# CKR CARBON CORPORATION
## (formerly Caribou King Resources Ltd.)
## CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

(Expressed in Canadian Dollars)

# INDEPENDENT AUDITORS' REPORT

To the Shareholders of
CKR Carbon Corp. (formerly Caribou King Resources Ltd.)

We have audited the accompanying consolidated financial statements of CKR Carbon Corp. (formerly Caribou King Resources Ltd.), which comprise the consolidated statements of financial position as at December 31, 2015 and 2014 and the consolidated statements of loss and comprehensive loss, changes in equity (deficiency) and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of CKR Carbon Corp. (formerly Caribou King Resources Ltd.) as at December 31, 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 consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about CKR Carbon Corp. (formerly Caribou King Resources Ltd.)'s ability to continue as a going concern.

**"DAVIDSON & COMPANY LLP"**

Vancouver, Canada Chartered Professional Accountants

April 28, 2016

**CKR CARBON CORPORATION**
**(formerly Caribou King Resources Ltd.)**
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**
**(Expressed in Canadian Dollars)**
**AS AT DECEMBER 31,**

| | 2015 | 2014 |
|---|---|---|
| **Assets** | | |
| **Current** | | |
| Cash | $ 5,765 | $ 193 |
| Commodity taxes recoverable | 16,319 | 36,347 |
| Subscription receivable | 1,100 | - |
| Due from related party (Note 8) | - | 1,000 |
| | 23,184 | 37,540 |
| **Exploration and evaluation assets** (Note 4) | 1,387,722 | 639,106 |
| | $ 1,410,906 | $ 676,646 |
| **Liabilities** | | |
| **Current** | | |
| Accounts payable and accrued liabilities (Note 5) | $ 279,391 | $ 792,891 |
| Loans payable (Note 6) | 25,253 | 87,798 |
| Flow through premium liability (Note 7) | 18,722 | - |
| | 323,366 | 880,689 |
| **Shareholders' (deficiency)** | | |
| **Share capital** (Note 7) | 7,917,221 | 6,234,860 |
| **Share based payment reserve** (Note 7) | 977,033 | 832,758 |
| **Deficit** | (7,806,714) | (7,271,661) |
| | 1,087,540 | (204,043) |
| | $ 1,410,906 | $ 676,646 |

**Nature of Operations and Going Concern** (Note 1)
**Subsequent Events** (Note 12)

**APPROVED ON BEHALF OF THE BOARD OF DIRECTORS:**

| *"Roger Moss"* | *"Michael England"* |
|---|---|
| Director | Director |

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

**CKR CARBON CORPORATION**
**(formerly Caribou King Resources Ltd.)**
**CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**
**(Expressed in Canadian Dollars)**
**FOR THE YEARS ENDED DECEMBER 31,**

| | 2015 | 2014 |
|---|---|---|
| **Operating expenses** | | |
| Marketing | **$ 15,490** | $ - |
| Consulting fees | **128,142** | 50,800 |
| Filing fees and permits | **28,996** | 30,531 |
| Investor relations | **17,716** | - |
| Interest | **3,955** | 8,257 |
| Management fees (Note 8) | **119,410** | 102,000 |
| Office and other (Note 8) | **97,261** | 146,036 |
| Professional fees | **72,404** | 90,681 |
| Share-based compensation (Note 7) | **124,066** | 90,705 |
| Travel, meals and accommodation | **14,824** | 4,232 |
| | **(622,264)** | (523,242) |
| Loss on sale on marketable securities (Note 3) | **-** | (19,050) |
| Unrealized (loss) gain on marketable securities (Note 3) | **-** | (12,000) |
| Write-off of exploration and evaluation assets (Note 4) | **-** | (417,535) |
| Write-off deposit (Note 4) | **-** | (24,300) |
| Reversal of flow-through premium liability | **21,278** | 50,000 |
| Gain on settlement of accounts payable (Note 7) | **65,933** | - |
| **Loss and comprehensive loss for the year** | **$ (535,053)** | $ (946,127) |
| **Basic and diluted loss per share** | **$ ( 0.03)** | $ (0.17) |
| **Weighted average number of shares outstanding** | **16,368,054** | 5,510,230 |

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

**CKR CARBON CORPORATION**
**(formerly Caribou King Resources Ltd.)**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(Expressed in Canadian Dollars)**
**FOR THE YEARS ENDED DECEMBER 31,**

