Consolidated Financial Statements
[Expressed in Canadian dollars]

# **Outrider Energy Corp.**

December 31, 2014 and 2013

# INDEPENDENT AUDITORS' REPORT

To the Shareholders of
**Outrider Energy Corp.**

We have audited the accompanying consolidated financial statements of **Outrider Energy Corp.**, which comprise the consolidated statements of financial position as at December 31, 2014 and 2013, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

**Management's responsibility for the 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 financial statements that are free from material misstatement, whether due to fraud or error.

**Auditors' responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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 **Outrider Energy Corp.** as at December 31, 2014 and 2013, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLP

Vancouver, Canada
April 27, 2015

Chartered Accountants

**Outrider Energy Corp.**

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

[Expressed in Canadian dollars]

As at December 31

| | **2014** | **2013** |
|---|---|---|
| | $ | $ |
| **ASSETS** | | |
| **Current** | | |
| Cash and cash equivalents | **66,230** | 271,368 |
| Short-term investments | **250,000** | 900,000 |
| Other receivables and prepaid expenses | **14,618** | 17,563 |
| **Total current assets** | **330,848** | 1,188,931 |
| Equipment *[note 3]* | **2,536** | 1,587 |
| | **333,384** | 1,190,518 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| **Current** | | |
| Accounts payable and accrued liabilities | **37,001** | 35,610 |
| **Total current liabilities** | **37,001** | 35,610 |
| **Shareholders' equity** | | |
| Share capital *[note 4]* | **2,009,999** | 2,009,999 |
| Accumulated other comprehensive income | **(4,773)** | — |
| Deficit | **(1,708,843)** | (855,091) |
| **Total shareholders' equity** | **296,383** | 1,154,908 |
| | **333,384** | 1,190,518 |

*See accompanying notes*

On behalf of the Board:

"John Proust"
Director

"Barry Loughlin"
Director

**Outrider Energy Corp.**

# CONSOLIDATED STATEMENT OF LOSS AND COMPREHENSIVE LOSS

[Expressed in Canadian dollars]

Year ended December 31

| | **2014** | **2013** |
|---|---|---|
| | $ | $ |
| **EXPENSES** | | |
| Administrative and management *[note 5]* | **25,000** | 24,000 |
| Amortization *[note 3]* | **1,003** | 213 |
| Audit and accounting | **20,000** | 26,229 |
| Consulting *[note 5]* | **493,617** | 151,257 |
| Filing and regulatory | **14,334** | 23,552 |
| Insurance | **10,055** | — |
| Legal | **120,658** | 137,861 |
| Office and miscellaneous | **49,455** | 28,869 |
| Rent | **72,063** | 11,000 |
| Salary and benefits *[note 5]* | **32,101** | 16,051 |
| Travel | **28,236** | 12,775 |
| | **866,522** | 431,807 |
| Loss before the following | **(866,522)** | (431,807) |
| Interest income | **4,622** | 7,778 |
| Gain on foreign exchange | **942** | — |
| Loss before income taxes | **(860,958)** | (424,029) |
| Recovery of income taxes | **(7,206)** | — |
| **Net loss for the year** | **(853,752)** | (424,029) |
| Exchange difference on translation of foreign subsidiary, net of tax | **(4,773)** | **—** |
| **Total comprehensive loss for the year** | **(858,525)** | (424,029) |
| Weighted average number of common shares outstanding | **29,442,351** | 16,050,701 |
| Loss pre share - basic and diluted | **(0.03)** | (0.03) |

*See accompanying notes*

**Outrider Energy Corp.**

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

[Expressed in Canadian dollars]

