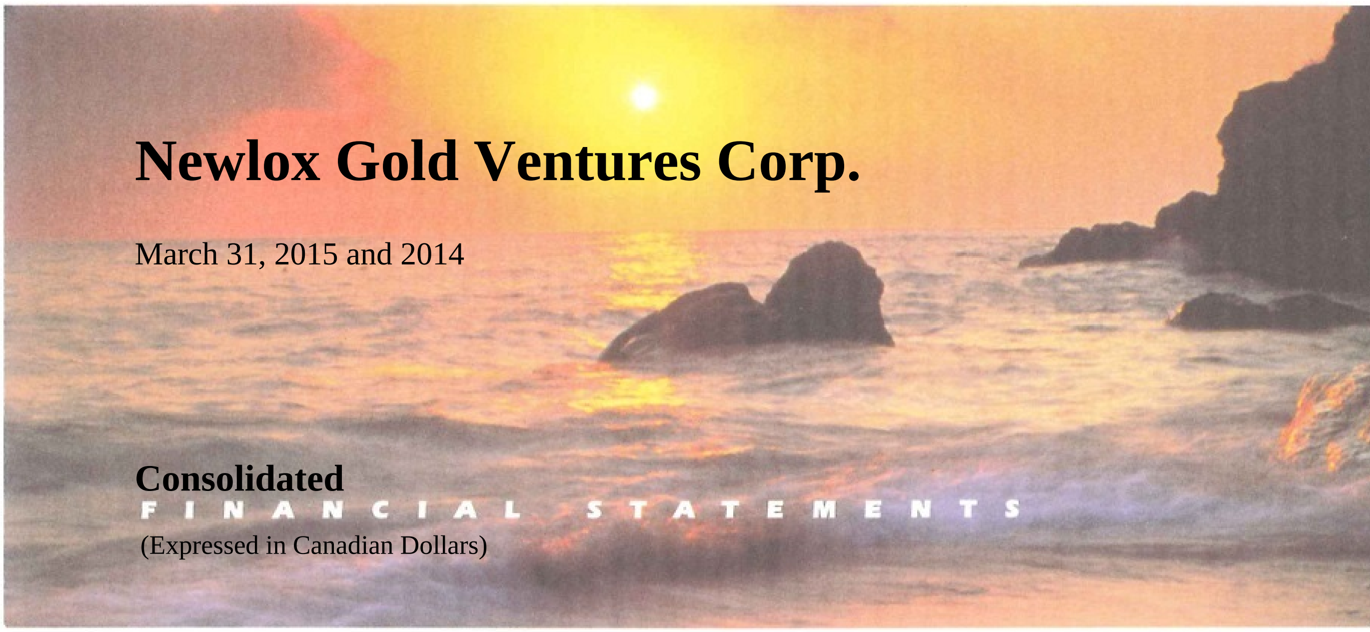
SERVICE

INTEGRITY

TRUST



# Newlox Gold Ventures Corp.

March 31, 2015 and 2014

**Consolidated**
FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)



WD&M

WDM
CHARTERED ACCOUNTANTS

# Independent Auditors' Report

To the Shareholders of:
**NEWLOX GOLD VENTURES CORP.**

SERVICE

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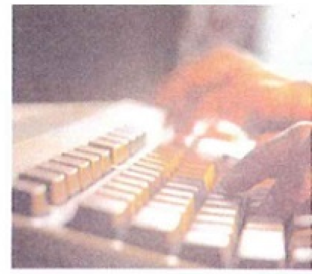
We have audited the accompanying consolidated financial statements of Newlox Gold Ventures Corp. and its subsidiary, which comprise the consolidated statements of financial position as at March 31, 2015, the consolidated statements of changes in shareholders' equity, comprehensive loss, and cash flows for the year 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 audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits 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 financial statements present fairly, in all material respects, the financial position of Newlox Gold Ventures Corp. and its subsidiary as at March 31, 2015 and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

**Emphasis of Matter – Going Concern**

Without qualifying our opinion, we draw attention to Note 1 to the consolidated financial statements which describes the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern.

**Other Matter**

The comparative financial statements of Newlox Gold Ventures Corp. as at March 31, 2014 and for the year then ended were audited by other auditors who expressed an unmodified opinion on those statements in their report dated August 12, 2014.

*WDM*

*Chartered Professional Accountants*

Vancouver, B.C.
August 20, 2015

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# Newlox Gold Ventures Corp.

## Consolidated Statements of Financial Position

As at March 31, 2015 and 2014

(Expressed in Canadian Dollars)

| | Note | 2015<br>$ | 2014<br>$ |
|---|---|---|---|
| **ASSETS** | | | |
| **CURRENT** | | | |
| Cash | | 31,055 | 40,932 |
| Accounts Receivable | | 31,445 | 2,527 |
| GST Recoverable | | 560 | 18,098 |
| Advances | 2 | - | 354,843 |
| Inventories | 7 | 81,419 | - |
| | | 144,479 | 416,400 |
| **NON-CURRENT** | | | |
| Property, Plant and Equipment | 8 | 673,890 | - |
| Goodwill | 2 | 959,621 | - |
| | | 1,633,511 | - |
| | | 1,777,990 | 416,400 |
| **LIABILITIES** | | | |
| **CURRENT** | | | |
| Accounts Payable and Accrued Liabilities | | 118,223 | 48,523 |
| Due to Related Parties | 13 | 141,254 | 50,891 |
| Portion of Convertible Debentures – Principal | 9 | 188,207 | - |
| Current Portion of Convertible Debentures – Interest | 9 | 6,181 | - |
| | | 453,865 | 99,414 |
| **NON-CURRENT** | | | |
| Convertible Debentures | 9 | 104,865 | - |
| | | 558,730 | 99,414 |
| **SHAREHOLDERS' EQUITY** | | | |
| Share Capital | 10 | 1,871,991 | 832,512 |
| Share Subscription Advance | 17(a) | 50,000 | - |
| Share Purchase Warrants Reserve | | - | 1,188 |
| Equity Component of Debentures | 9 | 71,405 | - |
| Foreign Currency Translation Reserve | | 94,075 | - |
| Deficit | | (868,211) | (516,714) |
| | | 1,219,260 | 316,986 |
| | | 1,777,990 | 416,400 |