| | | 2015 | | 2014 |
|---|---|---|---|---|
| **Operating Activities** | | | | |
| Loss for the year | **$** | **(535,053)** | $ | (946,127) |
| Non-cash items: | | | | |
| Share-based compensation | | **124,066** | | 90,705 |
| Write-off of exploration and evaluation assets | | **-** | | 417,535 |
| Write-off of deposit | | **-** | | 24,300 |
| Gain on settlement of accounts payable | | **(65,933)** | | - |
| Reversal of flow-through premium | | **(21,278)** | | (50,000) |
| Accrued interest on loan payable | | **3,955** | | 8,257 |
| Unrealized loss on marketable securities | | **-** | | 12,000 |
| Loss on sale of marketable securities | | **-** | | 19,050 |
| Changes in commodity taxes recoverable | | **21,028** | | (10,933) |
| Changes in accounts payable and accrued liabilities | | **3,391** | | 405,186 |
| **Cash used for operating activities** | | **(469,824)** | | (30,027) |
| **Investing Activities** | | | | |
| Exploration and evaluation expenditures, net of recoveries | | **(482,224)** | | (375,169) |
| Proceeds on sale of marketable securities | | **-** | | 45,700 |
| **Cash used for provided by investing activities** | | **(482,224)** | | (329,469) |
| **Financing Activities** | | | | |
| Private placement proceeds | | **1,003,200** | | 163,000 |
| Share issuance costs | | **(18,980)** | | (12,643) |
| Repayment by related parties | | **-** | | 2,000 |
| Proceeds from loan from related party | | **-** | | 5,450 |
| Loan repayment to related party | | **-** | | (3,950) |
| Loan repayment | | **(70,300)** | | (10,000) |
| Options exercised proceeds | | **39,900** | | 32,500 |
| Notes payable | | **3,800** | | - |
| Warrants exercised proceeds | | **-** | | 30,300 |
| **Cash provided by financing activities** | | **957,620** | | 206,657 |
| **Changes in cash** | | **5,572** | | (152,839) |
| **Cash – beginning of year** | | **193** | | 153,032 |
| **Cash – end of year** | **$** | **5,765** | $ | 193 |

| | | | | |
|---|---|---|---|---|
| **Non-cash supplemental information:** | | | | |
| Warrants issued in payment of agent's fees | **$** | **3,850** | $ | 3,926 |
| Exploration and evaluation expenditure in accounts payable | **$** | **131,024** | $ | 224,632 |
| Flow through shares | **$** | **40,000** | $ | - |
| Shares issued to purchase Micron | **$** | **350,000** | $ | 311,500 |
| Shares issued for exploration and evaluation assets | **$** | **10,000** | $ | - |
| Shares received for exploration and evaluation assets | **$** | **-** | $ | 33,750 |
| Shares issued for accounts payable settlement | **$** | **357,350** | $ | 96,000 |
| Reserves reallocated on exercise of options | **$** | **16,414** | $ | 14,179 |
| Residual value of warrants | **$** | **32,773** | $ | - |
| Cash paid for interest | **$** | **-** | $ | - |
| Cash paid for taxes | **$** | **-** | $ | - |

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

# CKR CARBON CORPORATION
## (formerly Caribou King Resources Ltd.)
## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)
## (Expressed in Canadian Dollars)

| | Number of shares | Share capital | Share-based payment reserve | Deficit | Total equity |
|---|---|---|---|---|---|
| **December 31, 2013** | 4,594,493 | $ 5,603,950 | $ 752,306 | $ (6,325,534) | $ 30,722 |
| Shares issued for exploration and evaluation assets | 726,667 | 311,500 | - | - | 311,500 |
| Shares issued for private placements | 345,333 | 259,000 | - | - | 259,000 |
| Share issuance costs - cash | - | (12,643) | - | - | (12,643) |
| Share issuance costs - broker warrants | - | (3,926) | 3,926 | - | - |
| Shares issued for options exercised | 650,000 | 32,500 | - | - | 32,500 |
| Transfer of share based payment reserve to share capital for options exercised | - | 14,179 | (14,179) | - | - |
| Warrants exercised | 40,400 | 30,300 | | - | 30,300 |
| Share-based compensation | - | - | 90,705 | - | 90,705 |
| Loss for the year | - | - | - | (946,127) | (946,127) |
| **December 31, 2014** | 6,356,893 | $ 6,234,860 | $ 832,758 | $ (7,271,661) | $ (204,043) |
| Shares issued for exploration and evaluation assets | 99,999 | 10,000 | - | - | 10,000 |
| Shares issued for private placements | 11,277,399 | 1,092,067 | 32,773 | - | 1,124,840 |
| Shares issued for asset acquisition | 3,500,000 | 350,000 | | | 350,000 |
| Share issuance costs - cash | - | (18,980) | - | - | (18,980) |
| Share issuance costs - broker warrants | - | (3,850) | 3,850 | - | - |
| Shares issued for options exercised | 539,000 | 39,900 | - | - | 39,900 |
| Shares issued for debt | 1,968,103 | 196,810 | | | 196,810 |
| Transfer of share based payment reserve to share capital for options exercised | - | 16,414 | (16,414) | - | - |
| Warrants exercised | - | - | | - | - |
| Share-based compensation | - | - | 124,066 | - | 124,066 |
| Loss for the year | - | - | - | (535,053) | (535,053) |
| **December 31, 2015** | 23,741,394 | $ 7,917,221 | $ 977,033 | $ (7,806,714) | $ 1,087,540 |



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

## 1. NATURE OF OPERATIONS AND GOING CONCERN

On October 19, 2015, the Company changed its name to CKR Carbon Corporation (formerly Caribou King Resources Ltd.) (hereafter the "Company" or "CKR" which was incorporated under the Business Corporations Act (Ontario), R.S.O. 1990, on February 27, 2007 and is listed on the TSX Venture Exchange ("TSX-V"). The Company's corporate office is located at 96 Avenue Road, Toronto, Ontario, Canada. The Company is a junior exploration company primarily engaged in the acquisition and exploration of exploration and evaluation assets located primarily in Canada and Namibia.

