Gespeg Copper Resources

# FINANCIAL STATEMENTS

(Stated in Canadian dollars)

**April 30, 2015 and 2014**

# INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Gespeg Copper Resources Inc.

We have audited the accompanying financial statements of Gespeg Copper Resources Inc., which comprise the statements of financial position as at April 30, 2015 and 2014 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 Gespeg Copper Resources Inc. as at April 30, 2015 and 2014 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

***Emphasis of Matter***

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Gespeg Copper Resources Inc.'s ability to continue as a going concern.

**"DAVIDSON & COMPANY LLP"**

Vancouver, Canada — Chartered Professional Accountants

August 18, 2015

**Gespeg Copper Resources Inc.**
**Statements of Financial Position**

| **As at,** | | April 30, 2015 | | April 30, 2014 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Current assets** | | | | |
| Cash | $ | 76,058 | $ | 123,161 |
| Other receivables and prepaid expenses | | 20,668 | | 30,070 |
| | | **96,726** | | **153,231** |
| **Non-current assets** | | | | |
| Exploration and evaluation assets (Note 3) | | 4,691,678 | | 4,557,066 |
| **Total assets** | **$** | **4,788,404** | **$** | **4,710,297** |
| | | | | |
| **LIABILITIES** | | | | |
| **Current liabilities** | | | | |
| Accounts payable and accrued liabilities (Note 7) | $ | 208,056 | $ | 389,173 |
| **Total liabilities** | | **208,056** | | **389,173** |
| | | | | |
| **SHAREHOLDERS' EQUITY** | | | | |
| Share capital (Note 4) | | 10,412,253 | | 9,898,274 |
| Contributed surplus (Note 4) | | 982,152 | | 835,252 |
| Deficit | | (6,814,057) | | (6,412,402) |
| | | **4,580,348** | | **4,321,124** |
| **Total liabilities and shareholders' equity** | **$** | **4,788,404** | **$** | **4,710,297** |

**Description of business and going concern** (Note 1)
**Commitments** (Note 6)
**Events after the reporting period** (Note 10)

**Approved and authorized on behalf of the Board of Directors on August 18, 2015:**

"Tim Termuende" "Sylvain Laberge"

The accompanying notes are an integral part of these financial statements

**Gespeg Copper Resources Inc.**
**Statements of Loss and Comprehensive Loss**

| For the years ended April 30, | 2015 | 2014 |
|---|---|---|
| **Operating Expenses** | | |
| Impairment of exploration and evaluation assets (Note 3) | $ 47,108 | $ 333,438 |
| Finance - interest and bank charges (recovery) | 882 | (47) |
| General and administration | 184,322 | 121,326 |
| Management fees (Note 7) | 24,000 | 24,000 |
| Professional fees | 90,769 | 118,761 |
| Project evaluation | 6,112 | - |
| Director fees and benefits (Note 7) | 20,955 | - |
| Transfer agent and filing fees | 27,507 | 20,866 |
| | **401,655** | **618,344** |
| **Loss from operations** | **(401,655)** | **(618,344)** |
| Other income on settlement of flow-through premium liability (Note 4) | - | 154,046 |
| **Net loss and comprehensive loss** | **$ (401,655)** | **$ (464,298)** |
| **Basic and diluted loss per common share** | **$ (0.01)** | **$ (0.01)** |
| **Weighted average number of common shares outstanding - basic and diluted** | **59,562,688** | **41,173,402** |

The accompanying notes are an integral part of these financial statements

**Gespeg Copper Resources Inc.**
**Statements of Changes in Shareholders' Equity**

| | Number of Common Shares | | Share Capital | | Contributed Surplus | | Deficit | | Shareholders' Equity |
|---|---|---|---|---|---|---|---|---|---|
| **Balance, May 1, 2013** | **36,638,512** | **$** | **9,465,807** | **$** | **747,600** | **$** | **(5,948,104)** | **$** | **4,265,303** |
| Shares issued for cash | 10,200,000 | | 422,348 | | 87,652 | | - | | 510,000 |
| Shares-for-debt settlement | 700,000 | | 35,000 | | - | | - | | 35,000 |
| Share issue costs, net of tax | - | | (24,881) | | - | | - | | (24,881) |
| Net loss | - | | - | | - | | (464,298) | | (464,298) |
| **Balance, April 30, 2014** | **47,538,512** | **$** | **9,898,274** | **$** | **835,252** | **$** | **(6,412,402)** | **$** | **4,321,124** |

| | Number of Common Shares | | Share Capital | | Contributed Surplus | | Deficit | | Equity |
|---|---|---|---|---|---|---|---|---|---|
| **Balance, May 1, 2014** | **47,538,512** | **$** | **9,898,274** | **$** | **835,252** | **$** | **(6,412,402)** | **$** | **4,321,124** |
| Shares issued for cash | 12,970,000 | | 501,600 | | 146,900 | | - | | 648,500 |
| Shares issued for mineral property | 500,000 | | 30,000 | | - | | - | | 30,000 |
| Share issue costs, net of tax | - | | (17,621) | | - | | - | | (17,621) |
| Net loss | - | | - | | - | | (401,655) | | (401,655) |
| **Balance, April 30, 2015** | **61,008,512** | **$** | **10,412,253** | **$** | **982,152** | **$** | **(6,814,057)** | **$** | **4,580,348** |

