Austin Resources Ltd.

(Formerly Azul Ventures Inc.)

Audited Consolidated Financial Statements

For the years ended December 31, 2014 and 2013

(Expressed in Canadian Dollars)

McGovern, Hurley, Cunningham, LLP
Chartered Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Austin Resources Ltd.:

We have audited the accompanying consolidated financial statements of Austin Resources Ltd. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2014 and 2013, and the consolidated statements of loss and comprehensive loss, consolidated statements of cash flows and consolidated statements of changes in equity 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.

Auditor's 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 auditor's 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 is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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

McGOVERN, HURLEY, CUNNINGHAM, LLP

McGovern, Hurley, Cunningham, LLP

Chartered Accountants
Licensed Public Accountants

TORONTO, Canada
April 28, 2015

Austin Resources Ltd. (formerly Azul Ventures Inc.)
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)
As at

		December 31, 2014		December 31, 2013
ASSETS				
Current				
Cash and cash equivalents	**$**	**304,693**	$	68,624
Amounts receivable		**1,142**		14,394
Prepaid expenses and advances		**14,436**		14,254
Total current assets		**320,271**		97,272
Equipment (Note 10)		**3,664**		5,313
Total assets	**$**	**323,935**	$	102,585
LIABILITIES				
Current				
Accounts payable and accrued liabilities	**$**	**29,340**	$	59,652
Loans from officers and directors (Note 14)		**-**		1,059,726
Total liabilities		**29,340**		1,119,378
EQUITY (DEFICIENCY)				
Issued capital (Note 11)		**5,448,187**		3,759,204
Warrants (Note 12)		**229,000**		229,000
Share-based payments reserve (Note 12)		**311,000**		311,000
Deficit		**(5,693,592)**		(5,315,997)
Total equity (deficiency)		**294,595**		(1,016,793)
Total liabilities and equity	**$**	**323,935**	$	102,585

Nature of operations and going concern (Note 1)
Commitments and contingencies (Notes 9 and 17)

APPROVED ON BEHALF OF THE BOARD:

Signed “DAVID O’CONNOR” , Director   Signed “TONY WONNACOTT” , Director

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

Austin Resources Ltd. (formerly Azul Ventures Inc.)

Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)
For the years ended December 31,

		2014		2013
Expenses				
Exploration and evaluation expenditures (Note 9)	**$**	**320,651**	$	381,879
Consulting and management fees		**-**		3,000
Professional fees		**57,523**		121,701
Office expense		**1,507**		7,383
Travel expense		**183**		178
Shareholder communication and filing fees		**46,979**		26,871
Insurance expense		**17,950**		18,200
Bank charges		**2,020**		3,172
Depreciation expense		**1,649**		1,649
Loss for the year before other items		**(448,462)**		(564,033)
Other items				
Interest expense (Note 14)		**(74,999)**		(107,975)
Forgiveness of loans (Note 14)		**134,725**		-
Foreign exchange gain (loss)		**11,141**		(4,090)
Loss and comprehensive loss for the year	**$**	**(377,595)**	$	(676,098)
Basic and diluted loss per share (Note 13)	**$**	**(0.02)**	$	(0.08)
Basic and diluted weighted average common shares outstanding		**19,853,999**		8,365,538

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

Austin Resources Ltd. (formerly Azul Ventures Inc.)

Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)
For the years ended December 31,

		2014		2013
CASH (USED IN) PROVIDED BY:				
OPERATING ACTIVITIES:				
Loss for the year	**$**	**(377,595)**	$	(676,098)
Items not involving cash:				
Depreciation expense		**1,649**		1,649
Common shares issued for exploration and evaluation expenditures		**300,000**		101,500
Unrealized foreign exchange gain (loss)		**-**		4,668
Accrued interest expense		**74,999**		107,975
Forgiveness of loans		**(134,725)**		-
Working capital adjustments:				
Changes in amounts receivable		**13,252**		(2,340)
Changes in prepaid expenses and advances		**(182)**		718
Changes in accounts payable and accrued liabilities		**(30,312)**		39,355
		(152,914)		(422,573)
FINANCING ACTIVITIES:				
Proceeds from private placement offering		**905,000**		286,105
Cost of issue		**(11,017)**		(4,250)
Loans from officers and directors		**(505,000)**		125,000
		388,983		406,855
CHANGE IN CASH AND CASH EQUIVALENTS		**236,069**		(15,718)
CASH AND CASH EQUIVALENTS, beginning of year		**68,624**		84,342
CASH AND CASH EQUIVALENTS, end of year	**$**	**304,693**	$	68,624
Cash and cash equivalents consist of:				
Cash	**$**	**304,693**	$	68,624
Cash equivalents		**-**		-
	$	**304,693**	$	68,624
SUPPLEMENTAL INFORMATION				
Common shares issued for exploration and evaluation expenditures	**$**	**300,000**	$	81,500
Warrants issued on private placement offering	**$**	**-**	$	175,000
Common shares issued as settlement of account payable and accrued liabilities	**$**	**-**	$	123,338
Common shares issued as settlement of loan from officers and directors	**$**	**-**	$	270,557
Interest expense paid	**$**	**-**	$	-
Income taxes paid	**$**	**-**	$	-

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

Austin Resources Ltd. (formerly Azul Ventures Inc.)
Consolidated Statements of Changes in Equity (Deficiency)
(Expressed in Canadian dollars)
For the years ended December 31, 2014 and 2013