Nature of Operations and Going Concern (Note 1)
Business Acquisition (Note 2)
Commitments (Note 11)
Segment Information (Note 14)
Subsequent Events (Note 17)

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

Approved on behalf of the Board:

| | |
|---|---|
| **"Donald Gordon"** | **"Jeffrey Benavides"** |
| Donald Gordon, Director | Jeffrey Benavides, Director |

# Newlox Gold Ventures Corp.

## Statements of Changes in Shareholders’ Equity

### For the Years Ended March 31, 2015 and 2014

(Expressed in Canadian Dollars)

| | Note | Number of Common Shares | Share Capital $ | Share Subscription Advance $ | Share Purchase Warrants Reserve $ | Equity Component of Debentures $ | Foreign Currency Translation Reserve $ | Deficit $ | Total Shareholders’ Equity $ |
|---|---|---|---|---|---|---|---|---|---|
| **Balance, March 31, 2013** | | 13,356,911 | 307,512 | - | 1,188 | - | - | (216,563) | 92,137 |
| Shares Issued for Mineral Property | 10(b)(i) | 150,000 | 7,500 | - | - | - | - | - | 7,500 |
| Shares Issued for Cash | 10(b)(ii) | 11,500,000 | 575,000 | - | - | - | - | - | 575,000 |
| Share Issuance Costs | 10(b)(ii) | - | (57,500) | - | - | - | - | - | (57,500) |
| Net Comprehensive Loss | | - | - | - | - | - | - | (300,151) | (300,151) |
| **Balance, March 31, 2014** | | 25,006,911 | 832,512 | - | 1,188 | - | - | (516,714) | 316,986 |
| Shares Issued for Business Acquisition | 10(b)(iii) | 20,000,000 | 1,000,000 | - | - | - | - | - | 1,000,000 |
| Shares Issued for Cash | 10(b)(iv) | 695,982 | 41,999 | - | - | - | - | - | 41,999 |
| Share Issuance Costs | 10(b)(iv) | - | (2,520) | - | - | - | - | - | (2,520) |
| Share Subscriptions Received | 17(a) | - | - | 50,000 | - | - | - | - | 50,000 |
| Fair Value of Warrants Expired | | - | - | - | (1,188) | - | - | 1,188 | - |
| Issuance of Convertible Debentures | 9 | - | - | - | - | 77,248 | - | - | 77,248 |
| Repayment of Convertible Debentures | 9 | - | - | - | - | (5,843) | - | 5,843 | - |
| Net Comprehensive Loss | | - | - | - | - | - | 94,075 | (358,528) | (264,453) |
| **Balance, March 31, 2015** | | 45,702,893 | 1,871,991 | 50,000 | - | 71,405 | 94,075 | (868,211) | 1,219,260 |

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

# Newlox Gold Ventures Corp.

## Statements of Comprehensive Loss

For the Years Ended March 31, 2015 and 2014

(Expressed in Canadian Dollars)

| | Note | 2015<br>$ | 2014<br>$ |
|---|---|---|---|
| **SALES** | | 429,393 | - |
| **COST OF SALES** | | 379,160 | - |
| **GROSS PROFIT** | | 50,233 | - |
| **EXPENSES** | | | |
| Accretion | 9 | 24,440 | - |
| Bad Debts | | 27,025 | - |
| Consulting Fees | 13 | 110,514 | 53,152 |
| Depreciation | | 24,152 | - |
| Interest on Debentures | 9 | 14,373 | - |
| Management Fees | 13 | 58,949 | 19,500 |
| Office | | 11,155 | 24,844 |
| Professional Fees | | 59,187 | 47,367 |
| Exploration | | - | 47,517 |
| Telephone | | 1,436 | 2,211 |
| Transfer Agent and Filing Fees | | 22,444 | 23,119 |
| Travel | | 9,075 | 6,432 |
| **LOSS BEFORE OTHER ITEMS** | | (312,517) | (224,142) |
| Foreign Exchange Gain (Loss) | | 2,979 | (1,059) |
| Impairment of Property, Plant and Equipment | 8 | (48,990) | - |
| Impairment of Mineral Property | 1 | - | (74,950) |
| **NET LOSS FOR THE YEAR** | | (358,528) | (300,151) |
| Other Comprehensive Income for the Year – Foreign Currency Translation Gain | | 94,075 | - |
| **NET COMPREHENSIVE LOSS FOR THE YEAR** | | (264,453) | (300,151) |
| **BASIC AND DILUTED LOSS PER SHARE** | | (0.01) | (0.02) |
| **WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING** | | 44,739,661 | 14,788,418 |

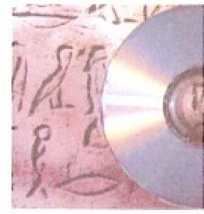
The accompanying notes are an integral part of these consolidated financial statements.

# Newlox Gold Ventures Corp.

## Statements of Cash Flows

For the Years Ended March 31, 2015 and 2014

(Expressed in Canadian Dollars)



| | Note | 2015<br>$ | 2014<br>$ |
|---|---|---|---|
| **CASH PROVIDED FROM (UTILIZED FOR)** | | | |
| **OPERATING ACTIVITIES** | | | |
| Net Loss for the Year | | (358,528) | (300,151) |
| Non-Cash Items | | | |
| Accretion | | 24,440 | - |
| Bad Debts | | 27,025 | - |
| Depreciation | | 24,152 | - |
| Impairment of Property, Plant and Equipment | | 48,990 | - |
| Impairment of Mineral Property | | - | 74,950 |
| | | (233,921) | (225,201) |
| Changes in Non-Cash Working Capital Accounts | | | |
| Inventories | | (14,778) | - |
| Accounts Receivable | | (3,300) | (4,087) |
| Advances | | - | (354,843) |
| GST Recoverable | | (560) | - |
| Accounts Payables and Accrued Liabilities | | 69,700 | 39,437 |
| Due to Related Parties | | 51,034 | 35,792 |
| | | (131,825) | (508,902) |
| **INVESTING ACTIVITIES** | | | |
| Purchase of Property, Plant and Equipment | | (445,708) | - |
| Cash of Subsidiary from Business Acquisition | 2 | 135,777 | - |
| | | (309,931) | - |
| **FINANCING ACTIVITIES** | | | |
| Convertible Debentures | | 352,061 | - |
| Shares Issued for Cash, Net of Issuance Costs | | 39,479 | 517,500 |
| Share Subscription Advance | | 50,000 | - |
| | | 441,540 | 517,500 |
| **(DECREASE) INCREASE IN CASH** | | (216) | 8,598 |
| Effect of Exchange Rate Changes on Cash | | (9,661) | - |
| **CASH, BEGINNING OF THE YEAR** | | 40,932 | 32,334 |
| **CASH, END OF THE YEAR** | | 31,055 | 40,932 |