Year ended December 31

| | **Number of issued and outstanding shares** # | **Share capital** $ | **Accumulated other comprehensive income** $ | **Deficit** $ | **Total equity** $ |
|---|---|---|---|---|---|
| **Balance as at January 1, 2013** | 3,885,001 | 277,142 | — | (431,062) | (153,920) |
| Common shares, issued at *$0.0525 [note 4]* | 20,000,000 | 1,050,000 | — | — | 1,050,000 |
| Common shares, issued at $0.25 *[note 4]* | 2,060,000 | 515,000 | — | — | 515,000 |
| Share issuance costs | — | (15,754) | — | — | (15,754) |
| Common shares issued for debt settlement *[note 4]* | 3,497,350 | 183,611 | — | — | 183,611 |
| Net loss for the year | — | — | — | (424,029) | (424,029) |
| **Balance as at December 31, 2013** | 29,442,351 | 2,009,999 | — | (855,091) | 1,154,908 |
| Net loss for the year | — | — | — | (853,752) | (853,752) |
| Foreign exchange loss on translation of foreign subsidiary | — | — | (4,773) | — | (4,773) |
| **Balance as at December 31, 2014** | **29,442,351** | **2,009,999** | **(4,773)** | **(1,708,843)** | **296,383** |

*See accompanying notes*

**Outrider Energy Corp.**

# CONSOLIDATED STATEMENT OF CASH FLOWS

[Expressed in Canadian dollars]

Year ended December 31

| | 2014 | 2013 |
|---|---|---|
| | $ | $ |
| **OPERATING ACTIVITIES** | | |
| Net loss before income taxes for the year | **(860,958)** | (424,029) |
| Add items not affecting cash | | |
| Amortization | **1,003** | 213 |
| | **(859,955)** | (423,816) |
| Changes in non-cash working capital balances related to operations | | |
| Other receivables and prepaid expenses | **2,945** | (15,643) |
| Accounts payable and accrued liabilities | **1,392** | 53,101 |
| **Cash used in operating activities** | **(855,618)** | (386,358) |
| **INVESTING ACTIVITIES** | | |
| Purchase of short-term investment | **—** | (900,000) |
| Redemption of short-term investment | **650,000** | — |
| Acquisition of equipment | **(1,952)** | (1,800) |
| **Cash provided by (used in) investing activities** | **648,048** | (901,800) |
| **FINANCING ACTIVITIES** | | |
| Share issued, net of share issuance costs | **—** | 1,549,246 |
| Advances received from a shareholder | **—** | 8,000 |
| **Cash provided by financing activities** | **—** | 1,557,246 |
| **Increase (decrease) in cash and cash equivalents** | **(207,570)** | 269,088 |
| Effect of exchange rate changes | **2,432** | — |
| Cash and cash equivalents, beginning of year | **271,368** | 2,280 |
| **Cash and cash equivalents, end of year** | **66,230** | 271,368 |

Supplemental cash flow information *[note 9]*

*See accompanying notes*

**Outrider Energy Corp.**

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Expressed in Canadian dollars]

December 31, 2014

## 1. NATURE OF OPERATIONS

Outrider Energy Corp. [the "Company"] was incorporated under the British Columbia Business Corporations Act on December 17, 2007. The Company is a junior resource company engaged in the acquisition and exploration of unproven resource interests. The common shares of the Company are listed for trading on the Canadian Securities Exchange ["CSE"] under the symbol "MCF".

The Company will require additional capital to fund its future property acquisitions and exploration programs as well as for administrative purposes. If management is unable to obtain additional funding, the Company may be unable to continue its operations, and amounts realized for assets may be less than amounts reflected in these financial statements.

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards ["IFRS"], on a going concern basis, which presume the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period.

These consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

The address of the Company's principal place of business is Suite #1680, 200 Burrard Street, Vancouver, British Columbia, V6C 3L6.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### Statement of compliance

These consolidated financial statements have been prepared using accounting policies in compliance with International Financial Reporting Standards ["IFRS"], International Accounting Standards ["IAS"], and interpretations of the International Financial Reporting Interpretations Committee ["IFRIC"] issued by the International Accounting Standards Board ["IASB"].

The policies applied in these consolidated financial statements are based on IFRS issued and effective as at the date the Board of Directors approved these consolidated financial statements for issue.

## Outrider Energy Corp.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Expressed in Canadian dollars]

December 31, 2014

The consolidated financial statements were authorized for issue by the Board of Directors [the "Board"] on April 27, 2015.