The accompanying notes are an integral part of these financial statements

**Gespeg Copper Resources Inc.**
**Statements of Cash Flows**

| For the years ended April 30, | | 2015 | | 2014 |
|---|---|---|---|---|
| **Cash flows used in Operating Activities** | | | | |
| Net loss for the year | $ | (401,655) | $ | (464,298) |
| Items not affecting cash: | | | | |
| Impairment of exploration and evaluation assets | | 47,108 | | 333,438 |
| Other income on settlement of flow-through premium liability | | - | | (154,046) |
| Net changes in non-cash working capital items: | | | | |
| Decrease in accounts payable and accrued liabilities | | (107,658) | | (157,056) |
| Decrease in other receivables and prepaid expenses | | 9,402 | | 84,305 |
| **Cash flows used in Operating Activities** | | **(452,803)** | | **(357,657)** |
| **Cash flows used in Investing Activities** | | | | |
| Exploration and evaluation assets | | (213,235) | | (486,611) |
| **Cash flows used in Investing Activities** | | **(213,235)** | | **(486,611)** |
| **Cash flows provided by Financing Activities** | | | | |
| Issuance of common shares and units | | 648,500 | | 510,000 |
| Share issue costs, net of tax | | (29,565) | | (12,937) |
| **Cash flows provided by Financing Activities** | | **618,935** | | **497,063** |
| **Net change in cash during the year** | | **(47,103)** | | **(347,205)** |
| Cash, beginning of year | | 123,161 | | 470,366 |
| Cash, end of year | **$** | **76,058** | **$** | **123,161** |
| **Non cash transactions** | | | | |
| Shares issued for mineral property | $ | 30,000 | $ | - |
| Shares issued to settle debt | $ | - | $ | 35,000 |
| Issuance of warrants and broker warrants | $ | 146,900 | $ | 87,652 |
| Accounts payable and other receivables related to exploration and evaluation assets | $ | 96,359 | $ | 157,874 |
| Share issue costs remaining in accounts payable and accrued liabilities | $ | - | $ | 11,944 |

The accompanying notes are an integral part of these financial statements

## 1. Description of business and going concern

Gespeg Copper Resources Inc. (the "Corporation") was incorporated under the laws of British Columbia, Canada on May 31, 2006 and is listed on the TSX Venture Exchange ("TSX-V"). The principal business of the Corporation is the identification, exploration and development of mineral properties. The Corporation's ultimate parent is 49 North Resources Inc. ("49 North").

The address of the Corporation's corporate office and principal place of business is Suite 602 – 224 4th Avenue South, Saskatoon, Saskatchewan S7K 5M5. These financial statements were approved by the Corporation's board of directors on August 18, 2015.

### Going concern

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Corporation will continue in operation for the foreseeable future and will be able to realize its assets and discharge its obligations in the normal course of operation. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to twelve months from the end of the reporting period. The use of these principles may not be appropriate.

To date, the Corporation has not earned significant revenue and is considered to be in the identification and exploration stage.

The investment in, and expenditures on, exploration and evaluation assets comprise a significant portion of the Corporation's assets. Mineral exploration and development is highly speculative and involves inherent risks. Realization of the Corporation's investment in these assets is dependent upon the renewed legal ownership of the claims and whether an economically viable operation can be established.

In addition, it has not yet been determined whether the Corporation's properties contain ore reserves that are economically recoverable. There can be no assurance that current exploration programs will result in the discovery of economically viable quantities of ore. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines.

As at April 30, 2015, the Corporation's current cash resources are insufficient to cover the expected expenditures in fiscal 2016. The Corporation's ability to continue as a going concern is dependent on being able to obtain the necessary financing to satisfy its liabilities as they become due. There can be no assurances that management will be successful in securing adequate financing.

The Corporation reported net losses in fiscal 2015 and 2014 of $401,655 and $464,298 respectively. These recurring losses and the need for continued financing to further successful exploration may cast significant doubt as to the Corporation's ability to continue as a going concern.

These financial statements do not include any adjustments to the carrying values of assets and liabilities that might be necessary, if the Corporation is unable to continue as a going concern. Such adjustments could be material.

## 2. Significant accounting policies

The significant accounting policies used in the preparation of these annual financial statements are set out below. These policies have been consistently applied to all the periods presented.

**2. Significant accounting policies** (continued)

**Statement of compliance**

These financial statements have been prepared in accordance 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").

**Basis of preparation**

These financial statements have been prepared on a historical cost basis and are prepared and presented in Canadian dollars, which is the Corporation's functional currency.

**Comparative figures**

Certain comparative figures have been reclassified to conform to current year's presentation.

**Exploration and evaluation assets**

**Pre-license costs**

Pre-license costs are costs incurred before the legal rights to explore a specific area have been obtained. These costs are expensed in the period in which they are incurred as exploration expense.

**Exploration and evaluation ("E&E") costs**

Once the legal right to explore has been acquired, costs directly associated with the exploration project are capitalized as either tangible or intangible exploration and evaluation assets according to the nature of the asset acquired. Such E&E costs include land acquisition, geological, geophysical and seismic, exploratory drilling and completion, testing, completing prefeasibility and feasibility studies and directly attributable internal costs. E&E costs are not depleted or amortized and are carried forward until technical feasibility and commercial viability of extracting a mineral resource is considered to be determined. The technical feasibility and commercial viability of a mineral resource is considered to be established when proved and/or probable reserves are determined to exist. Upon determination of proved and/or probable reserves, E&E assets attributed to those reserves are first tested for impairment and then reclassified to development and production assets within property, plant and equipment, net of any impairment and subsequently amortized.