These consolidated financial statements, including comparatives have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation for the foreseeable future. The operations of the Company are primarily funded by the issue of share capital and loans. The continued operations of the Company are dependent on its ability to develop a sufficient financing plan, receive continued financial support from related parties, complete sufficient public equity financing, or generate profitable operations in the future. These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business.

The Company is in the business of exploring for minerals that by its nature involves a high degree of risk. There can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of the exploration and evaluation assets and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, the ability of the Company to obtain financing or, alternatively, upon the Company's ability to dispose of its interest on an advantageous basis. Additionally, the Company estimates that it will need additional capital to operate for the upcoming year. These material uncertainties may cast significant doubt on the Company's ability to continue as a going concern.

## 2. SUMMARY OF ACCOUNTING POLICIES

### Basis of presentation

These consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments that have been measured at fair value. The consolidated financial statements are presented in Canadian dollars which is the functional currency of the Company.

In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The policies applied in the financial statements are presented below and are based on IFRS' issued and outstanding as of December 31, 2015. The consolidated financial statements were approved by the Board of Directors on April 27, 2016.

**2. SUMMARY OF ACCOUNTING POLICIES** (cont'd….)

**Estimates**

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

i) The carrying value and the recoverability of exploration and evaluation assets, which are included in the statement of financial position.
ii) The inputs in the Black-Scholes option pricing model to value stock options and agent warrants.

Critical judgements exercised in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are as follows:

i) Economic recoverability and probability of future benefits of exploration and evaluation costs

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, history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves, scoping and feasibility studies, accessible facilities and existing permits.

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

ii) 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 rates, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity settled benefits.

**Basis of consolidation**

Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries (which are wholly owned by the Company) are included in the consolidated financial statements from the date that control commences until the date that control ceases. Accordingly, the consolidated financial statements include the accounts of Micron Investments Pty Ltd from the date of acquisition on September 8, 2015. All significant inter-company transactions and balances have been eliminated.

**Financial instruments**

Financial assets

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

**2. SUMMARY OF ACCOUNTING POLICIES** (cont'd….)

**Financial instruments** (cont'd…)

Financial assets (cont'd…)

*Fair value through profit and loss (FVTPL)* - Financial assets classified as FVTPL are measured at fair value with gains and losses recognized through profit or loss.

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

*Available-for-sale* - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized through profit or loss.

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

The Company has classified its cash and marketable securities at fair value through profit or loss. The Company's due from related party and other receivable is classified as loans and receivables.

Financial liabilities

The Company classifies its financial liabilities into one of two categories. The Company's accounting policy for each category is as follows:

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

*Other financial liabilities:* This category includes accounts payables and accrued liabilities and loans payable which are recognized at amortized cost using the effective interest method.

Financial instruments that are measured at fair value use inputs, which are classified within a hierarchy that prioritizes their significance. 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.

**SUMMARY OF ACCOUNTING POLICIES** (cont'd…)

**Foreign exchange**

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

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the statement of financial position date while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are reflected in profit or loss for the year.

**Loss per share**

The Company presents basic loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

**Exploration and evaluation assets**

Upon acquiring the legal right to explore a property, costs related to the acquisition, exploration and evaluation are capitalized by property. If commercially profitable ore reserves are developed, capitalized costs of the related exploration and evaluation assets are reclassified as mining assets and amortized using the unit of production method. If, after management review, it is determined that capitalized acquisition, exploration and evaluation costs are not recoverable over the estimated economic life of the exploration and evaluation assets, or the exploration and evaluation assets are abandoned, or management deems there to be an impairment in value, the exploration and evaluation assets are written down to its net realizable value.

Any option payments received by the Company from third parties or tax credits refunded to the Company are credited to the capitalized cost of the exploration and evaluation assets. If payments received exceed the capitalized cost of the exploration and evaluation assets, the excess is recognized as income in the period received. The amounts shown for exploration and evaluation assets do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

## 2. SUMMARY OF ACCOUNTING POLICIES (cont'd…)

### Impairment

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior periods. A reversal of an impairment loss is recognized immediately in profit or loss.

### Decommissioning and restoration provision

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of exploration and evaluation assets and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to mining assets 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 rehabilitation asset is depreciated on the same basis as mining assets.

The Company'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 mining assets with a corresponding entry to the 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 the Company's estimates of reclamation costs, are charged to profit and loss for the year.

During the years presented, the Company does not have any decommissioning or restoration obligations.

### 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 most easily measured component based on fair value and then the residual value, if any, to the less easily measurable component.

2. **SUMMARY OF ACCOUNTING POLICIES** (cont'd…)

The fair value of the common shares issued in a private placement was determined to be the more easily measurable component and were valued at their fair value. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as share-based payment reserve.

**Share-based compensation**

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

The fair value of stock options and compensatory warrants are measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to share capital.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

**Share issue costs**

Costs directly identifiable with the raising of capital will be charged against the related share capital. Costs related to shares not yet issued are recorded as deferred financing costs. These costs will be deferred until the issuance of the shares to which the costs relate, at which time the costs will be charged against the related share capital or charged to operations if the shares are not issued.