## Basis of measurement

The consolidated financial statements have been prepared on the historical cost convention, except for financial assets classified as available for sale and fair value through profit and loss ["FVTPL"] which are measured at fair value. These consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information and are presented in Canadian dollars.

## Basis of consolidation

These consolidated financial statements include the financial statements of the Company and its wholly owned and controlled, U.S. incorporated subsidiary, Outrider Energy (U.S.A.), Inc. Control exists when the Company has the power directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All inter-company balances have been eliminated upon consolidation. The financial statements of the subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases.

## Foreign currency translation

### Functional and presentation currency

Items included in the financial statements of each of the Company and its subsidiary are measured using the currency of the primary economic environment in which the entity operates [the "functional currency"].

The functional and reporting currency of the parent Company is the Canadian dollar. Transactions in foreign currencies are initially recorded in the Company's functional currency at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities of the Company that are denominated in foreign currencies are translated to the functional currency at the exchange rate prevailing at the end of each reporting period. Non-monetary assets and liabilities are measured in terms of historical cost in a foreign currency and are translated using the exchange rate at the date of the transaction.

**Subsidiary**

The functional currency of the Company’s U.S. subsidiary is the U.S. dollar [“US$”].

The results and financial position of a subsidiary that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated at the closing rate at the reporting date;
- Income and expenses for each statement of comprehensive loss are translated at average exchange rates for the period; and
- All resulting exchange differences are recognized in other comprehensive income as cumulative translation adjustments.

Foreign exchange differences arising on monetary items that form part of the Company’s net investment in foreign subsidiary are initially recognized in other comprehensive income and reclassified from equity to the statement of comprehensive loss on disposal of the net investment.

## Introduction

The significant accounting policies that have been applied in the preparation of these consolidated financial statements are summarized below. These accounting policies have been used throughout all periods presented in the consolidated financial statements.

## Cash and cash equivalents

Cash consists of deposits held in banks. Cash equivalents include demand deposits together with other highly liquid short-term investments with maturity dates of less than 90 days at the time of issuance. The Company places its cash and cash equivalents with institutions of high-credit worthiness.

## Short-term investments

Short-term investments consist of cash invested in guaranteed investment certificates with maturities of up to one year at the time of acquisition. These short term deposits are highly liquid and can be converted to cash without restriction.

## Financial instruments

### Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held-to-maturity, available-for-sale, loans-and-receivables or at fair value through profit or loss ["FVTPL"].

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit and loss. Regular way purchases and sales of FVTPL financial assets are accounted for at trade date, as opposed to settlement date. The Company has classified cash and short-term investments as FVTPL.

Financial assets classified as loans-and-receivables and held-to-maturity are measured at amortized cost. Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary. The Company's other receivables are classified as loans and receivables.

### Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable and accrued liabilities are classified as other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives, are also classified as held for trading and recognized at fair value with changes in fair value recognized in profit or loss unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in profit or loss. The Company does not have any financial liabilities in this category.

**Offsetting of financial instruments**

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position if and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle liabilities simultaneously.

**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, without deduction for transaction costs. For financial instruments that are not traded in active markets, the fair value is determined using appropriate valuation techniques, such as using a recent arm's length market transaction, discounted cash flow analysis or other valuation models.

**Impairment of financial assets**

The Company assesses at each reporting date whether a financial asset is impaired.

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is then reduced by the amount of the impairment. The amount of the loss is recognized in profit or loss.

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

### Equipment

Equipment is stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Company's equipment consists of computers. Depreciation is recorded over the estimated useful lives of the assets on the declining balance basis at a rate of 30%. An item of 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 disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

## Share capital

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

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

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

The fair value of common shares issued in private placements is determined to be the more easily measurable component and are valued at their fair value, as determined by the closing price on the effective date. The balance, if any, was allocated to the attached warrants.

## Interest income

Interest income is recorded on an accrual basis using the effective interest rate method.

## Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties subject to common control are also considered to be related. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

## Provisions

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations and it is probable that there will be a requirement to settle. The provision is measured at the best estimate of the present value of the expenditure required to settle the obligation using a pre-tax rate reflecting current market assessment, the time value of money and risk specific to the obligation. Future increases resulting from the passing of time will be recognized as an accretion expense.

The Company had no provisions as at December 31, 2014 or 2013.

## Earnings (loss) per share

Earnings per share is calculated by dividing the net earnings (loss) available to common shareholders by the weighted average number of common shares outstanding during the reporting period. The calculation of diluted earnings per share assumes the outstanding options and warrants are exercised and proceeds are used to repurchase common shares at the average market price of the shares for the period. The effect is to increase the number of shares used to calculate diluted earnings per share and is only recognized when the effect is dilutive.

## Income taxes

Income tax expense comprises current and deferred taxes.

### Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Current income tax related to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations where applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

### Deferred tax

Deferred tax is provided using the balance sheet method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit (tax loss).

Deferred tax assets are recognized for all deductible temporary differences, the carry-forward of unused tax credits and any unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

## Significant accounting estimates and judgments

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**Estimation uncertainty**

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year:

- Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were originally recorded, such differences will affect the tax provisions in the period in which such determination is made.

### New standards, amendments and interpretations issued

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or IFRIC that are mandatory for accounting periods beginning after January 1, 2015, or later periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

The standards and interpretations that are issued, but not yet effective, up to the date of authorization of these consolidated financial statements are disclosed below. Management anticipates that all of the pronouncements will be adopted in the accounting policy for the first period beginning after the effective date of the pronouncement.

The Company continues to evaluate the impact the implementation of these standards will have on the consolidated financial statements.

Accounting standards anticipated to be effective on or after January 1, 2015.

**Financial instruments**

IFRS 9, *Financial Instruments* is intended to replace IAS 39, *Financial Instruments: Recognition and Measurement* in three main phases. In November 2009 and October 2010, phase 1 of IFRS 9 was issued and amended, respectively, which addressed the classification and measurement of financial assets and financial liabilities. IFRS 9 requires that all financial assets be classified as subsequently measured at amortized cost or at fair value based on the Company's business model for managing financial assets and the contractual cash flow characteristics of the financial assets.

[Expressed in Canadian dollars]

Financial liabilities are classified as subsequently measured at amortized cost except for financial liabilities classified as at FVTPL, financial guarantees and certain other exceptions. In July 2014, the IASB issued the final version of IFRS 9, *Financial Instruments* which reflects all phases of the financial instruments project and replaces IAS 39, *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 [2009, 2010 and 2013] is permitted if the date of initial application is before February 1, 2015. The adoption of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but no impact on the classification and measurement of the Company's financial liabilities.

## 3. EQUIPMENT

| | **Computer** $ |
|---|---|
| **Cost** | |
| Balance, January 1, 2013 | — |
| Additions | 1,800 |
| Balance, December 31, 2013 | 1,800 |
| Additions | 1,952 |
| **Balance, December 31, 2014** | **3,752** |
| | |
| **Accumulated amortization** | |
| Balance, January 1, 2013 | — |
| Charge for the year | 213 |
| Balance, December 31, 2013 | 213 |
| Charge for the year | 1,003 |
| **Balance, December 31, 2014** | **1,216** |
| | |
| **Net carrying value** | |
| Balance, December 31,2013 | 1,587 |
| **Balance, December 31, 2014** | **2,536** |

[Expressed in Canadian dollars]

## 4. SHARE CAPITAL

The Company has an unlimited number of common shares without par value authorized for issuance.

| | **Number of issued and outstanding Shares** # | **Share Capital** $ |
|---|---|---|
| As at December 31, 2012 | 3,885,001 | 277,142 |
| Shares issued for private placement | 22,060,000 | 1,565,000 |
| Shares issued for debt settlement | 3,497,350 | 183,611 |
| Shares issuance costs | — | (15,754) |
| **As at December 31, 2013 and December 31, 2014** | **29,442,351** | **2,009,999** |

Pursuant to the terms of a Pooling Agreement between the Company and Olympia Trust dated October 8, 2008 and amended on July 16, 2010, 810,000 common shares owned by a director were held in the pool to be released from the pool after the closing of a Fundamental Change [as defined by the Canadian National Stock Exchange [“CNSX”]]. If a Fundamental Change did not occur within three years from the listing date of October 14, 2008, the 810,000 common shares became subject to automatically timed releases over a period of three years from October 14, 2011. On October 14, 2011, 10% [81,000] of these shares were released from the Pooling Agreement and the remaining shares are to be released as to 15% [121,500] every six months thereafter. As at December 31, 2014, all shares in the Pooling Agreement have been released.