**Impairment of non-current assets**

The carrying amounts of the Corporation's non-current assets are reviewed whenever events or changes in circumstances indicate that the carrying amount may not be recoverable through future exploitation or sale. Such circumstances include the existence of specific rights to explore in a specific area, actual and planned expenditures, results of exploration, and whether an economically-viable operation can be established. An impairment loss is recognized for the amount by which any exploration and evaluation asset exceeds its recoverable amount. The recoverable amount is the higher of the exploration and evaluation asset's fair value less costs to sell and value in use. Management judgment is applied in determining the lowest levels of exploration and evaluation assets grouping, for which there are separately identifiable cash flows (cash generating units), generally on the basis of areas of geological interest. Estimates and assumptions made may change if new information becomes available. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the amount of the impairment, if any. The recoverable amount of an asset is evaluated at the Cash Generating Unit ("CGU") level, which is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets, generally on the basis of geological interest. The Corporation has determined that geological areas within each claim group of a property are the CGUs.

**2. Significant accounting policies** (continued)

**Impairment of non-current assets** (continued)

The recoverable amount of a CGU is the greater of its fair value less costs to sell and its value in use. An impairment loss is recognized in the statement of loss and comprehensive loss for the period to the extent that the carrying amount of the asset (or CGU) exceeds the recoverable amount.

Impairment losses recognized in prior periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimate used to determine the recoverable amount. An impairment loss is reversed only to the extent that the carrying amount of the asset (or CGU) does not exceed the carrying amount that would have been determined, net of depletion and depreciation, had no impairment loss been recognized for the asset (or CGU). A reversal of an impairment loss is recognized immediately in the statement of loss and comprehensive loss.

**Taxes**

Tax expense recognized in comprehensive loss comprises the sum of deferred tax and current tax. Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, and are accounted for using the liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, and when they relate to income taxes levied by the same taxation authority and the Corporation intends to settle its current tax assets and liabilities on a net basis.

The carrying amount of deferred income tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Unrecognized deferred income tax assets are reassessed each reporting period and are recognized to the extent it has become probable that the future taxable profits will be available to allow the asset to be recovered.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on income tax rates and income tax laws that have been enacted or substantively enacted by the statement of financial position date. The measurement of deferred income tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Corporation expects to recover or settle the carrying amount of its assets and liabilities. Deferred income tax assets and liabilities are presented as non-current.

**Commodity taxes**

Expenses and exploration and evaluation assets are recognized net of the amount of commodity taxes except where the commodity taxes incurred are not recoverable from the taxation authority, in which case, the commodity taxes are recognized as part of the cost of exploration and evaluation assets or as part of the expense item as applicable.

**2. Significant accounting policies** (continued)

**Share capital and warrants**

Common shares and warrants are classified as equity. Incremental costs directly attributable to the issue of common shares, including warrants, are recognized as a reduction of equity, net of tax. For compound financial instruments, the relative fair value method is used to separate the components where the Corporation issues common shares and warrants as part of its equity financing activities.

The Corporation has adopted a relative fair value method with respect to the measurement of shares and warrants issued as private placements units. The relative fair value method allocates value to each component on a pro-rata basis, based on the fair value of the components calculated independently of one another. The Corporation considers the market value of the common shares issued as fair value, and measures the fair value of the warrant component of the unit using the Black-Scholes option pricing model. The unit value is then allocated, pro-rata, between the two components, with the fair value attributed to the warrants being recorded as contributed surplus.

**Flow-through shares**

Where a portion of the Corporation's exploration activities is financed by flow-through share arrangements, under the terms of flow-through share agreements, the tax deductions of the related Canadian exploration expenditures ("CEE") are renounced in favour of the investors. Accordingly, flow-through proceeds are allocated between the offering of the common shares and the premium associated with the sale of tax benefits of the common shares at the date of issuance. The allocation is made based on the difference between the quoted price of the common shares and the amount the investor pays for the flow-through shares. A liability is recognized for the premium paid by the investors and reversed in the statements of loss and comprehensive loss as deferred income tax recovery as the Corporation spends the flow-through proceeds.

**Share-based payments**

Options and warrants granted are accounted for using the fair value method. Under this method, the fair value of stock options and warrants granted are measured at estimated fair value at the grant date and recognized over the vesting period on a graded basis. Consideration received on the exercise of stock options is recorded as share capital and the related contributed surplus on options granted is transferred to share capital.

The Corporation uses the Black-Scholes option pricing model to determine the fair value of these incentives taking into consideration terms and conditions upon which the options were granted. At each financial reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest, if applicable.

**Loss per share**

The Corporation presents basic and diluted loss per share data for its common shares. Basic loss per share is calculated by dividing the loss attributable to common shareholders of the Corporation by the weighted average number of common shares outstanding during the period, adjusted for own shares held. Diluted loss per share is determined by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding, adjusted for own shares held and for the effects of all potential dilutive common shares related to outstanding stock options and warrants issued by the Corporation.

**2. Significant accounting policies** (continued)

**Financial instruments**

**Financial assets**

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

Fair value through profit or loss ("FVTPL") - 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.