**Flow-through shares**

Canadian Income Tax legislation permits an enterprise to issue securities referred to as flow-through shares, whereby the investor can claim the tax deductions arising from the renunciation of the related resource expenditures. The Company accounts for flow-through shares whereby any premium paid for the flow through shares in excess of the market value of the shares without flow-through features at the time of issue is credited to flow-through premium liability and included in profit or loss at the same time the qualifying expenditures are made.

**Income taxes**

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. 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 Company intends to settle its current tax assets and liabilities on a net basis.

## 2. SUMMARY OF ACCOUNTING POLICIES (cont'd…)

**New accounting pronouncements not yet adopted**

The international Accounting Standards Board has issued the following Standards, interpretations and amendments to Standards that are not yet effective and while considered relevant to the Company have not yet been adopted by the Company and the Company is currently assessing the impact of these new standards.

**Financial instruments**

IFRS9 Financial Instruments ("IFRS 9") was issued by the IASB in its final form in July 2014, and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 replaces the multiple rules in IAS 39 with a single new approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company intends to adopt IFRS 9 on its effective date and has not reviewed the effects of this future policy change.

## 3. MARKETABLE SECURITIES

During the year ended December 31, 2014, the Company sold shares of Canada Carbon Inc. for proceeds of $30,870 and recorded a loss of $130 and an unrealized loss of $12,000 on the sale.

During the year ended December 31, 2014, the Company received 750,000 common shares of Ashburton Ventures Inc. valued at $33,750. During the year ended December 31, 2014, the Company sold the shares for proceeds of $14,830 and recorded a loss of $18,920 on the sale.

The Company did not hold marketable securities in fiscal 2015.

**(Expressed in Canadian Dollars)**

## 4. EXPLORATION AND EVALUATION ASSETS

### Exploration and evaluation assets summary

| | December 31, 2015 | | | |
|---|---|---|---|---|
| | **Montpellier, Quebec** | **Tac, Lac Vert and Buckingham, Quebec** | **Aukam, Nambibia** | **Total** |
| Acquisition costs, beginning of year | $ 210,000 | $ 207,500 | $ - | $ 417,500 |
| Additions | 6,993 | 8,160 | 443,641 | 458,794 |
| Acquisition costs, end of year | 216,993 | 215,660 | 443,641 | 876,294 |
| Exploration costs, beginning of year | 990 | 220,616 | - | 221,606 |
| Additions | | | | |
| Drilling | - | | - | - |
| Field work, supplies and other | - | 68,065 | - | 68,065 |
| Geological and other consulting | 8,438 | 65,241 | 105,982 | 179,661 |
| Surveying | - | 1,155 | - | 1,155 |
| Travel and accommodation | - | 10,884 | 30,057 | 40,941 |
| Exploration costs, end of year | 9,428 | 365,961 | 136,039 | 511,428 |
| Total, end of year | $ 226,421 | $ 581,621 | $ 579,680 | $ 1,387,722 |

**(Expressed in Canadian Dollars)**

| | December 31, 2014 | | | | |
|---|---|---|---|---|---|
| | **Montpellier, Quebec** | **Yukon Properties** | **Tac, Lac Vert and Buckingham, Quebec** | **Mulloy, Ontario** | **Total** |
| Acquisition costs, beginning of year | $ - | $ 33,750 | $ 176,000 | $ 90,000 | $ 299,750 |
| Additions | 210,000 | - | 31,500 | 70,000 | 311,500 |
| Acquisition costs, end of year | 210,000 | 33,750 | 207,500 | 160,000 | 611,250 |
| Exploration costs, beginning of year | - | - | 66,487 | 39,882 | 106,369 |
| Additions | | | | | |
| Drilling | - | - | 41,640 | 152,310 | 193,950 |
| Field work, supplies and other | - | - | 670 | 21,275 | 21,945 |
| Geological and other consulting | 990 | - | 50,951 | 9,088 | 61,029 |
| Surveying | - | - | 48,714 | 30,000 | 78,714 |
| Travel and accommodation | - | - | 12,154 | 4,980 | 17,134 |
| Exploration costs, end of year | 990 | - | 220,616 | 257,535 | 479,141 |
| Sale of property | - | (33,750) | - | - | (33,750) |
| Property costs written off | - | - | - | (417,535) | (417,535) |
| Total, end of year | $ 210,990 | $ - | $ 428,116 | $ - | $ 639,106 |

## 4. EXPLORATION AND EVALUATION ASSETS (cont'd…)

### Montpellier, Quebec

On December 9, 2013, the Company entered into an option agreement, with a corporation that is related by virtue of a common director, to acquire certain claims located in the Hartwell Township, Casse Laurentides Region in Quebec. As consideration the Company must:

i) issue 400,000 common shares (issued at a value of $210,000);
ii) issue 66,667 common shares by December 9, 2014 (issued on February 11, 2015);
iii) incur $50,000 in exploration expenditures by December 9, 2015.*

The vendors have been granted a 2% net smelter returns royalty ("NSR"). The Company has the right to repurchase a 1% NSR from the vendors for $1,000,000.

*The Company is currently re-negotiating the terms of the option agreement.