On July 3, 2013, the Company completed a private placement issuing 20,000,000 units of the Company at a price of $0.0525 per unit for gross proceeds of $1,050,000. Each unit is comprised of one common share and one transferable common share purchase warrant with an exercise price of $0.10 per share, exercisable for a period of five years from the date of issuance of the warrant.

Pursuant to the terms of a Voluntary Pooling Agreement between the unit holders subscribing to the July 3, 2013 private placement [the “Unitholders”], certain existing shareholders holding 1,099,771 common shares [the “Existing Shareholders”], the pooling agent, and the Company, the shares, warrants, warrant shares and existing shares were placed on deposit on July 3, 2013. The pooled securities will be held by the pooling agent and released subject to the provisions of the agreement on the date that is three years from the closing date. The release date may be changed to an earlier date or the pooled securities may be released in tranches in such amounts and on such dates as agreed to in writing by two-thirds of the Unitholders on the closing date. As at

[Expressed in Canadian dollars]

December 31, 2014, there have been no changes to the Voluntary Pooling Agreement and no shares, warrants, warrant shares or existing shares have been released from the pool.

On July 3, 2013, the Company issued 3,497,350 common shares at a price of $0.0525 per share to settle certain outstanding liabilities due to related parties.

On October 1, 2013, the Company completed a private placement issuing 2,060,000 units of the Company at a price of $0.25 per unit for gross proceeds of $515,000. Each unit is comprised of one common share and one-half transferable common share purchase warrant with an exercise price of $0.50 per share, exercisable for a period of two years from the date of issuance of the warrant.

Pursuant to the terms of a Voluntary Pooling Agreement between the unit holders subscribing to the October 1, 2013 private placement, the pooling agent and the Company, the shares, warrants, warrant shares were placed on deposit October 1, 2013. The pooled securities will be held by the pooling agent and released subject to the provisions of the agreement on the date that is one year from the closing date. The release date may be changed to an earlier date if the Company completes one or more financings of equity, debt convertible debt or any other type of financing. For every $1,000,000 in gross proceeds raised from such financings 10% of the pooled securities will be released on the 10th business day following the closing of the financing which gives rise to the release. As at December 31, 2014, there have been no changes to the Voluntary Pooling Agreement and no shares, warrants, warrant shares or existing shares have been released from the pool.

## Warrants

A summary of warrants granted is presented below:

| | **Number of warrants** # | **Weighted average exercise price** $ |
|---|---|---|
| Outstanding at December 31, 2013 | 21,030,000 | 0.12 |
| Granted during the year | — | — |
| **Outstanding at December 31, 2014** | **21,030,000** | **0.12** |

[Expressed in Canadian dollars]

At December 31, 2014, the Company had share purchase warrants outstanding enabling holders to acquire common shares as follows:

| | **Number of shares** # | **Exercise price** $ | **Expiry date** |
|---|---|---|---|
| Warrants | **1,030,000** | 0.50 | October 1, 2015 |
| | **20,000,000** | 0.10 | July 3, 2018 |
| | **21,030,000** | | |

## Stock option plan

The 2008 Share Option Plan [the "Plan"] was adopted by the Company's board of directors on May 12, 2008. The Plan provides that, subject to the requirements of the CNSX, the aggregate number of securities reserved for issuance under the Plan may not exceed 10% of the issued and outstanding shares of the Company at the time of granting of share options [including all share options granted by the Company to date]. The exercise price of each share option is based on the market price of the Company's common share at the date of the grant.

