ 0.30 ⁽¹⁾		1.22 ⁽¹⁾

⁽¹⁾ weighted average

10. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties during the year six-months ended June 30, 2015:

Summary of key management personnel compensation:

	For the six-months ended December 31,	
	2015	2014
Short-term benefits paid or accrued:		
Professional fees	\$ 9,000	\$ 9,000
Management fees	42,000	42,000
Share-based compensation	-	4,143
	\$ 51,000	\$ 55,143

Included in rent is \$11,800 (2014 - \$10,800) paid or accrued at cost to a company related by a common director.

Included in accounts payable and accrued liabilities are amounts owing to related parties of \$11,860 (December 31, 2014 - \$17,083).

11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

For the six-months ended June 30, 2015, the Company did not record any significant non-cash transactions.

For the six-months ended June 30, 2014, the Company's significant non-cash transactions consisted of:

- a) Change in fair market value of marketable securities of \$1,953; and
- b) Exploration and evaluation assets in account payable of \$53,912.

12. SEGMENTED INFORMATION

The Company operates in one industry, being mineral exploration – in two geographic segments, being Canada and the United States.

	Canada	United States	Total
December 31, 2014			
Exploration and evaluation assets	-	\$ 5,553,639	\$ 5,553,639
June 30, 2015			
Exploration and evaluation assets	-	\$ 5,571,596	\$ 5,571,596

13. 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.

Cash and marketable securities are measured at fair value using level 1 inputs. The value of receivables, reclamation deposit, and accounts payable and accrued liabilities approximates their carrying values.

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 are due from the Federal Government of Canada. Management believes that credit risk related to these amounts is nominal.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)*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.

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. As of June 30, 2015, the Company held an interest bearing demand deposit with a face value \$788,918. A change in interest rates of 1% will change income by \$7,889 per annum.

Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to cash and accounts payables and accrued liabilities that are denominated in United States Dollars. However, management believes the risk is not currently significant.

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.

14. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and exploration of exploration and evaluation assets. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital that it manages as share capital, options and warrants.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company has historically relied on the equity markets to fund its activities. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to externally imposed capital restrictions.