### Tac, Lac Vert and Buckingham, Quebec

In February 2013, the Company entered into an option agreement, subsequently amended, to acquire a 100% interest in the Tac, Lac Vert and Buckingham properties located in the Province of Quebec. In consideration, the Company will:

i) issue 266,667 common shares (issued at a value of $160,000);
ii) issue 66,667 common shares by April 6, 2014 (issued at a value of $30,000);
iii) issue 33,333 common shares by September 16, 2014 (issued at a value of $1,500);
iv) issue 33,333 common shares by March 15, 2015 (issued subsequently);
v) spend exploration expenditures of $40,000 on or before May 31, 2013 (incurred);
vi) spend exploration expenditures of $110,000 by February 25, 2016 (incurred).

The Company also issued 26,667 common shares (at a value of $16,000) as a finder's fee.

The vendor has been granted a 3% NSR. The Company has the right to repurchase a 1% NSR from the vendor for $1,000,000.

### Mulloy Graphite Project, Ontario (written off during the year ended December 31, 2014)

During the year ended December 31, 2013, the Company entered into an option agreement to acquire 100% interest in the Mulloy (formerly Pito) graphite project located in the northeast of Hearst, Ontario.

The terms of the option agreement include cumulative issuance of 333,333 common shares over two years and incur exploration expenditures in the amount of $600,000 over three years.

## 4. EXPLORATION AND EVALUATION ASSETS (cont'd…)

**Mulloy Graphite Project, Ontario** (cont'd…)

During the year ended December 31, 2014, the Company acquired additional contiguous claim blocks for consideration of 200,000 common shares (at a value of $60,000).

During the year ended December 31, 2014, the Company abandoned the Mulloy option agreements and wrote–off exploration and evaluation costs of $427,535.

**Yukon properties:**

During the year ended December 31, 2014 the Company wrote off a $24,300 deposit to the government of Yukon.

**Aukam Graphite Project, Namibia**

During the year ended December 31, 2015, the Company acquired a 100% of the issued and outstanding shares capital of Micron Investment Pty. Ltd. ("Micron") which holds an option to acquire 63% of the Aukam Mine located in Namibia's Karas Region, Africa, which has been accounted for as an asset acquisition. In consideration for net assets of $39,255, the Company:

i) issued 3,500,000 common shares (issued at a value of $350,000); and
ii) agreed to pay $30,000 in cash.

The excess of amounts paid over net assets acquired was allocated to the mineral property.

During the year ended December 31 2015, the Company, through Micron, entered into an amended an agreement with Next Graphite Pty. Ltd. Whereby the Company is required to:

iii) To earn 63% of the Aukam Mine the Company needs to:
   a. Incur expenditures of USD $1,100,000 on the property; or
   b. Complete the plant and infrastructure set up; and
   c. Obtain government authorization to begin commercial operations.
iv) Upon entering into a Farm-out agreement the Company has agreed to pay USD $40,000 (paid);
v) The Company is required to complete specific exploration work valued at USD $25,000 (incurred);

There is a 2% gross revenue royalty on the Aukam Mine.

**(Expressed in Canadian Dollars)**

## 5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | December 31, 2015 | December 31, 2014 |
|---|---|---|
| Trade payables | $ 188,141 | $ 757,891 |
| Accrued liabilities | 91,250 | 35,000 |
| | $ 279,391 | $ 792,891 |

## 6. LOANS PAYABLE

At December 31, 2015, the Company had $10,000 (2014 - $75,000) of principal and $15,253 of interest (2014 - $11,298) owing on a $100,000 loan agreement from the year ended December 31, 2012. During the year ended December 31, 2015, the Company repaid $65,000. This short-term loan bears an interest rate of 10% per annum, calculated semi-monthly. The loan is due on demand. On January 1, 2016 the loan and accrued interest was settled in full through the issuance of 314,500 common shares.

During the year ended December 31, 2015, the Company received and repaid loans from a company controlled by the former CEO in the aggregate amount of $3,800 (2014 - $3,600). The loans are non-interest bearing, unsecured and had no specific terms of repayment.

During the year ended December 31, 2015, the Company repaid a loan from the former CEO in the aggregate amount of $1,500 (2014 - $Nil). The loan was non-interest bearing, unsecured and has no specific terms of repayment.

## 7. SHARE CAPITAL

**Common Shares**

Authorized - An unlimited number of common shares

The following summarizes the share issuance transactions:

During the year ended December 31, 2015 the Company:

i) completed a non-brokered private placement of 2,000,000 common shares at a price of $0.10 per share for a total of $200,000.

ii) closed a debt settlement and issued 1,968,103 common shares to creditors to settle debts aggregating $196,811.

iii) issued 66,666 shares (Note 4) for the Montpellier property at a price of $0.09 per share for a total value of $6,000.

iv) issued 33,333 shares (Note 4) for the Tac, Lac Vert Property and Buckingham at a price of $0.12 per share for a total value of $4,000.

v) completed a non-brokered private placement of 3,350,000 units at a price of $0.10 per unit for a total of $335,000, of which $94,000 was for settlement of accounts payable resulting in a gain on settlement of debt of $65,933. Each unit consisted of one common share and one-half of one common share purchase warrant of the Company. Each whole warrant entitles the holder to purchase an additional non-flow-through share at a price of $0.15 per share until March 27, 2016.