Supplemental Cash Flow Information (Note 6)

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

## NOTE 1 – NATURE OF OPERATIONS AND GOING CONCERN

Newlox Gold Ventures Corp. (the "Company" or "Newlox") was incorporated on April 7, 2011. Pursuant to an arrangement agreement dated April 8, 2011 between the Company and Tulox Resources Inc. ("Tulox"), the Company was assigned interest in mineral claims in British Columbia, Canada, and commenced operations as a mineral property exploration company. During the year ended March 31, 2014, the Company terminated its interest in the mineral claims and wrote off the carrying value of the mineral property.

The Company's business has since evolved from a mining property exploration company to an environmental reclamation and mineral trading company pursuing business opportunities in Central America. As part of its reclamation business, the Company is applying innovative technologies to re-process historical tailings to achieve soil remediation and metals extraction (Note 2). The Company also operates a precious metals trading program in Central America through which the Company purchases precious metals from various sources, including artisan recycling and private sellers, for resale.

The head office, principal address, and records office of the Company are located at Suite 500 – 900 West Hastings Street, Vancouver, British Columbia, Canada, V6G 2Z6.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards on the basis that the Company is a going concern and will be able to meet its obligations and continue its operations for its next fiscal year. Several conditions as set out below cast material uncertainties on the Company's ability to continue as a going concern.

The Company's continuing operations, as intended, and its financial success is dependent upon its ability to generate profits from its tailing reclamation program and previous metal trading program, and the continuing financial support of its shareholders, creditors, and related parties to finance its operations and expansion activities. From inception to date, the Company has incurred losses from operations and has accumulated losses of $868,211and a working capital deficiency of $309,386 as at March 31, 2015, and a negative cash flow from operations of $131,824 for the year then ended. There is no assurance that the Company will be successful with generating and maintain profitable operations, or able to secure future debt or equity financing for its working capital and expansion activities.

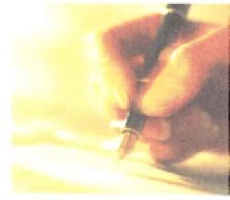
These consolidated financial statements do not include any adjustments to the amounts or classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

## NOTE 2 – BUSINESS ACQUISITION

On April 14, 2014, the Company acquired Oro Roca, S.A. ("Oro Roca"), a Costa Rica based precious metals trading and environmental reclamation company, by way of purchasing all issued and outstanding shares of Oro Roca in exchange for 20,000,000 common shares of the Company at a deemed price of $0.05 per share for total consideration of $1,000,000. Included in the common shares issued were 2,325,000 shares issued to a Director of Newlox and 100,000 shares issued to another Director of the Company.

These consolidated financial statements include the results of operations of Oro Roca commencing from the date of acquisition on April 14, 2014.

(Expressed in Canadian Dollars)



**NOTE 2 – BUSINESS ACQUISITION (Continued)**

The purchase price of the acquisition has been allocated to the fair value of the net assets of Oro Roca as follows:

| | $ |
|---|---|
| Cash | 135,777 |
| Accounts Receivable | 28,145 |
| Inventories | 66,641 |
| Property, Plant and Equipment | 203,988 |
| Goodwill | 959,621 |
| Due to Newlox | (354,843) |
| Due to Related Party | (39,329) |
| Total Consideration | 1,000,000 |

Goodwill was recognized as the excess of the acquisition cost over the fair value of the identifiable net assets at the date of the acquisition. The goodwill recognized is attributable to the expected synergies and growth potential in applying innovative processing technologies to historical tailings to achieve precious metals extraction and soil remediation in Latin America.

**NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES**

**a) Statement of Compliance**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). These consolidated financial statements were approved and authorized for issue by the Board of Directors on August 20, 2015.

**b) Basis of Preparation**

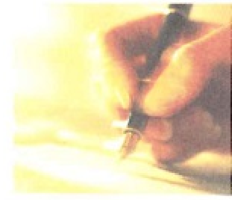
These consolidated financial statements have been prepared on an accrual basis and are based on historical costs. Cost is the fair value of the consideration given in exchange for net assets.

**c) Basis of Consolidation**

The consolidated financial statements includes the accounts of Newlox and its wholly owned subsidiary (collective, the “Company”). The following companies have been consolidated within these consolidated financial statements:

| Entity | Country of Incorporation | Holding | Functional Currency |
|---|---|---|---|
| Newlox Gold Ventures Corp. | Canada | Parent Company | Canadian Dollar |
| Oro Roca, S.A. | Costa Rica | 100% | Costa Rican Colones |

Intercompany balances and transactions are eliminated in preparing these consolidated financial statements.



**NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**d) Foreign Currency**

These consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the parent company. Each subsidiary determines its own functional currency (Note 3(c)) and items included in the financial statements of each subsidiary are measured using that functional currency.

**i) Transactions and Balances in Foreign Currencies**

Foreign currency transactions are translated into the functional currency of the respective entity, using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items at year-end exchange rates are recognized in profit or loss.

Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction and are not retranslated. Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

**ii) Foreign Operations**

On consolidation, the assets and liabilities of foreign operations are translated into Canadian dollars at the exchange rate prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on the translation are recognized in other comprehensive income and accumulated in the foreign currency translation reserve in equity. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in earnings and recognized as part of the gain or loss on disposal.