	Number of shares	Issued capital	Warrants	Share-based payments reserve	Deficit	Total equity (deficiency)
Balance, January 1, 2013	**6,933,120**	**$ 3,156,954**	**$ 54,000**	**$ 316,500**	**$ (4,645,399)**	**$ (1,117,945)**
Shares issued for mineral exploration properties	383,333	81,500	-	-	-	81,500
Proceeds from private placement offering, net	2,916,667	520,750	175,000	-	-	695,750
Expiry of stock options	-	-	-	(5,500)	5,500	-
Loss and comprehensive loss for the year	-	-	-	-	(676,098)	(676,098)
Balance, December 31, 2013	**10,233,120**	**3,759,204**	**229,000**	**311,000**	**(5,315,997)**	**(1,016,793)**
Proceeds from private placement offering, net	28,000,000	1,388,983	-	-	-	1,388,983
Shares issued for mineral exploration properties	6,000,000	300,000	-	-	-	300,000
Loss and comprehensive loss for the year	-	-	-	-	(377,595)	(377,595)
Balance, December 31, 2014	**44,233,120**	**5,448,187**	**229,000**	**311,000**	**(5,693,592)**	**294,595**

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Austin Resources Ltd. (individually, or collectively with its subsidiary, as applicable, “Austin Resources”, or the “Company”) (formerly Azul Ventures Inc.) is currently engaged in the acquisition and exploration of mineral properties in Chile and Canada. Substantially all of the Company's efforts are devoted to financing and developing these properties.

The Company’s head office and principal address in Canada is 330 Bay Street, Suite 820, Toronto, Ontario. The Company’s common shares are listed on the TSX Venture Exchange (“TSX-V”, or the “Exchange”) under the symbol “AUT” (formerly traded under the symbol “AZL”).

The Company is in the process of exploring its mineral properties and has not yet determined whether these properties contain mineral reserves that are economically recoverable. The Company’s continued existence is dependent upon the preservation of its interests in its mineral properties, the establishment of a sufficient quantity of economically recoverable reserves, the ability of the Company to obtain necessary financing to make the required option property payments and complete the development, and upon future profitable production, or proceeds from the disposition of these assets. Although the Company has taken steps to verify title to the properties on which it is conducting its exploration activities, these procedures do not guarantee the Company’s title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, unregistered claims, aboriginal land claims and non-compliance with regulatory and environmental requirements. The Company’s assets may also be subject to increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and restrictions and political uncertainty.

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from the carrying values as shown. As at December 31, 2014, the Company had not yet achieved profitable operations, had accumulated losses of $5,693,592 (December 31, 2013: accumulated losses of $5,315,997) since inception, had working capital of $290,931 (December 31, 2013: working capital deficiency of $1,022,106) and expects to incur further losses in the development of its business, all of which constitutes a material uncertainty which casts significant doubt about the Company’s ability to continue as a going concern. The Company’s ability to continue as a going concern is dependent upon its ability to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. There is no assurance that these funds will be available on terms acceptable to the Company or at all. These consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. Such adjustments could be material.

On September 19, 2014, the Company received approval from shareholders for a consolidation of the common shares of Austin Resources on a three-for-one (3:1) basis, such that the existing 30,699,362 common shares were consolidated to 10,233,120 common shares issued and outstanding (the “Consolidation”). All references to common shares, per share amounts, warrants and options for all periods presented have been retroactively restated to reflect this consolidation. In addition, the shareholders approved the change of the Company’s name from Azul Ventures Inc. to Austin Resources Ltd.

2. BASIS OF PRESENTATION

These consolidated financial statements, including comparatives, of the Company were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The policies set out below were consistently applied to all the periods presented unless otherwise noted below.

The preparation of consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Differences may be material.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

These consolidated financial statements were prepared on a going concern basis, under the historical cost convention. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

These consolidated financial statements were authorized by the Board of Directors on April 28, 2015.

3. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements comprise of the financial statements of Austin Resources Ltd. (formerly Azul Ventures Inc.) and its wholly-owned Chilean subsidiary, Minera Azul.

<u>Subsidiaries</u>
Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company, and are de-consolidated from the date control ceases. The financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiary after eliminating inter-entity balances and transactions.

4. CRITICAL JUDGEMENTS AND ESTIMATION UNCERTAINTIES

The preparation of consolidated financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about future events that affect the amounts reported in the financial statements and related notes to the financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates.

Information about critical judgments and estimates in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements include, but are not limited to:

Taxes, income taxes and deferred taxes
The Company is subject to income and other taxes in various jurisdictions. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income and other tax liabilities requires interpretation of complex laws and regulations often involving multiple jurisdictions. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax filings are subject to audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made. Any estimates for value added and withholding taxes have been included in accounts payable and accrued liabilities.

Contingencies
Refer to Notes 9 and 17.

5. SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks and investment-grade deposit certificates with original maturities of three months or less. As at December 31, 2014 and 2013, the Company did not hold any cash equivalents.

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:

Fair value through profit or loss - This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing 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.

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 less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Any changes to the carrying amount of the asset, including impairment losses, are recognized in 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 in other comprehensive income. 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 loss and recognized in profit or loss.

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities

All financial liabilities are recognized initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs. The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the asset was acquired. 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 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 - After initial recognition, loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the statement of loss and comprehensive loss when the liabilities are derecognised, as well as through the effective interest rate amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate method. The amortization of the effective interest is included in finance cost in profit or loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

Exploration and evaluation properties and expenditures

All acquisition and exploration costs, net of incidental revenues, except for those acquired through a business combination are charged to profit or loss in the period incurred until such time as it has been determined that a property is commercially viable and technically feasible, in which case subsequent exploration costs and the costs incurred to develop a property are capitalized into "mines under construction". On the commencement of commercial production, all assets included in "mines under construction" are transferred to "producing mines" and depletion of each mining property will be provided on a unit-of-production basis using estimated resources as the depletion base.

