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KESSELRUN RESOURCES LTD.
ANNUAL FINANCIAL STATEMENTS
(expressed in Canadian Dollars)
July 31, 2015 and July 31, 2014

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Kesselrun Resources Ltd.

We have audited the accompanying financial statements of Kesselrun Resources Ltd., which comprise the statements of financial position as at July 31, 2015 and 2014, and the statements of loss and comprehensive loss, cash flows and changes in shareholders' equity for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence that we have obtained in our audits 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 Kesselrun Resources Ltd. as at July 31, 2015 and 2014, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which describes certain conditions that indicate the existence of a material uncertainty that may cast significant doubt about Kesselrun Resources Ltd. ability to continue as a going concern.

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DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
November 10, 2015

KESSELRUN RESOURCES LTD.
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	Note	July 31, 2015	July 31, 2014
ASSETS			
Current			
Cash		$ 135,558	$ 308,989
GST receivable		1,761	2,033
Prepaid expenses		10,000	5,000
Total current		147,319	316,022
Exploration and evaluation assets	6,11	240,000	685,368
Debentures receivable	7	1	-
Total assets		$ 387,320	$ 1,001,390
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable		$ 339	$ 1,461
Accrued liabilities		12,400	16,461
Due to related parties	11	70	47
Total liabilities		12,809	17,969
Shareholders' equity			
Share capital	9	4,255,313	4,255,313
Share-based payment reserve	9	289,232	274,617
Deficit		(4,170,034)	(3,546,509)
Total shareholders' equity		374,511	983,421
Total liabilities and shareholders' equity		$ 387,320	$ 1,001,390

Nature and continuance of operations (Note 1)

Approved on behalf of the Board of Directors:

/s/ Joao (John) da Costa
Director

/s/ Michael Thompson
Director

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

KESSELRUN RESOURCES LTD.
STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

	Note	Years ended July 31, 2015	2014
Expenses			
Accounting and audit	11	$ 36,970	$ 34,420
Administration	11	24,000	27,000
Advertising and promotion		2,948	60,048
Consulting	11	84,000	99,000
Filing fees		20,765	20,742
Insurance		-	8,389
Legal		5,074	18,069
Meals and entertainment		2,879	7,474
Office expenses		3,373	5,760
Project investigation costs		7,200	-
Share-based compensation	9	14,615	(751)
Travel		6,025	4,899
Web design		905	1,085
Total expenses		(208,754)	(286,135)
Other income (expenses)			
Interest income	7	38,164	11,421
Reversal of flow-through share premium	8	-	109,921
Part XII.6 tax		-	(4,516)
Impairment of exploration and evaluation assets	6	(452,935)	(2,611,950)
Net loss before income taxes		(623,525)	(2,781,259)
Deferred income tax recovery	12	-	96,428
Loss and comprehensive loss for the year		$ (623,525)	$ (2,684,831)
Loss per share, basic and diluted		$(0.03)	$(0.11)
Weighted average number of common shares outstanding, basic and diluted		24,835,750	24,539,860

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

KESSELRUN RESOURCES LTD.
STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	Years ended July 31, 2015	2014
Cash flows used in operating activities		
Loss for the year	$ (623,525)	$ (2,684,831)
Items not affecting cash used in operations		
Share-based compensation	14,615	(751)
Reversal of flow-through share premium	-	(109,921)
Deferred income tax recovery	-	(96,428)
Impairment of exploration and evaluation assets	452,935	2,611,950
Interest income earned	(38,164)	-
Changes in non-cash working capital items		
GST receivable	272	38,715
Prepaid expenses	(5,000)	14,164
Accounts payable	(1,122)	326
Accrued liabilities	(4,061)	(6,083)
Due to related parties	23	(75,282)
Net cash used in operating activities	(204,027)	(308,141)
Cash flows provided by (used in) investing activities		
Exploration and evaluation assets	(7,568)	(1,245,599)
Interest received from debentures	38,164	-
Net cash provided by (used in) investing activities	30,596	(1,245,599)
Decrease in cash	(173,431)	(1,553,740)
Cash, beginning	308,989	1,862,729
Cash, ending	$ 135,558	$ 308,989