**e) Business Combination**

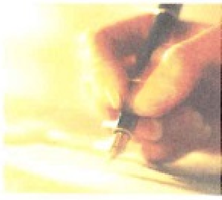
An acquisition of business is accounted for using the acquisition method. The cost of the acquisition if measured as the sum of the acquisition-date fair values of the assets transferred by the Company, liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the acquiree. Acquisition-related costs are expensed as incurred.

The Company recognizes identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognized in the acquiree's financial statements prior to that acquisition. Assets acquired and liabilities assumed are measured at their acquisition-date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets, and represents the excess of acquisition cost over the fair value of the identifiable net assets of the acquiree at the date of the acquisition. If the fair value of identifiable net assets exceed the acquisition cost, the excess amount is recognized immediately in profit or loss as a bargain purchase gain.

**f) Inventories**

Inventories consists of gold and gold concentrate, and are valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less any cost of sale. Cost includes expenses directly attributable to the manufacturing process as well as an allocation of related production overheads based on normal operating capacity. Cost or ordinarily interchangeable items are determined on a first-in-first-out basis.



**NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**g) Property, Plant and Equipment**

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is recognized to write off the cost of the property and equipment less their residual values over their useful lives using the straight-line method at various rates ranging from 3 years to 10 years. The estimated useful lives, residual values, and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

**h) Goodwill**

Goodwill is measured at cost less accumulated impairment losses. On the acquisition of a business, fair values are attributed to the net assets acquired. Goodwill arises where the fair value of the consideration given for a business exceeds such net assets (Note 3(e)). Goodwill arising on an acquisition is capitalized and subject to impairment review annually and when there are indications that the carrying value may not be recoverable.

**i) Impairment of Property, Plant and Equipment and Intangible Assets**

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. Individual assets are grouped together as a cash generating unit for impairment assessment purposes at the lowest level at which there are identifiable cash flows that are independent from other group assets.

If any such indication of impairment exists, the Company makes an estimate of its recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use. Where the carrying amount of a cash generating unit exceeds its recoverable amount, the cash generating unit is considered impaired and is written down to its recoverable amount. In assessing the value in use, the estimated future cash flows are adjusted for the risks specific to the cash generating unit and are discounted to their present value with a discount rate that reflects the current market indicators.

Where an impairment loss subsequently reverses, the carrying amount of the cash generating unit is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized in prior years. A reversal of an impairment loss is recognized as income immediately.

**j) Convertible Debentures**

Convertible debentures are compound financial instruments that are recorded in part as a liability and in part as shareholders' equity. The Company uses the "residual valuation" method to determine the debt and equity components of the convertible debentures. Under the residual valuation method, the liability component is determined by estimating the present value of the future cash payments discounted at a rate of interest which the Company would be charged by the market for similar debt without the conversion option. The difference between the net proceeds of the debenture and the liability component is recorded as a separate component of shareholders' equity. Debentures payable is accreted to its face value at maturity over the term of the debt through a charge to operations.

**NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**k) Provisions**

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. As at March 31, 2015 and 2014, the Company has no material provisions.

**l) Share Capital and Share Subscription Advance**

Share capital includes cash consideration received for share issuances, net of commissions and issue costs. Share subscription advance represent proceeds received for shares that have not yet been issued as at the reporting date.

**m) Loss per Share**

Loss per share is calculated using the weighted average number of common shares issued and outstanding during the reporting period. Diluted loss per share is the same as basic loss per share, as the issuance of shares on the exercise of stock options and share purchase warrants is anti-dilutive.

**n) Share-Based Payments**

The fair value method of accounting is used for share-based payment transactions. Under this method, the cost of stock options and other share-based payments is recorded based on the estimated fair value using the Black-Scholes option-pricing model at the grant date and charged to profit over the vesting period. The amount recognized as an expense is adjusted to reflect the number of equity instruments expected to vest.

Upon the exercise of stock options and other share-based payments, consideration received on the exercise of these equity instruments is recorded as share capital and the related share-based payment reserve is transferred to share capital. The fair value of unexercised equity instruments are transferred from reserve to retained earnings upon expiry.

**o) Revenue Recognition**

Revenue is measured at the fair value of the consideration received or receivable for gold sales, and is recorded to the extent that collection is reasonably assured.

**p) Income Taxes**

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.

**i) Current Income Tax**

Current income tax assets and/or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting periods that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the consolidated financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

**NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**p) Income Taxes (Continued)**

**ii) Deferred Income Tax**

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full.

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income. Deferred tax assets and liabilities are offset only when the Company has a right and intention to offset current tax assets and liabilities from the same taxation authority. Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

**q) Financial Instruments**

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities classified at fair value through profit or loss) are added to, or deducted from, the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities classified at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets and financial liabilities are measured subsequently as described below. The Company does not have any derivative financial instruments.

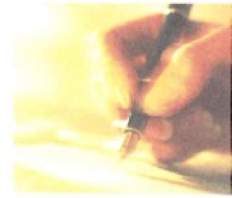
**i) Financial Assets**

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- Financial assets at fair value through profit or loss;
- Loans and receivables;
- Held-to-maturity investments; and
- Available-for-sale financial assets.

The category determines subsequent measurement and whether any resulting income and expense is recognized in profit or loss or in other comprehensive income.

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 below.



**NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**q) Financial Instruments (Continued)**

**i) Financial Assets (Continued)**

- ***Financial assets at fair value through profit or loss*** – Financial assets at fair value through profit or loss include financial assets that are either classified as held for trading or that meet certain conditions and are designated at fair value through profit or loss upon initial recognition. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments. Assets in this category are measured at fair value with gains or losses recognized in profit or loss. The Company's cash falls into this category of financial assets.

- ***Loans and receivables*** – Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortized cost using the effective interest method, less any provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Company's accounts receivables and advances fall into this category of financial instruments.

  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. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is based on recent historical counterparty default rates for each identified group. The impairment losses are recognized in profit or loss.

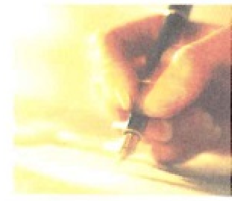
- ***Held-to-maturity investments*** – Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity, other than loans and receivables. Investments are classified as held-to-maturity if the Company has the intention and ability to hold them until maturity. The Company does not hold financial assets in this category.