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.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Corporation'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 Corporation 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.

The Corporation has classified its cash as fair value through profit or loss, its other receivables as loans and receivables and its accounts payable and accrued liabilities as other financial liabilities.

**Impairment of financial assets**

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been impacted.

**2. Significant accounting policies** (continued)

**Impairment of financial assets** (continued)

For all financial assets objective evidence of impairment could include:

a) significant financial difficulty of the issuer or counterparty; or
b) default or delinquency in interest or principal payments; or
c) it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as other receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of receivables, where the carrying amount is reduced through the use of an allowance account. When a receivable is considered uncollectible it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

**Provision for environmental rehabilitation**

The Corporation recognizes liabilities for legal or constructive obligations associated with the retirement of mineral properties and equipment. The net present value of future rehabilitation costs is capitalized to the related asset along with a corresponding increase in the rehabilitation 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 Corporation's estimates of reclamation 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 assets with a corresponding entry to the rehabilitation provision.

As at April 30, 2015 and 2014, the Corporation does not have any known rehabilitation obligations.

**New and amended IFRS pronouncements**

Effective May 1, 2014, the following standard was adopted but had no material impact on the financial statements:

(a) IAS 32 (Amendment): Standard amended to clarify requirements for offsetting financial assets and financial liabilities, effective for annual periods beginning on or after January 1, 2014.

**2. Significant accounting policies** (continued)

**New standards not yet adopted**

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or the IFRIC that are mandatory for accounting periods beginning on or after January 1, 2015. The following standards have not yet been adopted by the Company and are being evaluated to determine their impact:

(a) IFRS 7: Amended to require additional disclosures on transition from IAS 39 and IFRS 9, effective for annual periods beginning on or after January 1, 2015.
(b) IFRS 9: New standard that replaced IAS 39 for classification and measurement, effective for annual periods beginning on or after January 1, 2018.

**Significant accounting judgments, estimates and assumptions**

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

- Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. The information about significant areas of estimation uncertainty considered by management in preparing the financial statements includes: determination of the CGU and the recoverable amounts of the CGU used in impairment testing of long-lived assets including estimates of reserves and resources, future commodity prices, production costs, foreign exchange rates, discount rates, inflation and income tax rates;

- the fair value of share-based compensation determined using the Black-Scholes option pricing model using estimates for expected forfeitures, useful life and stock volatility;

- a portion of the provision for deferred income taxes based on estimated tax bases using enacted or substantively enacted tax rates expected to apply to taxable income during the years in which the differences are expected to be recovered or settled; and

- the determination that CGUs are at the claims group level or areas within each claims group.

## 3. Exploration and evaluation assets

Exploration and evaluation asset expenditures by nature are detailed as follows:

| | 2015 | 2014 |
|---|---|---|
| Exploration | $ 31,430 | $ 82,493 |
| Geology, technical reports, data compilation and maps | 147,607 | 304,721 |
| Geophysical | 10,732 | 54,435 |
| Property acquisition and rent | 30,000 | 51,066 |
| Resource tax credit refund | (38,049) | - |
| | $ 181,720 | $ 492,715 |

The Corporation considers property acquisition costs as tangible costs and all other exploration and evaluation expenditures are intangible.

Exploration and evaluation assets by properties are detailed as follows:

| | Balance as at May 1, 2013 | Additions | Impairment/ Disposals | Balance as at April 30, 2014 |
|---|---|---|---|---|
| Vortex | $ 4,017,243 | $ 401,033 | $ - | $ 4,418,276 |
| Port Daniel | - | 91,682 | - | 91,682 |
| Murdoch | 47,108 | - | - | 47,108 |
| Mont Tuzo | 71,067 | - | (71,067) | - |
| Carleton | 20,899 | - | (20,899) | - |
| Quarry 1272 (formerly Quarry 386) | 26,830 | - | (26,830) | - |
| Quarry 387 | 214,642 | - | (214,642) | - |
| | $ 4,397,789 | $ 492,715 | $ (333,438) | $ 4,557,066 |

| | Balance as at May 1, 2014 | Additions | Impairment/ Disposals | Balance as at April 30, 2015 |
|---|---|---|---|---|
| Vortex | $ 4,418,276 | $ 78,251 | $ - | $ 4,496,527 |
| Port Daniel | 91,682 | 103,469 | - | 195,151 |
| Murdoch | 47,108 | - | (47,108) | - |
| | $ 4,557,066 | $ 181,720 | $ (47,108) | $ 4,691,678 |

**3. Exploration and evaluation assets** (continued)

**Vortex**

The Vortex project is a copper molybdenum exploration opportunity in the Gaspe region of Quebec and is the site of the former Gaspe Copper mine and smelter. The project encompasses 80 sq. km of land and is comprised of three main claim groups:

a) The Sullipek deposit, situated on the western edge of the project area;
b) The Sullipek East property, a skarn/porphyry copper opportunity; and
c) The Madeleine des Vercheres claim group.

On July 23, 2013, the Corporation and ASPM Inc. (the "Vendor") executed a term extension on the Madelaine des Vercheres claim group. Under the terms of the extension, the minimum exploration requirements of the Corporation have been adjusted as detailed in Note 6. Further, the Corporation was required to make a one-time payment of $30,000 to the Vendor (paid).