All exploration and evaluation properties acquired through a business combination are capitalized as exploration and evaluation properties. They are subsequently measured at cost less accumulated impairment.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Development assets

When economically viable reserves have been determined and the decision to proceed with development has been approved, the expenditures related to development and construction are capitalized as construction-in-progress and classified as a component of property, plant and equipment. Costs associated with the commissioning of new assets incurred in the period before they are operating in the way intended by management, are capitalized. Development expenditure is netted against the proceeds of the sale of metals from ore extracted during the development phase. Interest on borrowings related to the construction and development of assets is capitalized until substantially all the activities required to make the asset ready for its intended use are complete.

Income taxes

Income tax included in profit or loss for the periods presented comprises current and deferred tax. 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 year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the balance sheet liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date.

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 utilised.

Foreign currencies

The presentation and functional currency of the Company and its subsidiary is the Canadian dollar.

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position. Exchange differences are recognized in profit or loss in the period in which they arise.

Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 12, “Share-Based Payments”.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a graded vesting basis over the period during which the employee becomes unconditionally entitled to equity instruments, based on the Company’s estimate of equity instruments that will eventually vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payments reserve.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payments (Continued)

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

When share purchase options are exercised, the cash proceeds and their fair value previously recorded in equity reserves are recorded as issued capital. When share purchase options expire unexercised, their fair value as previously recorded, is recorded to deficit.

Share purchase warrants

The fair values of warrants issued by the Company are determined on their issuance date, using the Black-Scholes option pricing model, and are recorded as a component of equity reserves. When the warrants are granted as compensation for the receipt of goods or services, they are recorded either as an expense or as a cost, capitalized to issued capital or assets, on the same basis as equivalent cash payments.

When share purchase warrants are exercised, the cash proceeds and their fair value previously recorded in warrant reserves are recorded as issued capital. When share purchase warrants expire unexercised, their fair value as previously recorded, is recorded to deficit.

Loss per share

Loss per share is based on the weighted average number of common shares of the Company outstanding during the year. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options and warrants, in the weighted average number of common shares outstanding during the period, if dilutive. In the Company’s case, diluted loss per share is the same as basic loss per share as the effects of including all outstanding stock options and warrants would be anti-dilutive.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Changes in accounting policy

During the year ended December 31, 2014, the Company adopted a number of new IFRS standards, interpretations, amendments and improvements to existing standards. These included IAS 32, IAS 36, IAS 39 and IFRIC 21. These new standards and changes did not have any material impact on the Company's financial statements.

6. RECENT ACCOUNTING PRONOUNCEMENTS

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after January 1, 2015 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IFRS 8 - Operating Segments ("IFRS 8") was amended to require an entity to disclose the judgments made by management in aggregating segments. IFRS 8 was also amended to clarify that an entity needs to present a reconciliation between the total reporting segment's assets to the entities' total assets if this information is usually provided to the chief operating decision maker. The amendments are effective for annual periods beginning on or after July 1, 2014.

IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. 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. Earlier adoption is permitted.

IAS 1 – Presentation of Financial Statements ("IAS 1") was amended in December 2014 in order to clarify, among other things, that information should not be obscured by aggregating or by providing immaterial information, that materiality consideration apply to all parts of the financial statements and that even when a standard requires a specific disclosure, materiality considerations do apply. The amendments are effective for annual periods beginning on or after January 1, 2016. Earlier adoption permitted.

IAS 24 – Related Party Disclosures ("IAS 24") was amended to clarify that an entity providing key management services to the reporting entity or the parent of the reporting entity is a related party of the reporting entity. The amendments also require an entity to disclose amounts incurred for key management personnel services provided by a separate management entity. The amendments to IAS 24 are effective for annual periods beginning on or after July 1, 2014.

(Expressed in Canadian dollars, unless otherwise noted)

7. FINANCIAL INSTRUMENTS

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement, and the bases for recognition of expenses) for each class of financial asset and financial liability are disclosed in Note 5, "Summary of Significant Accounting Policies".

Financial assets and financial liabilities as at December 31, 2014 and 2013 were as follows:

	Cash, loans and receivables, and other financial liabilities	Assets at fair value through profit or loss	Total
December 31, 2014			
Cash	$ 304,693	$ -	$ 304,693
Amounts receivable	$ 1,142	$ -	$ 1,142
Account payable and accrued liabilities	$ (29,340)	$ -	$ (29,340)
December 31, 2013			
Cash	$ 68,624	$ -	$ 68,624
Amounts receivable	$ 14,394	$ -	$ 14,394
Account payable and accrued liabilities	$ (59,652)	$ -	$ (59,652)
Loans from officers and directors	$ (1,059,726)	$ -	$ (1,059,726)

The Company has classified amounts receivable as loans and receivables, and accounts payable and accrued liabilities and the loans from officers and directors as other financial liabilities. The fair value of cash, amounts receivable, accounts payable and accrued liabilities, and loans from officers and directors approximate their carrying value due to their short-term maturity.

7. FINANCIAL INSTRUMENTS (Continued)

Financial Risk Factors

The nature of the exploration process and the location of the Company's assets exposes the Company to risks associated with fluctuations in commodity prices and foreign currency exchange rates. To date, the Company has not used derivative financial instruments to manage these risks.

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company. The Company expects to generate cash flow primarily from financing activities. As of December 31, 2014, the Company had net working capital of $290,931, which included a cash balance of $304,693, amounts receivable of $1,142 and prepaid expenses and advances of $14,436, partially offset by accounts payable and accrued liabilities of $29,340. The Company is required to make payments under its surface rights agreements of approximately CLP 10,000,000 ($19,000) during the next twelve month period to retain access to its properties in Chile.

The Company's financial liabilities generally have contractual maturities of less than 30 days and are subject to normal trade terms.

7. FINANCIAL INSTRUMENTS (Continued)

Financial Risk Factors (Continued)

<u>Credit risk</u>
Credit risk is the risk of loss associated with a counter-party's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash. The Company 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 minimal.