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

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KESSELRUN RESOURCES LTD.
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars)

	Note	Number of Shares	Share Capital	Share-based Payment Reserve	Deficit	Total
Balance, July 31, 2013		22,835,750	$ 4,155,313	$ 275,368	$ (861,678)	$ 3,569,003
Acquisition of exploration and evaluation assets	6, 9	2,000,000	100,000	-	-	100,000
Share-based compensation	9	-	-	(751)	-	(751)
Net and comprehensive loss for the year		-	-	-	(2,684,831)	(2,684,831)
Balance, July 31, 2014		24,835,750	4,255,313	274,617	(3,546,509)	983,421
Share-based compensation	9	-	-	14,615	-	14,615
Net and comprehensive loss for the year		-	-	-	(623,525)	(623,525)
Balance, July 31, 2015		24,835,750	$ 4,255,313	$ 289,232	$ (4,170,034)	$ 374,511

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Kesselrun Resources Ltd. (the "Company"), was incorporated under the *Business Corporations Act* (British Columbia) on May 18, 2011. The Company is engaged in the acquisition, exploration, and development of mineral properties. The Company's shares are listed on the TSX Venture Exchange ("TSX-V").

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. As at July 31, 2015 the Company has not advanced its mineral properties to commercial production and is not able to finance day to day activities through operations. The Company's continuation as a going concern is dependent upon the successful results from its mineral property exploration activities and its ability to attain profitable operations and generate funds there from and/ or raise equity capital or borrowings sufficient to meet current and future obligations. These factors indicate the existence of material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Should the Company be unable to continue as a going concern, the net realizable value of its assets may be materially less than the amounts on its statement of financial position.

The Company's head office and principal address is 1158 Russell Street, Unit D, Thunder Bay, ON P7B 5N2.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

These financial statements were authorized for issue on November 10, 2015 by the Directors of the Company.

a) Statement of Compliance and Basis of Presentation

These financial statements have been prepared in accordance with accounting policies consistent 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").

b) Basis of Measurement and Use of Estimates

The financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. All amounts are expressed in Canadian dollars, the Company's functional currency.

The preparation of financial statements in compliance with IFRS 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 the reported expenses during the period. Actual results could differ from these estimates. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

3. SIGNIFICANT ACCOUNTING POLICIES

Financial instruments

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired:

Fair value through profit or loss - This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing such financial assets in the near term. They are carried in the statements of financial position at fair value with changes in fair value recognized in the statement of comprehensive loss. The Company has classified its debentures receivable as fair value through profit or loss

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Financial assets classified as loans and receivables consist of cash.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statement of comprehensive loss. The Company has no financial assets classified as held-to-maturity investments.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized in other comprehensive income. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in the statement of comprehensive loss. The Company has no financial assets classified as available-for-sale.

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

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was incurred or acquired:

Fair value through profit or loss - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing such financial liabilities in the near term. They are carried in the statements of financial position at fair value with changes in fair value recognized in the statement of comprehensive loss. The Company has no financial liabilities classified as fair value through profit or loss.

Other financial liabilities - This category includes accounts payable and amounts due to related parties, all of which are recognized initially at fair value and subsequently at amortized cost. The Company has classified its accounts payable and amounts due to related parties as other financial liabilities.

The Company does not have any derivative financial assets or liabilities.

Foreign currency translation

The functional currency of the Company is measured using the currency of the primary economic environment in which the entity operates. The financial statements are presented in Canadian dollars which is the Company's functional and presentation currency.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation (continued)

Transactions and balances:
Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in the statement of comprehensive loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

Exploration and evaluation expenditures

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Option payments are considered acquisition costs provided that the Company has the intention of exercising the underlying option. Costs incurred before the Company has obtained the legal rights to explore an area are expensed as incurred. Costs incurred once the Company has obtained the legal rights to explore an area are capitalized.

Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

From time-to-time, the Company may acquire or dispose of a mineral property interest pursuant to the terms of an option agreement. As such options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded at the time of the agreement. Option payments are recorded as property costs or recoveries when the payments are made or received.

Exploration and evaluation assets are tested for impairment if facts or circumstances indicate that impairment exists. Examples of such facts and circumstances are as follows:

- the period for which the Company has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Exploration and evaluation expenditures (continued)

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

Although the Company has taken steps that it considers adequate to verify title to exploration and evaluation assets which it has an interest in, these procedures do not guarantee the Company's title.

Restoration and environmental obligations

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to the related asset along with a corresponding increase in the restoration provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

At July 31, 2015 and 2014, the Company had not recognized any provisions for restoration and environmental obligations.

Income taxes

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

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

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

Flow-through shares

On the issuance of flow-through shares, any premium received in excess of the market price of the Company's common shares is initially recorded as a liability ("flow-through share premium liability"). Provided that the Company has renounced the related expenditures, or that there is a reasonable expectation that it will do so, the flow-through share premium liability is reduced on a pro-rata basis as the expenditures are incurred. If such expenditures are capitalized, a deferred tax liability is recognized. To the extent that the Company has suitable unrecognized deductible temporary differences, an offsetting recovery of deferred income taxes would be recorded.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payment transactions

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the share-based payment reserve. The fair value of options is determined using the Black–Scholes Option pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Loss per share

Basic loss per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, the loss attributable to common shareholders equals the reported loss attributable to owners of the Company. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

Accounting standards issued but not yet effective

New standard IFRS 9 "Financial Instruments"

This new standard is a partial replacement of IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 introduces new requirements for the classification and measurement of financial assets, additional changes relating to financial liabilities, a new general hedge accounting standard which will align hedge accounting more closely with risk management. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of these financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Critical judgments in applying accounting policies:

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the financial statements:

- the classification / allocation of expenses as exploration and evaluation expenditures or operating expenses;
- the determination that the Company will continue as a going concern for the next year; and
- the determination whether there have been any events or changes in circumstances that indicate the impairment of its exploration and evaluations assets.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Key sources of estimation uncertainty include the following:

- the recoverability of the carrying value of exploration and evaluation assets;
- the recoverability and measurement of deferred tax assets;
- provisions for restoration and environmental obligations and contingent liabilities;
- measurement of share-based transactions; and
- the recoverability and measurement of debentures receivable.

5. FINANCIAL INSTRUMENTS AND RISKS

The Company uses the following hierarchy for determining and disclosing fair value of financial instruments:

Level 1 — quoted prices in active markets for identical assets and liabilities.
Level 2 — observable inputs other than quoted prices in active markets for identical assets and liabilities.
Level 3 — unobservable inputs in which there is little or no market data available, which require the reporting entity to develop its own assumptions.

The Company has classified its cash as held-for-trading, and measured at fair value, using level 1 inputs. Debentures receivable are classified as fair value through profit and loss, and measured at fair value using level 3 inputs. Accounts payable and due to related parties are classified as other liabilities, and their fair values approximate their carrying values due to the short terms to maturity. There were no transfers between levels during the year ended July 31, 2015.

Risk management

The Company has exposure to the following risks from its use of financial instruments: credit risk, market risk and liquidity risk. Management, the Board of Directors and the Audit Committee monitor risk management activities and review the adequacy of such activities.

Credit risk:
Credit risk is the risk of potential loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is limited to the carrying amount on the statement of financial position and arises from the Company's cash, which is held with a high-credit quality financial institution and amounts receivable from the Government of Canada. As such, the Company's credit risk exposure is minimal.