The Company issued 26,100 finder's warrants exercisable at a price of $0.10 for a period of 12 months valued at $1,545.

vi) completed a non-brokered private placement of 1,999,999 flow-through units at a price of $0.12 per unit for aggregate gross proceeds of $240,000 and the second tranche of its non-brokered private placement of 650,000 units at a price of $0.10 per unit for aggregate gross proceeds of $65,000. Each unit is comprised of one common share and one-half of one share purchase warrant of the Company. Each whole warrant will entitle the holder to purchase one common share in the capital of the Company at a price of $0.15 per warrant until April 10, 2016. Each flow-through unit is

vi) comprised of one share and one-half of one share purchase warrant of the Company. Each whole warrant will entitle the holder to purchase one common share in the capital of the Company at a price of $0.20 per warrant until April 10, 2016. A total of $40,000 of the flow-through financing was attributed to a flow-through premium liability which was reduced to $18,722 as at December 31, 2015.

The Company issued to the finders under the flow-through offering a total of 23,360 finder's warrants exercisable at a price of $0.12 for a period of 12 months valued at $2,305.

vii) issued 3,500,000 shares (Note 4) for the Aukam asset acquisition at a price of $0.10 per share for a total value of $350,000.

viii) completed a non-brokered private placement of 3,277,400 units at a price of $0.10 per unit for a total of $327,740 of which $66,540 was for settlement of accounts payable. Each unit consisted of one common share and one-half of one common share purchase warrant of the Company. Each whole warrant entitles the holder to purchase an additional share at a price of $0.15 per share until November 18, 2016. $32,773 was allocated to the warrants.

**7. SHARE CAPITAL** (cont'd…)

During the year ended December 31, 2014, the Company:

i. Completed a non-brokered private placement of 245,333 non-flow-through units at a price of $0.75 per unit and 100,000 flow-through units at a price of $0.75 per unit for a total of $259,000 including the settlement of $96,000 of accounts payable. Each non-flow through unit consists of one common share and one common share purchase warrant of the Company. Each non-flow through warrant entitles the holder to purchase an additional non-flow-through share at a price of $0.90 per share until February 12, 2016. Each flow-through unit consists of one flow-through common share and one half share purchase warrant of the Company. Each full flow-through warrant entitles the holder to purchase an additional non-flow-through share at a price of $1.50 per share until February 12, 2016. The premium received on the flow-through units issued was determined to be $Nil.

   The Company issued 8,000 finder's warrants exercisable at a price of $0.75 until August 12, 2015 valued at $3,926. In addition, the Company paid cash commissions to the finders totaling $6,000 and paid share issuance costs of $6,643.

ii. Issued 40,400 shares for $30,300 upon the exercise of warrants.

iii. Issued 400,000 shares (Note 4) for the Montpellier property at a price of $0.525 per share for a total value of $210,000.

iv. Issued 66,667 shares (Note 4) for the Tac, Lac Vert Property at a price of $0.45 per share for a total value of $30,000.

v. Issued 26,667 shares (Note 4) for the Mulloy Property at a price of $0.375 per share for a total value of $10,000.

vi. Issued 200,000 shares (Note 4) for the Mulloy Property at a price of $0.30 per share for a total value of $60,000.

vii. Issued 33,333 shares (Note 4) for the Tac, Lac Vert Property at a price of $0.045 per share for a total value of $1,500.

viii. Issued 450,000 shares for options exercised at price $0.05 per share for a total proceeds of $22,500. A total value of $9,310 was transferred from share based payment reserve to share capital in relation to the options exercised.

ix. Issued 200,000 shares for options exercised at price $0.05 per share for a total proceeds of $10,000. A total value of $4,869 was transferred from share based payment reserve to share capital in relation to the options exercised.

**(Expressed in Canadian Dollars)**

## 7. SHARE CAPITAL (cont'd…)

### Stock Options

The Company has adopted an incentive stock option plan in accordance with the policies of the TSX-V (the "Stock Option Plan") which provides that the Board of Directors of the Company may from time to time, at its discretion, grant to directors, officers, employees and consultants of the Company options to purchase common shares, provided that the number of shares reserved for the issuance under the Stock Option Plan shall not exceed ten percent (10%) of the issued and outstanding common shares, exercisable for a period and the exercise price to be determined by the Board at the time the option is granted.

During the year ended December 31, 2015, the Company:

i) granted 2,355,000 (2014 – 990,000) stock options with a fair value of $124,066 (2014 – $90,705) or $0.05 (2014 – $0.09) per option.