<u>Market risk</u>
Market risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will fluctuate significantly due to changes in market prices. The value of the financial instruments can be affected by changes in interest rates, prices and foreign exchange rates. Management believes the risk of loss related to market risk to be remote.

<u>Currency risk</u>
Currency risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will fluctuate because of changes in foreign exchange rates. The Company's property interests in Chile make it subject to foreign currency fluctuations and inflationary pressures which may adversely affect the Company's financial position, profit or loss and cash flows. The Company is affected by changes in exchange rates between the Canadian Dollar and foreign currencies. As at December 31, 2014, a portion of the Company's cash balance was held in Chilean Pesos ($2,206). A 10% strengthening (weakening) of the Canadian Dollar against the Chilean Peso would (increase) decrease the net loss by $220 based on foreign currency balances at December 31, 2014. As at December 31, 2014, the Company had future obligations under its surface rights agreement of approximately US$1,199,000 ($1,391,000). A 10% strengthening (weakening) of the Canadian Dollar against the US Dollar would decrease (increase) the amount of the remaining property option obligations by $139,100.

<u>Commodity price risk</u>
The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, as it relates to gold, copper and iron ore, individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company. Commodity price risk is remote as the Company is not a producing entity.

<u>Fair value hierarchy</u>
Cash has been classified as loans and receivables and is measured at amortized cost. Accounts payable and accrued liabilities and loans from officers and directors are classified as other financial liabilities and are measured at amortized cost.

IFRS 7 *Financial Instruments: Disclosures* requires classification of fair value measurements using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The levels of the fair value hierarchy are defined as follows.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and,
Level 3: Inputs for the asset or liability that are not based on observable market data.

As at December 31, 2014 and 2013, none of the Company's financial instruments were held at fair value.

8. CAPITAL MANAGEMENT

The Company manages and adjusts its capital structure based on available funds in order to support the acquisition, exploration and development of its exploration and evaluation assets. The Board does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The capital of the Company consists of common shares, warrants and options of the Company.

The properties in which the Company currently has an interest are in the exploration and evaluation stage; as such, the Company is dependent on external financing to fund its activities. In order to carry out planned exploration and evaluation, make the required payments under the surface rights agreement and pay for administrative costs, the Company must raise additional amounts. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company is not subject to externally imposed capital requirements imposed by a lending institution or regulatory body other than the TSXV, which requires certain working capital or financial resources in order to maintain operations and cover general and administration expenses for a six month period. As at December 31, 2014, the Company believes it was compliant with the policies of the TSXV. The impact of any violation is dependent on the discretion of the TSXV.

(Expressed in Canadian dollars, unless otherwise noted)

9. EXPLORATION AND EVALUATION PROPERTIES AND EXPENDITURES

December 31, 2014		
Acquisition costs	$	302,764
Salaries and consulting		1,110
Geological surveying and sample analysis		313
Transportation and accommodations		15,213
Exploration licences and lease payments		42,239
Value added taxes (1)		3,707
Cost recovery on sale of tailings		(50,665)
Other		5,970
Total expenditures	$	320,651

December 31, 2013		
Acquisition costs	$	228,198
Salaries and consulting		39,601
Geological surveying and sample analysis		321
Transportation and accommodations		27,428
Exploration licences and lease payments		62,289
Value added taxes (1)		10,096
Other		13,946
Total expenditures	$	381,879

Note (1): Value added taxes ("VAT") arise from the Government of Chile and is in respect of the Company's exploration and evaluation activities. The actual timing of receipt is uncertain as VAT is typically refundable only upon commercial operations; therefore, VAT has been classified as part of exploration and evaluation expenditures as VAT has arisen primarily on exploration and evaluation expenditures.

Chile

In 2011, the Company's Chilean subsidiary, Minera Azul, entered into six option agreements (subsequently reduced to two) to earn 100% interests in mineral exploration properties located adjacent to the Atacama fault near the town of La Higuera in Chile. During 2012, various amendments were made to the terms of certain of the option agreements, and two option agreements were terminated. During 2012 and 2013, the Company renegotiated the terms of two of the option properties whereby the Company was able to satisfy all the conditions under the revised option agreements and completed the Company's earn-in on these properties. During 2013 and 2014, the Company terminated the final two option agreement. The option agreements provided the Company with the right to freely conduct exploration activities at its cost and responsibility. The Company was obliged to provide the owner with all the data and samples obtained from such activities should the Company decide to terminate the option, which the Company was able to do at any time within the option period. The Company was liable for making the payment of the annual patentes, or fees, on the mining properties and to conduct all actions which were necessary to protect the mining claims. The two remaining properties under which the Company has completed its earn-in form the La Higuera Project. A summary of the option agreements for 2013 and 2014, as amended, is provided below.

9. EXPLORATION AND EVALUATION PROPERTIES AND EXPENDITURES (Continued)

1. San Antonio ***(Dropped)***

On June 15, 2011, subsequently amended, the Company entered into an option agreement to earn a 100% interest in the San Antonio (1-3) exploitation claims. To exercise the option, the Company was required to make five cash payments over four years totalling US$505,000 ($587,143). The payment schedule was as follows:

(i) June 15, 2011 – cash payment of US$25,000 ($24,215) – **Paid**;
(ii) December 15, 2012 – cash payment of US$30,000 ($29,724) – **Paid**;
(iii) December 15, 2013 – cash payment of US$25,000 ($26,598) – **Paid**;
(iv) December 15, 2014 – cash payment of US$25,000 ($29,067); and
(v) June 15, 2015 – cash payment of US$400,000 ($465,000).

The option to acquire these claims by the Company was to be exercised no later than June 15, 2015 and the Company had authorized that the current owner may keep on conducting exploitation activities up to a maximum of 1,000 tonnes per month during this option period.