  Held-to-maturity investments are measured subsequently at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired as determined by reference to external credit ratings, then 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 financial assets*** – Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in other categories of financial assets. The Company does not hold financial assets in this category.

  Available-for-sale financial assets are measured initially at fair value. The Company's investments in equity instruments are subsequently measured at cost as they do not have a quoted market price in an active market and their fair value cannot be reliably measured.

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



**NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**q) Financial Instruments (Continued)**

**i) Financial Assets (Continued)**

In respect of available-for-sale financial assets, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income and accumulated in the investment revaluation reserve.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

**ii) Financial Liabilities**

For the purpose of subsequent measurement, financial liabilities are classified as either financial liabilities at fair value through profit or loss, or other financial liabilities upon initial recognition.

- ***Financial liabilities at fair value through profit or loss*** – Financial liabilities at fair value through profit or loss include financial liabilities that are either classified as held for trading or that meet certain conditions and are designated at fair value through profit or loss upon initial recognition. Liabilities in this category are measured at fair value with gains or losses recognized in profit or loss. The Company currently does not hold financial liabilities in this category.

- ***Other financial liabilities*** – Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in the income statement when the liabilities are derecognized as well as through the effective interest rate method amortization process. The Company's accounts payables and accrued liabilities, amounts due to related parties, and convertible debentures fall into this category of financial instruments.

A financial liability is derecognized when it is extinguished, discharged, cancelled or expired.

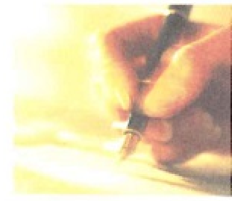
**f) Comparative Figures**

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year. These reclassifications have no effect on the consolidated net loss for the period ended March 31, 2014.

**NOTE 4 – SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS**

In the application of the Company's accounting policies which are described in Note 3, management is required to make judgments, estimates, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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.



## NOTE 4 – SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

Significant judgments, estimates and assumptions that have the most significant effect on the amounts recognized in the consolidated financial statements are described below.

### a) Impairment of Property, Plant and Equipment and Goodwill

An impairment loss is recognized for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each asset or cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows, management makes assumptions about future operating results. In addition, when determining the applicable discount rate, estimation is involved in determining the appropriate adjustments to market risk and asset-specific risk factors. These assumptions relate to future events and circumstances. Actual results may vary and may cause significant adjustments to the Company's assets within the next financial year.

### b) Useful Lives of Property, Plant and Equipment

Management reviews the useful lives of property, plant and equipment at each reporting date, based on the expected utility of these assets to the Company. The useful lives of these assets may be shortened due to future technological developments.

### c) Business Combination

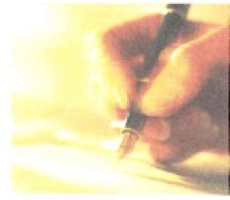
On initial recognition, the assets and liabilities of the acquired business and the consideration paid for them are included in the consolidated financial statements at their fair values. In measuring fair value, management uses estimates of future cash flows and discount rates. Any subsequent change in these estimates would affect the amount of goodwill if the change qualifies as a measurement period adjustment. Any other change would be recognized in the income statement in the subsequent period.

### d) Deferred Tax Assets

Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate sufficient taxable earnings in future periods in order to utilize recognized deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted.

The Company has recorded a full valuation allowance against its deferred tax assets due to the uncertainty in the realization of these assets.

(Expressed in Canadian Dollars)



## NOTE 5 – ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of new accounting standards, amendments to standards, and interpretations have been issued but not yet effective up the date of issuance of the Company's consolidated financial statements. The Company intends to adopt the following standards when they becomes effective.

### a) IFRS 9 – Financial Instruments

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets as defined in IAS 39. The standard was initially effective for annual period beginning on or after January 1, 2013, but amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to January 1, 2015. The Company has not yet determined the impact of this standard on its consolidated financial statements.

### b) IFRS 15 – Revenue from Contracts with Customers

IFRS 15 clarifies the principles for recognizing revenue from contracts with customers. IFRS 15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively, and improve guidance for multiple-element arrangements. The standard is effective for annual periods beginning on or after January 1, 2017 and is to be applied retrospectively. The Company has not yet determined the impact of this standard on its consolidated financial statements.

## NOTE 6 – SUPPLEMENTAL CASH FLOW INFORMATION

### a) Significant Non-Cash Financing Activities

| | 2015<br>$ | 2014<br>$ |
|---|---|---|
| Shares Issued for Business Acquisition | 1,000,000 | - |
| Shares Issued for Mineral Property | - | 7,500 |

### b) Other Items

| | | |
|---|---|---|
| Income Taxes Paid | - | - |
| Interest Paid | 8,192 | - |

## NOTE 7 – INVENTORIES

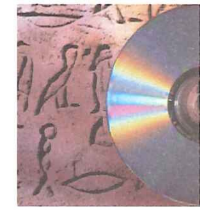
| | | |
|---|---|---|
| Gold | 14,683 | - |
| Gold Concentrate | 66,736 | - |
| | 81,419 | - |

# Newlox Gold Ventures Corp.

## Notes to the Financial Statements

March 31, 2015 and 2014

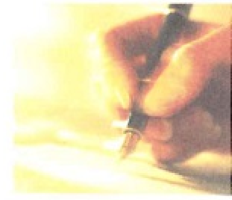
(Expressed in Canadian Dollars)