Also, considered a part of the Vortex is the In-between project, a copper molybdenum exploration opportunity in the Gaspe region of Quebec. It covers lands between Vortex to the west and Murdochville to the east. This area was claimed in 2011 and a geophysical survey was executed in 2012. The 2012 survey showed 436 targets and 141 priority one targets to be further explored in the future.

During the first quarter of the year ended April 30, 2014, the Corporation dropped 529 claims encompassing a geological area of 298.1 sq. km. in the Vortex and In-between project. This resulted in an impairment of $3,859,703 which was recorded as at April 30, 2013. These properties represent the portion of the project that did not return significant prospects in the geophysical survey conducted. The Corporation has renewed the claims that contain the 436 targets and 141 priority targets previously identified in the 2012 survey. As a result, approximately 49% of the Vortex, inclusive of the In-between properties, along with the financial commitments related to these properties, have been disposed of.

**Port Daniel**

Port Daniel is a copper mineral opportunity located in the south region of the Gaspe Peninsula of Quebec.

On August 27, 2013 (the "Effective Date"), the Corporation entered into an option agreement with Dan Lepage (the "Optionor") whereby the Corporation can acquire a 100% interest in the Port Daniel claims for consideration as follows:

a. Making a cash payment of $3,000 to the Optionor on the Effective Date (paid);

b. Incurring minimum aggregate exploration expenditures on the claims as follows:
   i. $25,000 prior to January 1, 2014 (incurred);
   ii. $250,000 on or before January 1, 2015;
   iii. $350,000 on or before January 1, 2016;
   iv. $450,000 on or before January 1, 2017; and
   v. $750,000 on or before January 1, 2018.

**3. Exploration and evaluation assets** (continued)

**Port Daniel** (continued)

c. Issuing common shares to the Optionor as follows:
   i. 500,000 common shares on or before the 12 month anniversary of the Effective Date (issued at a fair value of $30,000);
   ii. 500,000 common shares on or before the 24 month anniversary of the Effective Date;
   iii. 500,000 common shares on or before the 36 month anniversary of the Effective Date; and
   **iv.** 500,000 common shares on or before the 48 month anniversary of the Effective Date.

During the year ended April 30, 2015 the Corporation did not make the required property expenditures in accordance with the option agreement. Subsequent to the reporting period management has negotiated the terms of the option agreement (Note 10).

**Murdoch**

The Murdoch property is a copper and molybdenum exploration opportunity in the Gaspe region of Quebec and hosts geological characteristics similar to those of the immediately adjacent Gaspe Copper Mine.

During the year ended April 30, 2015 management has determined that this property is not a primary focus for the Corporation and allowed these claims to lapse. Accordingly, the Company has recorded an impairment provision of $47,108.

**Mont Tuzo**

Mont Tuzo is an industrial mineral prospect, located in the central Gaspe region of Quebec. The industrial minerals Perlite and Bentonite are present on this property.

During the year ended April 30, 2014, management has determined that given this property is not a primary focus for the Corporation and no exploration is planned for this property in the next fiscal year, impairment should be recorded in the full carrying amount of $71,067. The Corporation has not dropped these claims but will review such when they are due for renewal.

**Carleton Quarry**

The Carleton Quarry is located on the south shore of the Gaspe region of Quebec, near the village of Carleton St. Omer. This quarry includes an aggregate deposit.

During the year ended April 30, 2014, the Corporation made the strategic decision to dispose of the Carleton Quarry for no proceeds, resulting in an impairment charge in the full carrying amount of $20,899.

**3. Exploration and evaluation assets** (continued)

**Quarry 1272 (formerly Quarry 386)**

Quarry 1272, (Quarry Permit BEX 1272) is located on the south coast of the Gaspe region of Quebec. This quarry includes an active construction aggregate deposit.

During the year ended April 30, 2014, management has determined that given this property is not a primary focus for the Corporation and no exploration is planned for this property in the next fiscal year, impairment should be recorded in the full carrying amount of $26,830. The Corporation has not dropped these claims but will review such when they are due for renewal.

**Quarry 387**

Quarry 387, (Quarry Permit BEX 387) is located in the central Gaspe region of. This quarry includes an active construction aggregate deposit and a dimension stone prospect.

During the year ended April 30, 2014, management has determined that given this property is not a primary focus for the Corporation and no exploration is planned for this property in the next fiscal year, impairment should be recorded in the full carrying amount of $214,642. The Corporation has not dropped these claims but will review such when they are due for renewal.

**Net smelter royalty**

As part of the acquisition of the claims, the Corporation entered into an agreement with 49 North Resources Inc. to grant a 2% net smelter return “NSR” royalty from the sale of all copper-molybdenum lands portion of the property, excluding the Port Daniel property. The Corporation may, at any time reduce the NSR from 2% to 0.5%, by making a cash payment of $1,000,000 to 49 North.

**4. Common shares and contributed surplus**

The Corporation is authorized to issue an unlimited number of common shares without par value.

**Common shares issued**

On August 21, 2013, the Corporation completed a non-brokered private placement of 6,050,000 units at a price of $0.05 per unit, for gross proceeds of $302,500. Each unit subscription entitles the holder to one non-flow-through common share of the Corporation and one half common share purchase warrant. Each whole warrant entitles the holder thereof to purchase one additional common share of the Corporation at an exercise price of $0.15 per warrant share for a period of 18 months.