The Company was not able to negotiate reduced or delayed payment terms and did not make the US$25,000 option payment under the agreement, which was due on December 15, 2014, and, as a result, forfeited its rights under the option agreement.

2. Mina Sol 1-9 ***(Dropped)***

On June 15, 2011, subsequently amended, the Company entered into an option agreement to earn a 100% interest in the Mina Sol (1-9) exploitation claims. To exercise the option, the Company was required to make seven cash payments over five years totalling US$912,000 ($988,210). The payment schedule was as follows:

(i) June 15, 2011 – cash payment of US$40,000 ($38,744) – **Paid**;
(ii) June 15, 2012 – cash payment of US$30,000 ($30,842) – **Paid**;
(iii) December 15, 2012 – cash payment of US$40,000 ($39,632) – **Paid**;
(iv) December 15, 2013 – cash payment of US$46,000 ($53,482);
(v) December 15, 2014 – cash payment of US$46,000 ($53,482);
(vi) June 15, 2015 – cash payment of US$325,000 ($377,865); and,
(vii) June 15, 2016 – cash payment of US$385,000 ($477,624).

The option to acquire these claims by the Company was to be exercised no later than June 15, 2016 and the Company had authorized that the current owner may keep on conducting exploitation activities to a maximum of 20,000 tonnes per month of iron ore and 2,500 tonnes per month of copper ore (up from 1,000 tonnes per month copper ore) down to a maximum depth of 730 metres above mean sea level.

The Company was not able to negotiate reduced or delayed payment terms and did not make the US$46,000 option payment under the agreement, which was due on December 15, 2013, and, as a result, forfeited its rights under the option agreement.

3. Avril, Gloria, Withney, Black, Caballo Cinco, Blanco Seis and Blanco

On July 4, 2011, subsequently amended and earned into, the Company entered into an option agreement to earn a 100% interest in the Avril, Gloria, Withney, Black (1-100), Caballo Cinco (1-17, 21-31, 41-49), Blanco Seis (1-5, 21, 41-55) and Blanco (1-10, 21) exploitation concessions and claims. To exercise the option, the Company was required to make four cash payments over three years totalling US$700,000 ($695,183) and issue 333,333 common shares. During November 2012, the Company renegotiated terms with the property owner, eliminating the total remaining payments of US$575,000 ($572,068) in exchange for the issuance of an additional 66,667 common shares and the accelerated issuance of the remaining 166,667 common shares provided in the original option agreement. Upon the issuance of the 233,333 common shares all of the conditions under the option agreement were satisfied, accelerating the Company’s earn-in on these properties.

9. EXPLORATION AND EVALUATION PROPERTIES AND EXPENDITURES (Continued)

3. Avril, Gloria, Withney, Black, Caballo Cinco, Blanco Seis and Blanco (Continued)
The revised payment schedule was as follows:

(i) July 4, 2011 – cash payment of US$50,000 ($47,925) - **Paid**;
(ii) February 1, 2012 – 83,333 common shares – **Issued** (January 24, 2012);
(iii) July 4, 2012 – cash payment of US$75,000 ($75,190) - **Paid**;
(iv) July 1, 2012 – 83,333 common shares – **Issued** (June 21, 2012); and
(v) November 19, 2012 – 233,333 common shares – **Issued**.

The 83,333 common shares issued on January 24, 2012, were valued at $62,500, based on a deemed price of $0.25 per common share. The 83,333 common shares issued on June 21, 2012, were valued at $87,500, based on a price of $1.05 per common share. The 233,333 common shares issued on November 19, 2012, were valued at $105,000, based on the quoted market price of $0.45 per common share.

4. Benja I and II
On July 22, 2011, subsequently amended and earned into, the Company entered into an option agreement to earn a 100% interest in the Benja I (1-14) and Benja II (1-14) exploitation claims. To exercise the option, the Company was required to make five cash payments over three years totalling US$510,000 ($505,579). During December 2012, the Company renegotiated terms with the property owner, eliminating the total remaining payments of US$460,000 ($457,654) in exchange for the issuance of 83,333 common shares (subsequently increased to 166,667 common shares). In February 2013, 166,667 common shares were issued, satisfying all of the conditions under the option agreement and accelerating the Company's earn-in on these properties. The revised payment schedule was as follows:

(i) July 22, 2011 – cash payment of US$50,000 ($47,925) – **Paid**; and
(ii) February 1, 2013 – 166,667 common shares – **Issued.**

In addition, a NSR of 1% must be paid starting from the beginning of commercial production on these exploitation claims, on a quarterly basis. The Company may acquire the NSR by paying a purchase price of either US$500,000 ($581,330) or its equivalent in the Company's common shares, at the election of the former owner. The Company has also granted the former owner of the Benja I and II mining concessions the right to reprocess the existing slag from historical mining activity on the concessions.

The 166,667 common shares issued on February 1, 2013, were valued at $42,500, based on the quoted market price of $0.255 per common share at the time of issue.

Surface Rights Agreement
In February 2012, subsequently amended, the Company signed an agreement with the owner of the surface rights on the ground covering the core of the Company's mineral rights at the La Higuera Project. The agreement grants the Company exclusive access, use, occupation and transit to facilitate execution of mineral exploration, as well as an option to purchase the surface rights. The amended payment schedule is as follows:

(i) February 2012 – cash payment of 6,000,000 CLP ($11,991) - **Paid**;
(ii) January 15, 2013 – cash payment of 8,000,000 CLP ($16,819) - **Paid**;
(iii) January 15, 2015 – cash payment of 10,000,000 CLP ($19,120) - **Paid**;
(iv) January 15, 2016 – cash payment of 10,000,000 CLP ($19,120);
(v) January 15, 2017 – cash payment of 10,000,000 CLP ($19,120); and
(vi) January 15, 2017 – cash payment equivalent to UF 28,310. The Unidad de Fomento, or "UF", is a variable fiscal unit used in Chile that is adjusted for inflation and at December 31, 2014 it was valued at approximately $47 per unit, which corresponds to an approximate payment of $1,333,000.