**NOTE 8 – PROPERTY, PLANT AND EQUIPMENT**

| | Vehicles<br>$ | Office Furniture and Equipment<br>$ | Computer Equipment and Software<br>$ | Trading Facilities<br>$ | Processing Facilities<br>$ | Equipment<br>$ | Tools<br>$ | Total<br>$ |
|---|---|---|---|---|---|---|---|---|
| **COST** | | | | | | | | |
| **Balance, March 31, 2014** | - | - | - | - | - | - | - | - |
| Business Acquisition (Note 2) | 35,088 | 361 | 3,072 | 51,339 | 74,265 | 36,091 | 3,772 | 203,988 |
| Additions | - | 82 | - | - | 332,284 | 113,304 | 38 | 445,708 |
| Disposal | - | - | - | (48,990) | - | - | - | (48,990) |
| Foreign Currency Translation | 7,440 | 72 | 711 | (2,349) | 68,312 | 24,174 | 673 | 99,033 |
| **Balance, March 31, 2015** | 42,528 | 515 | 3,783 | - | 474,861 | 173,569 | 4,483 | 699,739 |
| **ACCUMULATED DEPRECIATION** | | | | | | | | |
| **Balance, March 31, 2014** | - | - | - | - | - | - | - | - |
| Depreciation | 1,754 | 74 | 512 | - | 15,256 | 6,365 | 191 | 24,152 |
| Foreign Currency Translation | 133 | 6 | 39 | - | 1,058 | 446 | 15 | 1,697 |
| **Balance, March 31, 2015** | 1,887 | 80 | 551 | - | 16,314 | 6,811 | 206 | 25,849 |
| **NET BOOK VALUE** | | | | | | | | |
| **March 31, 2014** | - | - | - | - | - | - | - | - |
| **March 31, 2015** | 40,641 | 435 | 3,232 | - | 458,547 | 166,758 | 4,277 | 673,890 |

(Expressed in Canadian Dollars)



## NOTE 9 – CONVERTIBLE DEBENTURES

| | | Carrying Value | | |
|---|---|---|---|---|
| | Debenture Face Value $ | Liability Component $ | Equity Component $ | Total $ |
| **Balance, March 31, 2014** | - | - | - | - |
| Issuance of Debentures | 385,000 | 305,692 | 79,308 | 385,000 |
| Transaction Costs | - | (7,940) | (2,060) | (10,000) |
| Repayment of Debentures | (29,120) | (29,120) | (5,843) | (34,963) |
| Accretion | - | 24,440 | - | 24,440 |
| **Balance, March 31, 2015** | 355,880 | 293,072 | 71,405 | 364,477 |
| Less: Current Portion | 201,203 | 188,207 | - | 188,207 |
| Non-Current Portion | 154,677 | 104,865 | 71,405 | 176,270 |

On November 14, 2014, the Company issued $385,000 of convertible debentures (the "Debentures"). The principal amount of the Debentures may be converted into common shares of the Company at the option of the holder, at any time prior to the maturity date on November 14, 2016, at $0.10 per common share.

The Debentures are subject to a simple interest rate of 10% per annum, payable together with quarterly blended payments, and are secured by a general security agreement on all of the Company's present and future undertakings and assets. The Company has the right to prepay all or part of the outstanding principal and accrued interest of the Debentures at any time.

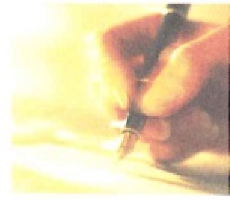
The convertible debentures are recorded in part as a liability and in part as shareholders' equity. The Company uses the "residual valuation" method to determine the debt and equity components of the convertible debentures. Under the residual valuation method, the liability component is determined by estimating the present value of the future cash payments discounted at a rate of interest which the Company would be charged by the market for similar debt without the conversion option. The difference between the net proceeds of the debenture and the liability component is recorded as a separate component of shareholders' equity.

The debentures payable is accreted to its face value at maturity over the term of the debt through a charge to operations. The amount charged as accretion expense for the year ended March 31, 2014 was $24,440.

For the year ended March 31, 2015, the Company recorded interest expense of $14,373. As at March 31, 2015, outstanding interest payable is $6,181.

In connection to the debenture financing, the Company issued 7,700,000 share purchase warrants to the debenture holders with a term of two years. Each warrant is exercisable into one common share of the Company at $0.05 per share in the first year, and at $0.15 per share in the second year.

Subsequently to year-end in May 2015, the Company entered into a deferral agreement with all debenture holders to defer the May 31, 2015 principal and interest quarterly blended payments of approximately $45,000 to November 14, 2016 (Note 17).



## NOTE 10 – SHARE CAPITAL

### a) Authorized Capital

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

### b) Issued and Outstanding Common Shares

As at March 31, 2015, the Company had 45,702,893 common shares issued and outstanding as presented in the consolidated statements of changes in shareholders' equity.

#### i) Shares Issued for Mineral Property in Fiscal 2014

On August 13, 2013, the Company issued 150,000 common shares with a fair value of $7,500 pursuant to a mineral property option agreement.

#### ii) Shares Issued for Cash in Fiscal 2014

On December 23, 2013 the Company issued 2,500,000 units at $0.05 per unit for total proceeds of $125,000 in connection with a private placement. Each unit consists of one common share and one share purchase warrant exercisable at $0.10 per share for a term of two years. The Company incurred $12,500 in finder's fee.

On March 4, 2014 the Company issued 9,000,000 units at $0.05 per unit for total proceeds of $450,000 in connection with a private placement. Each unit consists of one common share and one share purchase warrant exercisable at $0.10 per share for a term of two years. The Company incurred $45,000 cash in finder's fee.

#### iii) Shares Issued for Business Acquisition in Fiscal 2015

On April 14, 2014 the Company issued 20,000,000 common shares with a fair value of $1,000,000 for the acquisition of Oro Roca (Note 2).

#### iv) Shares Issued for Cash in Fiscal 2015

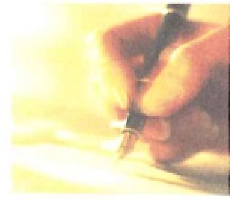
On May 1, 2014 the Company issued 360,000 units at $0.07 per unit for total proceeds of $25,200 in connection with a private placement. Each unit consists of one common share and one share purchase warrant exercisable at $0.15 per share for a term of two years. The Company incurred $2,520 in finder's fee.

On November 18, 2014 the Company issued 335,982 units at $0.05 per unit for total proceeds of $16,799 in connection with a private placement. Each unit consists of one common share and one share purchase warrant exercisable at $0.05 per share in the first year and $0.15 in the second year.

### c) Escrow Shares

As at March 31, 2015, the Company has 744,520 common shares held in escrow.