A summary of option transactions is as follows:

| | **Year ended December 31, 2015** | | | **Year ended December 31, 2014** | | |
|---|---|---|---|---|---|---|
| | **Number of options** | | Weighted average exercise price | **Number of options** | | Weighted average exercise price |
| Balance, beginning of year | 240,667 | $ | 0.84 | 384,333 | $ | 1.78 |
| Granted | 2,355,000 | | 0.11 | 990,000 | | 0.15 |
| Exercised | (539,000) | | 0.07 | (650,000) | | 0.05 |
| Expired/Cancelled | (98,334) | | 1.23 | (483,666) | | 1.24 |
| Balance, end of year | 1,958,333 | $ | 0.15 | 240,667 | $ | 0.84 |

As at year ended December 31, 2015, the following options were outstanding and exercisable:

| | **Exercise price** | **Number outstanding** | **Remaining contractual life** | | **Weighted average exercise price** | **Number exercisable** |
|---|---|---|---|---|---|---|
| $ | 0.10 | 1,031,000 | 3 months (1) | $ | 0.10 | 1,031,000 |
| | 0.13 | 755,000 | 1 month (2) | | 0.13 | 755,000 |
| | 0.14 | 130,000 | 15 months | | 0.14 | 130,000 |
| | 1.05 | 23,333 | 33 months | | 1.05 | 23,333 |
| | 2.40 | 8,333 | 3 months (3) | | 2.40 | 8,333 |
| | 3.00 | 10,667 | 7 months | | 3.00 | 10,667 |
| | | 1,958,333 | | | | 1,958,333 |

(1) 900,000 of these options at this price expired unexercised subsequent to year end
(2) 445,000 of these options at this price expired unexercised subsequent to year end
(3) Expired unexercised subsequent to year end

**(Expressed in Canadian Dollars)**

## 7. SHARE CAPITAL (cont'd…)

**Stock options** (cont'd…)

The fair value of each option granted is estimated on the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions:

| | Year ended December 31, 2015 | Year ended December 31, 2014 |
|---|---|---|
| Expected dividend yield | Nil | Nil |
| Stock price volatility | 126.06% | 133.11% |
| Risk-free interest rate | 0.58% | 1.49% |
| Expected life of options | 1.31 years | 3.85 years |

**Warrants**

The Company has issued and outstanding the following share purchase warrants:

| | Year ended December 31, 2015 | | Year ended December 31, 2014 | |
|---|---|---|---|---|
| | Number of Warrants | Weighted average exercise price | Number of Warrants | Weighted average exercise price |
| Balance, beginning of year | 927,904 | $ 1.30 | 1,605,771 | $ 1.28 |
| Granted | 4,688,159 | 0.16 | 303,333 | 0.99 |
| Exercised | - | - | (40,400) | 0.75 |
| Expired | (632,571) | 1.44 | (940,800)) | 1.19 |
| Balance, end of year | 4,983,492 | $ 0.21 | 927,904 | $ 1.30 |

As of December 31, 2015, the following share purchase warrants were outstanding and exercisable:

| Expiry Date | Number of Warrants | Weighted Average Exercise Price | Fair Value |
|---|---|---|---|
| February 12, 2016 (1) | 50,000 | $ 1.50 | $ - |
| February 12, 2016 (1) | 245,333 | 0.90 | - |
| March 27, 2017 | 1,675,000 | 0.15 | - |
| March 27, 2016 (1) | 26,100 | 0.10 | 1,545 |
| April, 10, 2016 (1) | 999,999 | 0.20 | - |
| April 10, 2016 (1) | 23,360 | 0.12 | 2,305 |
| April 10, 2016 (1) | 325,000 | 0.15 | - |
| November 18, 2016 | 1,638,700 | 0.15 | - |
| | 4,983,492 | | $ 3,850 |

(1) expired unexercised subsequent to year end

**(Expressed in Canadian Dollars)**

## 7. SHARE CAPITAL (cont'd…)

**Warrants** (cont'd…)

The fair value of agent's warrants is estimated on the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions:

| | Year ended December 31, 2015 | Year ended December 31, 2014 |
|---|---|---|
| Expected dividend yield | 0.00% | 0.00% |
| Stock price volatility | 123.76% | 183.51% |
| Risk-free interest rate | 0.52% | 1.05% |
| Expected life of warrants | 1.00 years | 1.05 years |

## 8. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

The Company defines key management as officers and directors.

During the year ended December 31, 2015, the Company:

i) paid or accrued management fees of:

   a) $70,875 (2014 - $84,000) to the former CEO and a company controlled by the CEO.
   b) $26,535 (2014 - $18,000) to a director and CFO of the Company paid through a company controlled by the CEO.
   c) $22,000 to the CEO and a company controlled by the CEO

ii) paid or accrued office and other expenses of $53,265 (2014 - $106,500) to a company controlled by the former CEO and director of the Company for rent, administration, consultants, and general.

iii) granted a total of 730,000 stock options (2014 – 40,000) to officers and directors of the Company, of which the fair market value was estimated at $30,439 (2014 - $20,541) and was included in share share-based compensation expense.

At December 31, 2015, $10,325 (2014 - $229,879) was owing to a company controlled by the former CEO and $ Nil (2014 - $1,500) was owing from the former CEO.

At December 31, 2015, $16,679 (2014 – $ Nil) was owing to the CEO.

At December 31, 2015, $Nil (2014 – $1,000) was owed by the former CEO of the Company.

During the year, the Company received and repaid $3,800 (2014 - $3,600) in short term loans to a company controlled by the former CEO.