(Expressed in Canadian dollars, unless otherwise noted)

9. EXPLORATION AND EVALUATION PROPERTIES AND EXPENDITURES (Continued)

Caballo Blanco Project ***Dropped)***

On February 6, 2012, the Company announced it had entered into an option agreement to acquire a 100% interest in the Caballo Blanco copper-iron project, which is located close to the Company's La Higuera Project in Chile. The option agreement called for the Company to make cash payments totalling US$1,000,000 ($1,067,000) and to issue a total of 166,667 common shares over a three-year period. The Caballo Blanco option agreement was also subject to a 1% NSR agreement upon the commencement of production. During the year ended December 31, 2012, the Company paid US$75,000 ($75,726) and issued 33,333 common shares. In 2013, the Company announced that it had renegotiated terms on the Caballo Blanco option agreement. The amended agreement reduced the total remaining payments from US$925,000 ($986,975) to US$440,000 ($466,331) and increased the number of common shares issuable to 350,000 (up from 133,333). Specifically, the Company was required to pay US$40,000 ($39,685) immediately and issue 133,333 common shares (**paid and issued**); pay US$50,000 ($53,196) and issue 83,333 common shares on or before December 15, 2013 (**paid and issued**); pay US$100,000 ($116,266) and issue 133,333 common shares on or before December 15, 2014; and pay US$250,000 ($290,665) on or before December 15, 2015.

The 33,333 common shares, issued on June 21, 2012, were valued at $35,000, based on the quoted market price of $1.05 per common share. The 133,333 common shares, issued on February 1, 2013, were valued at $34,000, based on the quoted market price of $0.255 per common share. The 83,333 common shares issued on December 13, 2013, were valued at $5,000, based on the quoted market price of $0.06 per common share.

In August 2013, the Company signed an agreement on the Don Baucha (1-2) property, which makes up part of the Caballo Blanco mineral block that would allow it to start shallow mining. The agreement required a payment of US$10,000 ($11,627) upon signing and remaining payments of US$50,000 ($58,133) in August 2014, US$150,000 ($174,399) in August 2015. Additionally, a payment of up to US$60,000 ($69,760) was payable depending on the amount of ore the Company extracted from the property. The deadline to exercise the option was no later than August 2015. A payment of US$2,500 ($2,764) was made in January 2014, with the processing of the tailings material, reducing the US$60,000 payable to US$57,500.

The Company was not able to negotiate reduced or delayed payment terms and did not make the US$50,000 and US$100,000 option payment under the agreement which was due in August and December 2014, respectively, and, as a result, forfeited its rights under the option agreement.

Canada

In September 2014, the Company issued 6,000,000 common shares of Austin Resources to acquire a 100% interest (subject to a 2% Net Smelter Royalty) in certain mineral claims near Red Lake, Ontario (the "Treasure Property"). The Treasure Property is an early stage gold exploration property and the 6,000,000 common shares of Austin Resources that were issued had a value of $300,000, based on the $0.05 per common share price of the Offering.

10. EQUIPMENT

	Cost	Accumulated Depreciation	Net Book Value
	$	$	$
Balance, December 31, 2012	8,768	(1,806)	6,962
Depreciation	-	(1,649)	(1,649)
Balance, December 31, 2013	8,768	(3,455)	5,313
Depreciation	-	(1,649)	(1,649)
Balance, December 31, 2014	8,768	(5,104)	3,664

The Company's equipment is located in Chile.

(Expressed in Canadian dollars, unless otherwise noted)

11. ISSUED CAPITAL

All numbers retroactively reflect the September 2014 three-for-one (3:1) share consolidation.

	Number of Shares (1)	Amount
Authorized		$
Unlimited common shares, without par value		
Common shares issued		
Balance, December 31, 2012	6,933,120	3,156,954
Shares issued for exploration and evaluation properties	383,333	81,500
Proceeds from private placement offering, net	2,916,667	520,750
Balance, December 31, 2013	10,233,120	3,759,204
Proceeds from private placement offering, net	28,000,000	1,388,983
Shares issued for exploration property	6,000,000	300,000
Balance, December 31, 2014	44,233,120	5,448,187

Note: (1) The Number of shares retroactively reflect the September 2014 three-for-one (3:1) share consolidation.

In September 2014, the Company received shareholder approval for the consolidation of the common shares of Austin Resources on three-for-one (3:1) basis, such that the existing 30,699,362 common shares were consolidated to 10,233,120 post-consolidated common shares issued and outstanding.

Immediately following the Consolidation, the shareholders approved a non-brokered private placement offering of 28,000,000 post-consolidated common shares of Austin Resources at a price of $0.05 per post-consolidated common share for aggregate gross proceeds of $1,400,000 (the “Offering”). A portion of the proceeds from the Offering were used to repay a portion of the outstanding loans from officers and directors (Note 14). The balance of the loans outstanding, totalling $134,725, was forgiven and, as a result, the Company recorded a gain on the forgiveness of loans for that amount in the statement of loss and comprehensive loss for the year ended December 31, 2014 (2013 - $nil).

Additionally, the Company issued 6,000,000 post-consolidated shares of Austin Resources to acquire a 100% interest (subject to a 2% Net Smelter Royalty) in the Treasure Property near Red Lake, Ontario. The 6,000,000 post-consolidated shares of Austin Resources that were issued had a value of $300,000, based on the $0.05 per common share price of the Offering.

All securities issued in connection with the Offering and the acquisition of the Treasure Property were subject to a statutory hold period of four months plus a day from the date of issuance in accordance with applicable securities law legislation.