(Expressed in Canadian Dollars)



**NOTE 10 – SHARE CAPITAL (Continued)**

**d) Share Purchase Warrants**

The continuity of warrants for the year ended March 31, 2015 is as follows:

| Expiry Date | Exercise Price | March 31, 2014 | Issued | Exercised | Expired/ Cancelled | March 31, 2015 |
|---|---|---|---|---|---|---|
| May 7, 2015 | $0.15 | - | 360,000 | - | - | 360,000 |
| December 31, 2015 | $0.10 | 2,500,000 | - | - | - | 2,500,000 |
| March 4, 2016 | $0.10 | 9,000,000 | - | - | - | 9,000,000 |
| November 14, 2016 | $0.05 | - | 7,700,000 | - | - | 7,700,000 |
| November 18, 2016 | $0.05 | - | 335,982 | - | - | 335,982 |
| | | 11,500,000 | 8,395,982 | - | - | 19,895,982 |

The continuity of warrants for the year ended March 31, 2014 is as follows:

| Expiry Date | Exercise Price | March 31, 2013 | Issued | Exercised | Expired/ Cancelled | March 31, 2014 |
|---|---|---|---|---|---|---|
| December 31, 2015 | $0.10 | - | 2,500,000 | - | - | 2,500,000 |
| March 4, 2016 | $0.10 | - | 9,000,000 | - | - | 9,000,000 |
| | | - | 11,500,000 | - | - | 11,500,000 |

**e) Finder's Warrants**

The continuity of warrants for the year ended March 31, 2015 is as follows:

| Expiry Date | Exercise Price | March 31, 2014 | Issued | Exercised | Expired/ Cancelled | March 31, 2015 |
|---|---|---|---|---|---|---|
| October 17, 2014 | $0.15 | 146,000 | - | - | (146,000) | - |

The continuity of warrants for the year ended March 31, 2014 is as follows:

| Expiry Date | Exercise Price | March 31, 2013 | Issued | Exercised | Expired/ Cancelled | March 31, 2014 |
|---|---|---|---|---|---|---|
| October 17, 2014 | $0.15 | 366,000 | - | - | (220,000) | 146,000 |

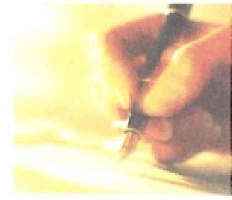
**f) Subsequent Private Placements** (see Note 17(a))

**NOTE 11 – COMMITMENTS**

The Company has entered into agreements to lease office and processing plant premises from February 2014 to May 2017. As at March 31, 2015, future minimum annual lease payments are as follows:

| Fiscal Year | $ |
|---|---|
| 2016 | 47,877 |
| 2017 | 44,711 |
| 2018 | 1,647 |
| | 94,235 |

(Expressed in Canadian Dollars)



## NOTE 12 – INCOME TAXES

### a) Provision for Income Taxes

The income tax expense of the Company is reconciled to the net income for the year as reported in the consolidated statements of comprehensive loss as follows:

| | 2015<br>$ | 2014<br>$ |
|---|---|---|
| Expected Income Tax Recovery at Combined Canadian Statutory Tax Rates (2015 – 26%; 2014 – 26%) | (93,217) | (78,039) |
| Permanent Differences | 6,619 | 19,487 |
| Effect of Change in Tax Rates | (898) | (5,116) |
| Change in Valuation Allowance | 89,936 | 67,099 |
| Other | (2,440) | (3,431) |
| Income Tax Expense | - | - |

### b) Deferred Tax Assets and Liabilities

As at March 31, 2015 and 2014, the Company has temporary differences between the carrying value of the assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Accordingly, the Company recorded deferred tax assets as follows:

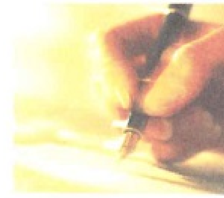
| | | |
|---|---|---|
| Canadian Non-Capital Tax Losses Available | 204,658 | 121,649 |
| Financing Fees | 12,457 | 13,284 |
| Property, Plant and Equipment | 7,754 | - |
| Resource Deductions | 34,830 | 34,830 |
| Valuation Allowance | (259,699) | (169,763) |
| Net Deferred Tax Assets | - | - |

Deferred tax assets are recognized to the extent that the realization of the related tax benefit through future taxable income is probable. The Company has recorded a full valuation allowance against its deferred tax assets because of uncertainty as to the realization of these assets. No provision for Costa Rican income taxes has been recorded as the Company is unable to accurately determine the amount of its loss carry forwards and other tax attributes at this time.

As at March 31, 2015, the Company has Canadian non-capital losses of $787,145 which are available to offset future taxable income earned in Canada. These tax losses expire as follows:

| | |
|---|---|
| 2032 | 104,114 |
| 2033 | 125,368 |
| 2034 | 238,399 |
| 2035 | 319,264 |
| | 787,145 |

(Expressed in Canadian Dollars)



## NOTE 13 – RELATED PARTY TRANSACTIONS

Balances and transactions between the Company and its subsidiary, which are related parties of the Company, have been eliminated on consolidation and are not disclosed. Details of transactions between the Company and other related parties, in addition to those transactions disclosed elsewhere in these consolidated financial statements are described as follows.

As at March 31, 2015 and 2014, the Company has the following amounts owing to related parties that are non-interest bearing, unsecured, and have no specified terms of repayment.

| | 2015<br>$ | 2014<br>$ |
|---|---|---|
| Due to a director and related companies for management and consulting fees (a) | 25,264 | 40,451 |
| Due to a director (also an officer) for management fees (b) | 20,190 | - |
| Due to a director (also an officer) for advances to the Company | 85,360 | - |
| Due to a director for management fees | 1,056 | 1,056 |
| Due to a company controlled by a former director for management fees | 9,384 | 9,384 |
| **Due to Related Parties** | 141,254 | 50,891 |

a) During the year ended March 31, 2015, the Company incurred management fees of $6,571 (2014 – $14,500) and consulting fees of $Nil (2014 – $6,500) to a director and his related companies. In addition, the Company wrote off $2,527 on an amount owed by a company controlled by this director.

b) During the year ended March 31, 2015, the Company incurred management fees of $52,378 (2014 – $5,000) to a director (also an officer).