**4. Common shares** (continued)

**Common shares issued** (continued)

On April 4, 2014, the Corporation completed a non-brokered private placement of 4,150,000 units at a price of $0.05 per unit, for gross proceeds of $207,500. Each unit subscription entitles the holder to one non-flow-through common share of the Corporation and one half common share purchase warrant. Each whole warrant entitles the holder thereof to purchase one additional common share of the Corporation at an exercise price of $0.15 per warrant share for a period of 24 months.

On April 4, 2014, the Corporation completed a shares-for-debt settlement with a vendor by issuing 700,000 common shares of the Corporation at a price of $0.05 to settle outstanding debt totaling $35,000.

On May 25, 2014, the Corporation completed a non-brokered private placement of 7,970,000 units at a price of $0.05 per unit, for gross proceeds of $398,500. Each unit subscription entitles the holder to one non-flow-through common share of the Corporation and one half common share purchase warrant. Each whole warrant entitles the holder thereof to purchase one common share of the Corporation at an exercise price of $0.15 per warrant share for a period of 24 months.

On June 24, 2014, the Corporation completed a non-brokered private placement of 5,000,000 units at a price of $0.05 per unit, for gross proceeds of $250,000. Each unit subscription entitles the holder to one non-flow-through common share of the Corporation and one half common share purchase warrant. Each whole warrant entitles the holder thereof to purchase one common share of the Corporation at an exercise price of $0.15 per warrant share for a period of 24 months.

**Stock option plan**

The directors of the Corporation have adopted, and the shareholders have approved a stock option plan (the "2013 Option Plan"), pursuant to which the directors may from time to time grant options for up to 10% of its issued and outstanding shares. The purpose of the Option Plan is to attract, retain and motivate directors, employees and consultants of the Corporation and to advance the interests of the Corporation by providing such persons with the opportunity, through stock options, to acquire an equity interest in the Corporation. All stock options vest immediately upon issuance.

A summary of the outstanding and exercisable stock options is as follows:

| | April 30, 2015 | | | April 30, 2014 | | |
|---|---|---|---|---|---|---|
| | **Options** | | **Price** | **Options** | | **Price** |
| **Outstanding and exercisable, beginning of year** | 2,700,000 | $ | 0.15 | 2,700,000 | $ | 0.15 |
| Options granted | - | | - | - | | - |
| **Outstanding and exercisable, end of year** | **2,700,000** | **$** | **0.15** | **2,700,000** | **$** | **0.15** |

**4. Common shares** (continued)

**Warrants**

A summary of the outstanding warrants is as follows:

| | April 30, 2015 | | | April 30, 2014 | | |
|---|---|---|---|---|---|---|
| | Warrants | | Exercise Price | Warrants | | Exercise Price |
| **Outstanding, beginning of year** | 5,552,500 | $ | 0.16 | 1,727,500 | $ | 0.51 |
| Warrants granted | 3,985,000 | | 0.15 | 3,025,000 | | 0.15 |
| Warrants granted | 2,500,000 | | 0.15 | 2,075,000 | | 0.15 |
| Warrants expired | (452,500) | | 0.25 | (1,275,000) | | 0.60 |
| Warrants expired | (3,025,000) | | 0.15 | - | | - |
| **Outstanding, end of year** | **8,560,000** | **$** | **0.15** | **5,552,500** | **$** | **0.16** |

On August 21, 2013, the Corporation issued 3,025,000 common share purchase warrants as part of a financing completed. Each warrant entitles the holder to purchase one common share of the Corporation at a price of $0.15 for a period of 18 months and vest immediately. In accordance with the Corporation's accounting policy in regards to unit bifurcation, the Corporation calculated the relative fair value of these warrants at $42,652. Assumptions used in the Black-Scholes option pricing model were as follows: dividend yield 0%, expected volatility of 141.91%, and a risk free interest rate of 1.24%. Should the trading price of the Corporation equal or exceed $0.20 for 20 consecutive trading days, the Corporation may give notice that the warrants will expire in 30 days of such notice. These warrants expired unexercised on February 21, 2015.

On April 4, 2014, the Corporation issued 2,075,000 common share purchase warrants as part of a financing completed. Each warrant entitles the holder to purchase one common share of the Corporation at a price of $0.15 for a period of 24 months and vest immediately. In accordance with the Corporation's accounting policy in regards to unit bifurcation, the Corporation calculated the relative fair value of these warrants at $45,000. Assumptions used in the Black-Scholes option pricing model were as follows: dividend yield 0%, expected volatility of 152.07%, and a risk free interest rate of 1.08%. Should the trading price of the Corporation equal or exceed $0.20 for 20 consecutive trading days, the Corporation may give notice that the warrants will expire in 30 days of such notice. These warrants expire on April 4, 2016.

On May 25, 2014, the Corporation issued 3,985,000 common share purchase warrants as part of a financing completed. Each warrant entitles the holder to purchase one common share of the Corporation at a price of $0.15 for a period of 24 months and vest immediately. In accordance with the Corporation's accounting policy in regards to unit bifurcation, the Corporation calculated the relative fair value of these warrants at $89,100. Assumptions used in the Black-Scholes option pricing model were as follows: dividend yield 0%, expected volatility of 154.52%, and a risk free interest rate of 1.04%. These warrants expire on May 25, 2016.