In February 2013, 300,000 common shares at the quoted market price of $0.255 per share were issued as option payments on exploration and evaluation properties, for a total value of $76,500. In December 2013, another 83,333 common shares at the quoted market price of $0.06 per share were issued as an option payment on exploration and evaluation properties, for a total value of $5,000. Additional detail on the terms of the option agreements is provided in Note 9, “Exploration and Evaluation Properties and Expenditures”.

(Expressed in Canadian dollars, unless otherwise noted)

11. ISSUED CAPITAL (Continued)

In August 2013, the Company completed a non-brokered private placement for gross proceeds of $700,000 based on the issuance of 2,916,667 units (the "Units") at a price of $0.24 per Unit. Each Unit consisted of one common share and one common share purchase warrant (a "Warrant"). Each Warrant entitles the holder to acquire a common share at an exercise price of $0.45 for a period of 24 months from August 9, 2013 (the "Closing"). The net proceeds of the offering were used to fund the repayment of a portion of the Company's loans outstanding, the Company's exploration and development activities and for general working capital purposes. Certain officers and directors of the Company participated in the Offering, subscribing for a total of 2,124,564 Units in exchange for cash payments and the settlement of outstanding loans and payables totalling $509,895.

12. SHARE-BASED PAYMENTS

Warrants

The following table summarizes the information about the warrants:

	Number of Warrants (1)	Estimated Grant Date Fair Value
		$
Balance, December 31, 2012	100,000	54,000
Issued on private placement offering	2,916,667	175,000
Balance, December 31, 2013 and 2014	3,016,667	229,000

Note: (1) The Number of warrants reflects the September 2014 three-for-one (3:1) share consolidation.

In August 2013, the Company completed a non-brokered private placement offering, and 2,916,667 warrants valued at $175,000 were issued with an exercise price of $0.45 per common share. The fair value of the warrants was estimated using the Black-Scholes option pricing model and was based on the following assumptions: common share price of $0.18; expected dividend yield of 0%; expected volatility of 100%; risk-free interest rate of 1.6%; and, an expected life of 2 years (expiry date of August 9, 2015).

Summary of warrants outstanding at December 31, 2014:

Exercise Price	Number of Warrants Outstanding (1)	Grant Date Estimated Fair Value of Warrants	Expiry Date
$0.90	100,000	$54,000	January 12, 2017
$0.45	2,916,667	175,000	August 9, 2015
$0.46	3,016,667	$229,000	

(Expressed in Canadian dollars, unless otherwise noted)

12. SHARE-BASED PAYMENTS (continued)

Stock Options

The Company has adopted a stock option plan (the "Plan"), to be administered by the Directors of the Company. Under the Plan, the Company may grant options to directors, officers, employees and consultants to purchase shares of the Company. The Plan provides for the issuance of stock options to acquire up to 10% of the Company's issued and outstanding capital. The plan is a rolling plan as the number of shares reserved for issuance pursuant to the grant of stock options will increase as the Company's issued and outstanding share capital increases. Options granted under the Plan will be for a term not to exceed five years. The plan provides that it is solely within the discretion of the Board to determine who should receive stock options, in what amounts, and determine vesting terms. The exercise price for any stock option shall not be lower than the market price of the underlying common shares at the time of grant.

Each stock option converts into one common share of the Company on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry. The Company settles stock options exercised through the issuance of common shares from treasury.

Summary of stock option activity:

	Number of Options (1)	Weighted Average Exercise Price (1)
Balance, December 31, 2012	583,331	$ 0.90
Expired	(16,666)	(0.60)
Balance, December 31, 2013 and 2014	566,665	$ 0.90

The following table summarizes information about stock options outstanding and exercisable under the Plan as at December 31, 2014:

Outstanding and exercisable

Exercise Price (1)	Number of Options Outstanding (1)	Number of Options Exercisable (1)	Grant Date Estimated Fair Value of Options	Expiry Date
$0.90	524,999	524,999	$283,500	January 12, 2017
$0.90	8,333	8,333	4,500	January 30, 2017
$0.92	33,333	33,333	23,000	February 16, 2017
$0.90	566,665	566,665	$311,000	

13. LOSS PER SHARE

Total shares issuable from stock options and warrants excluded from the computation of diluted loss per share because their effect would be anti-dilutive for the year ended December 31, 2014, were 566,665 (2013: 566,665) and 3,016,667 (2013: 3,016,667), respectively.

14. RELATED PARTY TRANSACTIONS

The consolidated financial statements include the accounts of the Company and its Chilean subsidiary, Minera Azul Ventures Limitada.

In September 2014, certain officers and directors participated in a non-brokered private placement completed by the Company, as described in Note 11, “Issued Capital”. Additional detail on the directors’ and officers’ participation is outlined in the section below entitled, “Loans from Officers and Directors”.

In August 2013, certain officers and directors participated in a non-brokered private placement completed by the Company, as described in Note 11, “Issued Capital”. The officers and directors subscribed for a total of 6,373,693 Units in exchange for cash payments ($116,000) and the settlement of outstanding debt and accrued interest ($270,557) and payables ($123,338) for a total of $509,895.

Compensation of key management personnel of the Company

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consists of the Board of Directors, corporate officers, including the Chief Executive Officer and Chief Financial Officer, as well the Vice President of Exploration and the Country Manager. During the years ended December 31, 2014 and 2013, key management personnel received no short-term compensation or benefits and no share-based payments were granted.

Loans from Officers and Directors

In June 2012, the Company entered into loan agreements for up to $650,000 with Tony Wonnacott, a director of the Company and a company controlled by Tony Wonnacott, and Brad Boland, the Company’s Chief Financial Officer and Corporate Secretary (the “Canadian Dollar Loan Agreements”). The agreements were subsequently amended and an additional $405,000 was advanced under the loan agreements, bringing the total amount advanced to $1,055,000. A portion of the proceeds from the August 2013 private placement financing was used to repay a portion of the principal amount ($138,650) under the Canadian Dollar Loans.