## 9. SEGMENTED INFORMATION

The Company's primary business activity is the acquisition and exploration of mineral properties in Canada and Namibia.

| | 2015<br>$ | 2014<br>$ |
|---|---|---|
| Exploration and evaluation assets | | |
| Canada | 808,042 | 639,106 |
| Namibia | 579,680 | - |
| | 1,387,722 | 639,106 |

## 10. RISK MANAGEMENT, FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT

### Fair value

The fair value of cash is measured on level 1 of the fair value hierarchy. Given that they will mature shortly, the fair value of due from related party, other receivable, accounts payable and accrued liabilities and loans payable approximate their carrying value.

### Financial Risk

The primary goals of the Company's financial risk management are to ensure that the outcomes of activities involving elements of risk are consistent with the Company's objectives and risk tolerance, and to maintain an appropriate risk/reward balance while protecting the Company's net assets from events that have the potential to materially impair its financial strength. Balancing risk and reward is achieved through aligning risk appetite with business strategy, diversifying risk, pricing appropriately for risk, mitigating risks through preventive controls and transferring risk to third parties. The Company's exposure to potential loss from financial instruments is primarily due to credit risk, liquidity risk and various market risks, including interest rate and foreign exchange.

### Foreign Exchange

The Company's cash is held in US dollar and Canadian dollar denominated accounts with a major Canadian chartered bank. The Company is nominally exposed to financial risk arising from fluctuations in foreign exchange rates.

### Interest Rate Risk

The Company has limited exposure to financial risk arising from fluctuations in interest rates earned on short-term investments given their short-term nature. As a result, fluctuations in market interest rates during the current period would not have any material impact on the Company's financial results.

### Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet cash flow commitments. Liquidity needs are monitored in various time bands, including 30-day, 180-day and 360-day lookout periods. The Company's ability to meet its commitments for exploration programs, and meet all of its general and administrative costs on a continuous basis is dependent on the continued support of the financial markets. The Company is exposed to liquidity risk.

(Expressed in Canadian Dollars)

## 10. RISK MANAGEMENT, FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT (cont'd…)

### Credit Risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. All of the cash is held with one financial institution. Consequently, the Company is exposed to concentration of credit risks of that institution. However, the credit risk is limited, based on the high quality external credit rating of that institution. Commodity taxes recoverable is due from a government agency.

### Capital Management

The Company considers the items included in equity as capital. The Company's objective in managing capital is to ensure sufficient liquidity to pursue its exploration activities and may raise additional capital through the equity markets as additional capital is required. The Company is not subject to any externally imposed capital requirements and does not presently utilize any quantitative measures to monitor its capital. There was no change in the Company's capital management strategy during the year ended December 31, 2015.

## 11. INCOME TAXES

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

| | 2015 | 2014 |
|---|---|---|
| Loss for the year before tax | $ (535,053) | $ (946,127) |
| Expected income tax (recovery) | $ (139,000) | $ (246,000) |
| Share issue costs and other | (9,000) | (8,000) |
| Permanent difference | 28,000 | 11,000 |
| Impact of flow through share | 33,000 | 97,000 |
| Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses | (14,000) | - |
| Change in unrecognized deductible temporary differences | 101,000 | 146,000 |
| Total income tax expense (recovery) | $ - | $ - |

**(Expressed in Canadian Dollars)**

**11. INCOME TAXES (cont'd…)**

The significant components of the Company's deferred tax assets that have not been included on the statements of financial position are as follows:

| | 2015 | 2014 |
|---|---|---|
| Deferred Tax Assets | | |
| Exploration and evaluation assets | $ 428,000 | $ 464,000 |
| Share issue costs | 13,000 | 19,000 |
| Allowable capital losses | 1,000 | 3,000 |
| Non-capital losses available for future period | 1,116,000 | 971,000 |
| | 1,558,000 | 1,457,000 |
| Unrecognized deferred tax assets | (1,558,000) | (1,457,000) |
| Net deferred tax assets | $ - | $ - |

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

| | 2015 | Expiry Date Range | 2014 | Expiry Date Range |
|---|---|---|---|---|
| **Temporary Differences** | | | | |
| Exploration and evaluation assets | $ 1,620,000 | No expiry date | $ 1,776,000 | No expiry date |
| Investment tax credit | 9,000 | 2031 to 2033 | 3,000 | 2031 to 2033 |
| Canadian eligible capital (CEC) | 1,000 | No expiry date | 1,000 | No expiry date |
| Share issue costs | 50,000 | 2036 to 2039 | 72,000 | 2035 to 2038 |
| Allowable capital losses | 6,000 | No expiry date | 10,000 | No expiry date |
| Non-capital losses available for future period | 4,291,000 | 2016 to 2035 | 3,734,000 | 2015 to 2034 |

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

As at December 31, 2015 the Company has an obligation to spend $112,000 in eligible flow-through expenditures.

## 12. SUBSEQUENT EVENTS

Subsequent to December 31, 2015, the Company:

a) issued 314,500 common shares to settle a loan payable and related interest of $25,253.

b) obtained a $34,800 loan and subsequently repaid that loan and accrued interest through the issuance of 450,212 common shares

c) issued 1,050,000 options to purchase common shares of the Company to officers and directors of the Company at an option price of $0.10.

d) extended the expiry date on 1,675,000 warrants with an exercise price of $0.15 to March 27, 2017