On June 24, 2014, the Corporation issued 2,500,000 common share purchase warrants as part of a financing completed. Each warrant entitles the holder to purchase one common share of the Corporation at a price of $0.15 for a period of 24 months and vest immediately. In accordance with the Corporation's accounting policy in regards to unit bifurcation, the Corporation calculated the relative fair value of these warrants at $57,800. Assumptions used in the Black-Scholes option pricing model were as follows: dividend yield 0%, expected volatility of 151.54%, and a risk free interest rate of 1.11%. These warrants expire on June 24, 2016.

**4. Common shares** (continued)

**Broker warrants and units**

A summary of the outstanding broker warrants and units is as follows:

| | April 30, 2015 | | April 30, 2014 | |
|---|---|---|---|---|
| | **Warrants/Units** | **Price** | **Warrants/Units** | **Price** |
| **Outstanding, beginning of year** | 200,080 | $ 0.25 | 539,930 | $ 0.34 |
| Broker warrants/units expired | (200,080) | 0.25 | (339,850) | 0.40 |
| **Outstanding, end of year** | **-** | **$ -** | **200,080** | **$ 0.25** |

On December 30, 2011, the Corporation issued 339,850 broker units as part of a financing completed. Each broker unit entitles the holder to purchase one common share and one half of one common share purchase warrant of the Corporation at a price of $0.40 for a period of 18 months. Each whole warrant entitles the holder to purchase one additional common share of the Corporation at a price of $0.60 for a period of 18 months. The fair value of these options was estimated at $35,840 using the Black-Scholes option pricing model with the following assumptions: dividend yield 0%, expected volatility of 115%, and a risk free interest rate of 0.97%. These broker units expired unexercised during the year ended April 30, 2014.

On December 19, 2012, the Corporation issued 200,080 broker warrants as part of a financing completed. Each broker warrant entitles the holder to purchase one common share of the Corporation at a price of $0.25 for a period of 24 months and vest immediately. The fair value of these warrants was estimated at $20,808 using the Black-Scholes option pricing model with the following assumptions: dividend yield 0%, expected volatility of 110.25%, and a risk free interest rate of 1.13%. The broker warrants are subject to the same acceleration right as that of the subscribers to the financing, and expired unexercised on December 19, 2014.

**Contributed surplus**

The fair values of certain stock options and broker options have been valued using the Black-Scholes option pricing model. The fair value on the grant of these securities is added to contributed surplus. Upon exercise, the corresponding amount of contributed surplus related to the security is removed from contributed surplus and added to share capital.

A summary of the contributed surplus activity is as follows:

| | April 30, 2015 | April 30, 2014 |
|---|---|---|
| **Balance, beginning of year** | **$ 835,252** | **$ 747,600** |
| Private placements - warrants | 146,900 | 87,652 |
| **Balance, end of year** | **$ 982,152** | **$ 835,252** |

**4. Common shares** (continued)

**Other income on settlement of flow-through premium liability**

During the year ended April 30, 2013, the Corporation closed a flow-through financing and recorded a premium received on flow-through shares in the amount of $213,790, which was recorded as a liability to be reversed to profit and loss as the eligible expenditures were incurred. As at April 30, 2013, the Corporation had reduced the liability by $59,744 (based on expenditures incurred) and accordingly, had recorded other income in the same amount. During the year ended April 30, 2014, the Corporation fulfilled its flow-through expenditure obligations, thereby reducing the remaining liability to $nil and recording an additional $154,046 as other income on settlement.

**5. Deferred income taxes**

The provision for income tax, both current and deferred, differs from the amount calculated by applying the combined expected federal and provincial rate to profit before taxes. The reasons for these differences are as follows:

| | | **2015** | | **2014** |
|---|---|---|---|---|
| Loss for the year before taxes | $ | (401,655) | $ | (464,298) |
| Expected income tax recovery | | (108,045) | | (124,896) |
| Change in statutory, foreign exchange rates and other | | 111,961 | | (443) |
| Permanent difference | | 1,824 | | (41,244) |
| Share issue cost | | (4,740) | | (6,694) |
| Impairment of assets | | - | | - |
| Change in unrecognized deductible temporary differences | | (1,000) | | 173,277 |
| Total income tax expense (recovery) | $ | - | $ | - |
| Current income tax expense | $ | - | $ | - |
| Deferred tax expense | $ | - | $ | - |

The significant components of the Corporation's deferred tax assets (liabilities) are as follows:

| | | **2015** | | **2014** |
|---|---|---|---|---|
| Exploration and evaluation assets | $ | (260,000) | $ | (107,000) |
| Non-capital losses | | 260,000 | | 107,000 |
| **Net deferred tax asset (liability)** | **$** | **-** | **$** | **-** |

The significant components of the Corporation's temporary differences, unused tax credits and unused tax losses that have not been included on the statement of financial position are as follows:

| | **2015** | **Expiry Date Range** | **2014** | **Expiry Date Range** |
|---|---|---|---|---|
| Share issue costs | 105,000 | 2036 to 2039 | 145,000 | 2035 to 2038 |
| Non-capital losses available for future period | 1,674,000 | 2027 to 2035 | 1,635,000 | 2027 to 2034 |

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

## 6. Commitments

**Asset purchase agreements obligations**

Pursuant to one property agreement (Note 3), the Corporation is committed to incur minimum exploration expenditures as follows, based on calendar years:

| | | 2015 | | 2016 |
|---|---|---|---|---|
| Madeleine de Vercheres - Vortex | $ | 75,000 | $ | 150,000 |
| | | - | | - |
| | **$** | **75,000** | **$** | **150,000** |

In the event that the Corporation fails to comply with the above mentioned conditions, the Corporation shall remedy to any non-compliance by paying the optionor/vendor an amount in cash that is equal to 60% of the difference between the required capital expenditure for any given year and the amount actually spent. If the default has not been remedied within the said 90 day period from default, the two agreements allow them to take back partial ownership from the purchased assets at the rate of 25% of each uncompleted year.