In addition, during December 2012, the Company entered into loan agreements for US$120,000 ($124,056) with David O’Connor, the Company’s Chief Executive Officer and Francisco Schubert Seiffert, the Company’s Country Manager (the “US Dollar Loan Agreements”). A portion of the proceeds from the August 2013 private placement financing, was used to repay the entire amount of the US Dollar Loans outstanding, totalling US$127,595 ($131,907) in principal and accrued interest.

The loans accrued interest at a rate of 10% per annum and were due on demand. The loans were unsecured and there were no conversion provisions. Interest began accruing on the loans from the date that the amounts were advanced to the Company. At September 19, 2014, the date that the loan were repaid by the Company, the accrued interest on the $916,350 Canadian Dollar Loan Agreements totalled $218,375 (At December 31, 2013, the accrued interest on the $916,350 Canadian Dollar Loan Agreements totalled $143,376).

The repayment of the Canadian Dollar Loans on September 19, 2014 consisted of a cash repayment and the forgiveness of $134,725 in accrued interest.

(Expressed in Canadian dollars, unless otherwise noted)

15. SEGMENT INFORMATION

The Company conducts its business with two operating segments (December 31, 2013: one operating segment), being mineral exploration and evaluation in Chile and Canada. The following table summarizes the total assets and liabilities by geographic segment as at:

December 31, 2014

	Chile	Canada	Total
Cash and cash equivalents	$ 2,206	$ 302,487	$ 304,693
Other current assets	2,178	13,400	15,578
Equipment	3,664	-	3,664
Total assets	$ 8,048	$ 315,887	$ 323,935
Accounts payable and accrued liabilities	$ 4,433	$ 24,907	$ 29,340
Total liabilities	$ 4,433	$ 24,907	$ 29,340

December 31, 2013

	Chile	Canada	Total
Cash and cash equivalents	$ 42,049	$ 26,575	$ 68,624
Other current assets	13,124	15,524	28,648
Equipment	5,313	-	5,313
Total assets	$ 60,486	$ 42,099	$ 102,585
Accounts payable and accrued liabilities	$ 19,093	$ 40,559	$ 59,652
Loans from officers and directors	-	1,059,726	1,059,726
Total liabilities	$ 19,093	$ 1,100,285	$ 1,119,378

The following table summarizes the loss by geographic segment for the year ended:

December 31, 2014

	Chile	Canada	Total
Exploration and evaluation expenditures	$ 20,651	$ 300,000	$ 320,651
General and administrative expense	36,171	89,991	126,162
Interest expense	-	74,999	74,999
Forgiveness of debt	-	(134,725)	(134,725)
Foreign exchange gain	(10,803)	(338)	(11,141)
Depreciation expense	1,649	-	1,649
Loss	$ 47,668	$ 329,927	$ 377,595

December 31, 2013

	Chile	Canada	Total
Exploration and evaluation expenditures	$ 381,879	$ -	$ 381,879
General and administrative expense	66,969	113,536	180,505
Interest expense	-	107,975	107,975
Foreign exchange (gain) loss	(4,488)	8,578	4,090
Depreciation expense	1,649	-	1,649
Loss	$ 446,009	$ 230,089	$ 676,098

(Expressed in Canadian dollars, unless otherwise noted)

16. INCOME TAXES

(a) Provision for income taxes

Major items causing the Company's income tax rate to differ from the combined Canadian federal and provincial statutory rate of 26.5% (2013 – 26.5%) were as follows:

	2014 $	2013 $
(Loss) before income taxes	(377,595)	(676,098)
Expected income tax recovery based on statutory rate	(100,000)	(179,000)
Adjustment to expected income tax benefit:		
Expenses not deductible for tax purposes	-	29,000
Change in benefits not realized	100,000	150,000
Deferred income tax provision (recovery)	-	-

(b) Deferred income tax

Deferred income tax assets have not been recognized in respect of the following deductible temporary differences:

	2014 $	2013 $
Non-capital loss carry-forwards – Canada	485,000	452,000
Share issue costs	11,000	3,000
Resource property costs	300,000	-
Non-capital loss carry-forwards – Chile	3,017,000	2,969,000
Total	3,813,000	3,424,000

The Company has approximately 1,472,000,000 Chilean Pesos ($2,824,000) of non-capital losses in Chile and approximately $485,000 of non-capital losses in Canada, which under certain circumstances can be used to reduce the taxable income of future years. The Canadian losses expire starting 2031 through to 2033. The Chilean loss can be carried forward indefinitely.

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profits will be available against which the Company and its subsidiary will be able to utilize the benefits.

17. COMMITMENTS AND CONTINGENCIES

The Company's exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

Future cash payments under the La Higuera surface rights agreement are payable, at the Company's option, as outlined in Note 9, "Exploration and Evaluation Properties and Expenditures".

Under the mining and resource regulations in Chile, the Company is required to pay annual exploration licences, or "patente" fees. Based on the Company's existing mineral concessions, the Company will be required to pay approximately $8,000 in annual patente fees.

In September 2014, the Company acquired a 100% interest (subject to a 2% Net Smelter Royalty) in 35 contiguous unpatented mineral claims, totaling 455 units and covering 7,264 hectares of land near Red Lake, Ontario (the "Treasure Property"). The Treasure Property is an early stage gold exploration property and has a current work commitment requirement of $181,600. The previous owners completed approximately $170,000 of work on the property that included prospecting and other geological work, of which approximately $116,000 is eligible to be applied against the existing work commitment. The balance of the spending, totalling approximately $65,600 (assuming the Company wishes to retain all 35 claims), must be completed by the end of 2016.