As at December 31, 2014, there were no outstanding stock options [2013 – nil].

# 5. RELATED PARTY TRANSACTIONS

## Key management and personnel compensation

The key management personnel include the directors and other officers of the Company. Key management compensation consists of the following:

| | **2014** $ | **2013** $ |
|---|---|---|
| Salary paid to key management and included in salary and benefits | **32,101** | 16,051 |
| Management fees | **25,000** | 24,000 |
| Consulting fees | **128,496** | — |

During the period ended December 31, 2014, the Company paid $25,000 [2013 – $24,000] for administrative and management services to a private company controlled by a director of the Company and $128,496 [2013 – nil] for consulting services to a company controlled by the former Chief Executive Officer of the Company.

During the year ended December 31, 2013, the Company received an additional loan of $8,000 from a shareholder to cover certain operating expenditures bringing the balance of loan from shareholders to $68,000. These loans were assigned to a related party through a debt assignment agreement.

During the year-end December 31, 2013, the Company issued 3,497,350 common shares at a price of $0.0525 per share to settle certain outstanding liabilities due to related parties.

## 6. FINANCIAL INSTRUMENT RISK EXPOSURE AND RISK MANAGEMENT

The Company is exposed in varying degrees to a variety of financial instrument related risks. The main types of risks are credit risks, liquidity risk and market risk. These risks arise from the normal course of operations and all transactions are undertaken as a going concern. The type of risk exposure and the way in which such exposure is managed is provided as follows:

### Credit risk

Credit Risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company is exposed to credit risk primarily associated to cash, short-term investments, and other receivables. The carrying amounts of assets included on the statements of financial position represent the maximum credit exposure. The Company limits exposure to credit risk and liquid financial assets through maintaining its cash and short-term investments with institutions of high credit worthiness.

### Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company manages its capital in order to meet short term business requirements, after taking into account cash flows from operations, expected capital expenditures and its holdings of cash. The Company believes that these sources should be sufficient to cover the likely short term requirements. In the long term, the Company may have to issue additional shares to ensure there is cash available on demand for its programs. All financial liabilities, being accounts payable and accrued liabilities, are payable within a 90 day period and are to be funded from cash on hand.

## Market risk

### Interest rate risk

The Company is exposed to interest rate risk on its outstanding cash reserves. The Company's policy is to invest cash at fixed and floating interest rates in order to maintain liquidity, while achieving a satisfactory return for shareholders. The Company monitors this exposure and does not enter into any derivative contracts to manage this risk. The Company's interest rate risk mainly arises from the interest rate impact on its cash and short-term investments. Short-term investments receive interest based on market interest rates. Based on short-term investments outstanding at December 31, 2014, with other variables unchanged, a 1% change in the interest rate would decrease (increase) its net loss by approximately $2,500. The Company's financial liabilities are not exposed to interest rate risk.

### Foreign currency risk

The Company operates in the United States and is exposed to foreign currency risk relating to United States dollars, from purchases and loans that are denominated in currencies other than the respective functional currencies of the Company's foreign operations. The Company's subsidiary has a United States dollar functional currency, whose net assets are exposed to foreign currency translation risk. The Company has elected not to actively manage this exposure at this time. For the year ended December 31, 2014, with other variables unchanged, a 1.00% strengthening of the United States dollar against the Canadian dollar would impact the Company's financial statements as follows:

- increase net loss by approximately $3,000 [2013 – nil] due to the translation of the foreign operations' statements of operations into the Company's presentation currency, the Canadian dollar;
- increase other comprehensive income by approximately $3,000 [2013 – nil].

## Fair value

The Company classifies its fair value measurements within a fair value hierarchy, which reflects the significance of the inputs used in making the measurements as defined in IFRS 13, *Financial Instruments: Fair Value Measurement* ["IFRS 13"].

Level 1 – Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets.

[Expressed in Canadian dollars]

Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Unobservable inputs which are supported by little or no market activity. As required by IFRS 13, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

## Categories of financial instruments

The Company's financial instruments include cash, short-term investments, other receivables, and accounts payable and accrued liabilities.