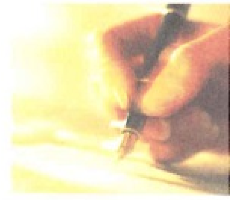
All related party transactions were in the ordinary course of business and were measured at their exchange amount as agreed between the related parties.

## NOTE 14 – SEGMENT INFORMATION

Since the acquisition of Oro Roca on April 14, 2014 (Note 2), the Company has operations in two reportable segments: head office operations in Canada and a precious metals trading program in Costa Rica. During the year ended March 31, 2015, the Company's sales were wholly derived from its precious metals trading program in Costa Rica. The Company is developing its tailings reclamation program in Costa Rica with the intent to bring it into commercial production in fiscal 2016.

Prior to the acquisition of Oro Roca, the Company only had one reportable operating segment, being the acquisition, exploration and development of mineral properties in Canada. Accordingly, no segment information is reported for the year ended March 31, 2014.

(Expressed in Canadian Dollars)



## NOTE 14 – SEGMENT INFORMATION (Continued)

The following table summarizes the Company's segment information by geographic location for the year ended March 31, 2015.

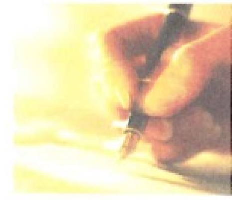
| **Year Ended March 31, 2015** | Canada<br>$ | Costa Rica<br>$ | Total<br>$ |
|---|---|---|---|
| Sales | - | 429,393 | 429,393 |
| Cost of Sales | - | 379,160 | 379,160 |
| Gross Profit | - | 50,233 | 50,233 |
| Depreciation of Property, Plant and Equipment | - | 24,152 | 24,152 |
| Other Expenses | 329,019 | 55,590 | 384,609 |
| Total Expenses | 329,019 | 79,742 | 408,761 |
| Net Loss for the Year | (329,019) | (29,509) | (358,528) |
| Current Assets | 6,410 | 138,069 | 144,479 |
| Property, Plant and Equipment | - | 673,890 | 673,890 |
| Goodwill | - | 959,621 | 959,621 |
| Segment Assets | 6,410 | 1,771,580 | 1,777,990 |
| Segment Liabilities | 472,072 | 86,658 | 558,730 |

## NOTE 15 – FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is exposed to various risks in relation to financial instruments. The Company's financial assets and liabilities by category are summarized in Note 3(q). The Company's risk management is coordinated at its head office in Canada in close co-operation with the board of directors and focuses on actively securing the Company's short to medium-term cash flows and raising finances for the Company's capital expenditure program. The Company does not actively engage in the trading of financial assets for speculative purposes. The most significant financial risks to which the Company is exposed are described below.

### a) Foreign Currency Risk

The Company operates internationally and is exposed to foreign currency risk arising from currency exposures to Canadian dollars. The main currency to which the Company has an exposure is the Costa Rican Colones and the U.S. dollar. The Company is exposed to currency risk to the extent of its cash, accounts receivable, and accounts payable and accrued liabilities that are denominated in foreign currencies. The Company does not hedge its exposure to fluctuations in the related foreign exchange rates. The Company's exposure to currency risk is currently considered insignificant.



**NOTE 15 – FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)**

**b) Commodity Price Risk**

The Company's revenues, earnings, and cash flows are directly related to the volume and price of previous metals sold and are sensitive to changes in market prices over which it has little or no control. The Company does not utilize financial derivatives or other contracts to manage commodity price risks.

**c) Credit Risk**

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company limits its exposure to credit loss for cash by placing its cash with high quality financial institutions and for trade receivables by performing standard credit checks. The credit risk for cash and accounts receivables is considered negligible since the counterparties are reputable banks with high quality external credit ratings and customers with no history of default.

**d) Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due. The Company ensures, as far as reasonably possible, that it will have sufficient capital in order to meet short-term business requirements, after taking into account cash flows from operations and the Company's holdings of cash. There can be no assurance that the Company will be successful with generating and maintaining profitable operations or will be able to secure future debt or equity financing for its working capital and expansion activities (Note 1).

**e) Interest Rate Risk**

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. Interests on the Company's convertible debentures are based on fixed rates, and as such, the Company is not exposed to significant interest rate risk.

**f) Fair Value**

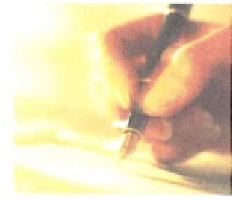
The Company uses the following hierarchy for determining fair value measurements:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement. The Company's financial instruments measured at fair value use Level 1 valuation techniques during the years ended March 31, 2015 and 2014. The carrying values of the Company's financial assets and liabilities approximate their fair values as at March 31, 2015 and 2014.



## NOTE 16 – CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Company manages its share capital as capital, which as at March 31, 2015, was $1,871,991. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development and expansion of its business and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk level.

The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. To maintain or adjust its capital structure, the Company may attempt to issue new shares or debt, dispose of assets, or adjust the amount of cash and cash equivalents. There can be no assurance that the Company will be able to obtain debt or equity capital in the case of operating cash deficits.

The Company has no externally imposed capital requirements and has not paid or declared any dividends since the date of incorporation, nor are any contemplated in the foreseeable future. There were no changes in the Company's approach to capital management during the year ended March 31, 2015.

## NOTE 17 – SUBSEQUENT EVENTS

a) **Private Placements**

In May 2015, the Company completed a private placement of 1,000,000 units at $0.05 per unit for total proceeds of $50,000. Each unit consists of one common share and one share purchase warrant exercisable at $0.10 per share for a term of two years. As at March 31, 2015, the Company had received and recorded this amount as a share subscription advance of $50,000.

In June 2015, the Company completed a private placement of 2,000,000 units at $0.05 per unit for total proceeds of $100,000. Each unit consists of one common share and one share purchase warrant exercisable at $0.10 per share for a term of 2 years. The Company incurred $4,000 in finder's fee for this private placement.

**b) Repayment of Convertible Debentures**

In May 2015, the Company entered into a deferral agreement with all convertible debenture holders to defer the May 31, 2015 principal and interest quarterly blended payments of approximately $45,000 to November 14, 2016 (Note 9).