The exploration work performed on these commitments qualifies against the annual statutory obligations.

**Mining claims obligations**

In order to maintain the Corporation's mining claims, the Corporation must pay the following annual statutory obligations and perform the listed minimum annual work on the properties. Please note that these obligations are prescribed by the Ministere des Resources Naturelles du Quebec and may change in the future.

Minimum annual statutory obligations and exploration expenditures are approximately as follows:

| | | Annual statutory obligations |
|---|---|---|
| Vortex | $ | 27,047 |
| Port Daniel | | 3,230 |
| Murdochville | | 329 |
| Mont Tuzo | | 55 |
| Quarry 1272 | | 55 |
| Quarry 387 | | 602 |
| Cap-Chat "Barabin" | | 383 |
| | **$** | **31,701** |

**6. Commitments** (continued)

The Corporation has met the minimum annual statutory obligations for the current year.

Although the Corporation has taken steps to verify title to the properties on which it is conducting exploration and development activities and in which it has an interest, in accordance with industry standards for the current stage of exploration and development of such properties, these procedures do not guarantee the Corporation's title. Property title may be subject to Government licensing requirements or regulations, unregistered prior agreements, unregistered claims and non-compliance with regulatory and environmental requirements.

**7. Related party transactions**

Compensation of key executive personnel

| | April 30, 2015 | April 30, 2014 |
|---|---|---|
| Consulting fees to officers | $ 147,000 | $ 184,000 |
| Directors' fees | 20,000 | - |
| | $ 167,000 | $ 184,000 |

Consulting fees paid or accrued to directors and officers or companies controlled by directors and officers are recorded in management fees, general and administrative or as applicable capitalized to the exploration and evaluation assets.

During the year ended April 30, 2015, a $147,000 (2014 - $184,000) expense was recorded for consulting services provided by companies controlled by directors and officers of the Corporation. As at April 30, 2015 the Corporation owed $163,843 (2014 - $235,518) related to such services, which is included in accounts payable and accrued liabilities.

These transactions were in the normal course of operations and were recorded at the fair value amounts agreed to by the parties.

**8. Capital management**

The Corporation's objectives when managing capital are:

(a) to allow the Corporation to respond to changes in economic and/or marketplace conditions by maintaining the Corporation's ability to continue its exploration programs;
(b) to provide sustained growth and value by increasing equity; and
(c) to maintain a flexible capital structure which optimizes the cost of capital at acceptable levels of risk.

The Corporation manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its underlying assets. The Corporation maintains or adjusts its capital level to enable it to meet its objectives by:

(a) raising capital through equity financings; and
(b) borrowing funds in the form of advances from related parties.

The Corporation is not subject to any capital requirements imposed by a regulator. There were no changes in the Corporation's approach to capital management during the current year. The Corporation's management is responsible for the management of capital and monitors the Corporation's use of various forms of leverage on a daily basis.

## 9. Financial instruments

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 fair value of the Corporation's other receivables and accounts payable and accrued liabilities approximate their carrying values. The Corporation's other financial instrument, being cash, is measured at fair value using Level 1 inputs.

The Corporation's risk exposures and the impact on the Corporation's financial instruments are summarized below:

*Credit Risk*

The Corporation's credit risk is primarily attributable to cash. The Corporation has no significant concentration of credit risk arising from operations. Cash is held with reputable financial institutions, from which management believes the risk of loss to be remote.

*Liquidity Risk*

The Corporation's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at April 30, 2015, the Corporation had a cash balance of $76,058 (2014 - $123,161) to settle current liabilities of $208,056 (2014 - $389,173).

The Corporation has historically relied on equity financings to satisfy its capital requirements and will continue to depend heavily upon equity capital and debt to finance its activities. There can be no assurance the Corporation will be able to obtain the required financing in the future on acceptable terms.

*Interest rate risk*

The Corporation is not exposed to risk in the event of interest rate fluctuations. The Corporation has not entered into any interest rate swaps or other financial arrangements that mitigate the exposure to interest rate fluctuations.

## 10. Events after the reporting period

*Port Daniel option agreement amendment*

Subsequent to year-end, on July 21, 2015, the Corporation amended the option agreement on the Port Daniel claims (Note 3). In exchange for a cash payment of $10,000 and the issuance of 1,000,000 common shares of the Corporation, all work commitments and future common share issuances, as described in Note 3, have been eliminated. As such, the Corporation now has a 100% interest in the Port Daniel claims.

**10. Events after the reporting period** (continued)

*Financing*

Subsequent to year-end, on August 11, 2015, the Corporation completed a financing for gross proceeds of $330,000 through the issuance of 3,600,000 units at an issue price of $0.05 per unit and 3,000,000 flow-through common shares at an issue price of $0.05 per flow-through common share. Each unit consists of one non-flow-through common share of the Corporation and one common share purchase warrant with an exercise price of $0.15 and a term of 24 months.