The significance of the inputs used in determining fair value measurements of the Company's financial instruments is provided below:

| | | **December 31, 2014** | | | |
|---|---|---|---|---|---|
| **Category** | | **Carrying Value** $ | **Level 1** $ | **Level 2** $ | **Level 3** $ |
| Cash | FVTPL | **66,230** | **66,230** | **—** | **—** |
| Short-term investment | FVTPL | **250,000** | **—** | **250,000** | **—** |

| | | **December 31, 2013** | | | |
|---|---|---|---|---|---|
| **Category** | | **Carrying Value** $ | **Level 1** $ | **Level 2** $ | **Level 3** $ |
| Cash | FVTPL | 271,368 | 271,368 | — | — |
| Short-term investment | FVTPL | 900,000 | — | 900,000 | — |

[Expressed in Canadian dollars]

## 7. INCOME TAXES

Deferred tax assets and liabilities are recognized for temporary differences between the carrying amount of the assets and liabilities and their corresponding tax values as well as for the benefit of losses available to be carried forward to future years for tax purposes that are likely to be realized. Deferred tax assets have not been recognized for the temporary differences noted below as the Company does not presently have sufficient evidence to establish that it is probable it will generate future taxable income against which to utilize the temporary differences. The Company did not recognize deferred income tax assets for the following deductible timing differences:

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| **Temporary differences** | | |
| Exploration and evaluation asset | **124,000** | 124,000 |
| Equipment | **1,000** | — |
| Share issuance costs and others | **10,000** | 12,000 |
| Income tax losses carried forward | **1,664,000** | 822,000 |
| | **1,799,000** | 958,000 |

The provision for income taxes recorded in the financial statements differs from the amount which would be obtained by applying the Canadian income tax rates of 26 % [2013 – 25%] to the consolidated net loss as follows:

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| Loss for the year before taxes | **860,958** | 424,029 |
| Current tax rate | **26%** | 25% |
| Expected income tax (recovery) based on statutory rate | **(223,849)** | (106,000) |
| Effect of tax rate changes | **9,580** | — |
| Effect of tax rates in different jurisdictions | **(49,928)** | — |
| Temporary income tax differences not recognized | **256,991** | 106,000 |
| **Income tax recovery** | **(7,206)** | — |

The Company has Canadian income tax losses carried forward of approximately $1,298,000 [2013 – $822,000], expiring in various years to 2034, as well as certain exploration expenditures tax pools [December 31, 2014 and 2013 – $124,000]. Tax losses carried forward in the USA begin expiring in 2034 and are estimated at $367,000.

## 8. CAPITAL MANAGEMENT

The Company manages its cash, short-term investments, share capital and share purchase warrants as capital. It is management's objective to safeguard its capital in order that it will be able to continue as a going concern in the best interests of all stakeholders.

The Company's investment policy is to hold cash with institutions of high credit worthiness, in interest bearing bank accounts and highly liquid short-term interest bearing investments with maturities of one year or less which can be liquidated at any time without penalties.

The Company currently has no source of revenues. As such, the Company is dependent upon external financings to fund activities. In order to carry future projects and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

## 9. SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental disclosure of non-cash financing activities:

| | **2014**<br>$ | **2013**<br>$ |
|---|---|---|
| Issuance of common shares to settle related party indebtedness | — | 183,611 |

Supplemental disclosure of non-cash activities:

| | **2014**<br>$ | **2013**<br>$ |
|---|---|---|
| **Other items** | | |
| Interest received | **7,778** | — |

## 10. EVENTS OCCURING AFTER THE REPORTING PERIOD

The following events have occurred between the reporting date and the date of authorization of the consolidated financial statements:

[i] Effective March 26, 2015, the Company has consolidated its share capital on the basis of twenty old shares for every one new share issued.

[ii] Effective April 7, 2015, the terms and conditions contemplated by section 10 of the pooling agreement entered into on the July 3, 2013 private placement closing have now terminated. The securities issued are no longer subject to the resale and transfer restrictions originally contemplated by the pooling agreement and accordingly have been released from the pool.