Market risk:

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

i. Interest rate risk:
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has minimal interest rate risk as it has no interest accumulating financial assets that may become susceptible to interest rate fluctuations.

(Expressed in Canadian Dollars)

5. FINANCIAL INSTRUMENTS AND RISKS (continued)

Market risk: (continued)

ii. *Currency risk:*
Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company has minimal financial risk arising from fluctuations in foreign exchange rates as the Company does not own foreign currency denominated financial assets or liabilities.

iii. *Equity price risk:*
The Company is not exposed to equity price risk as it has no investments in publicly traded stock.

Liquidity risk:
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due or can only do so at excessive cost. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

As of July 31, 2015, the Company had cash of $135,558 to settle current liabilities of $12,809, which had contractual maturities of less than 30 days and were subject to normal trade terms.

6. EXPLORATION AND EVALUATION ASSETS

The following acquisition and deferred exploration costs were incurred on the Company's exploration and evaluation projects:

Exploration and evaluation assets at July 31, 2015

	Bluffpoint	**Goldlund**	**Esox**	**Higbee Extension**	**Mulcahy**	**Total**
Acquisition costs, July 31, 2015 and 2014	$ 592,170	$ -	$ -	$ -	$ -	$ 592,170
Deferred exploration costs, July 31, 2014	1,634,353	1,000,000	32,522	9,249	29,024	2,705,148
Additions during the year:						
Camp and travel	517	-	-	-	-	517
Geology	7,051	-	-	-	-	7,051
Recovery from sale	-	(1)	-	-	-	(1)
Deferred exploration costs, July 31, 2015	1,641,921	999,999	32,522	9,249	29,024	2,712,715
Impairment	(1,994,091)	(999,999)	(32,522)	(9,249)	(29,024)	(3,064,885)
Total exploration and evaluation assets, July 31, 2015	$ 240,000	$ -	$ -	$ -	$ -	$ 240,000

(Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS (continued)

Exploration and evaluation assets at July 31, 2014

	Bluffpoint	Goldlund	Esox	Higbee Extension	Mulcahy	Total
Acquisition costs, July 31, 2013	$ 292,170	$ -	$ -	$ -	$ -	$ 292,170
Additions during the year	300,000	-	-	-	-	300,000
Acquisition costs, July 31, 2014	592,170	-	-	-	-	592,170
Deferred exploration costs, July 31, 2013	1,590,427	-	32,522	9,249	27,352	1,659,550
Additions during the year:						
Assaying	542	-	-	-	472	1,014
Camp and travel	15,193	-	-	-	-	15,193
Drilling	-	472,500	-	-	-	472,500
Equipment rental	5,775	-	-	-	-	5,775
Geology	22,416	-	-	-	1,200	23,616
Geophysics	-	527,500	-	-	-	527,500
Deferred exploration costs, July 31, 2014	1,634,353	1,000,000	32,522	9,249	29,024	2,705,148
Impairment	(1,541,156)	(999,999)	(32,522)	(9,249)	(29,024)	(2,611,950)
Total exploration and evaluation assets, July 31, 2014	$ 685,367	$ 1	$ -	$ -	$ -	$ 685,368

Bluffpoint Project

Through a series of option agreements, the Company has exercised an option to acquire a 100% interest in certain mining claims located in Bluffpoint Lake Township, with portions extending into the townships of Lawrence Lake, Napanee Lake and Barker Bay in the Kenora Mining Division of Northwestern Ontario (the "Bluffpoint Project"). Upon closing, the optionor was appointed a director and officer of the Company. The significant terms of the option agreements are as follows:

The Company was required to make cash payments and issue common shares as follows:

- On July 18, 2012 (the "Closing Date") issue 2,000,000 common shares (issued with a fair value of $200,000); and
- Make a cash payment of $200,000 (paid) and issue 2,000,000 common shares (issued with a fair value of $100,000) on or before April 30, 2014 (Note 9).

The optionor assigned two thirds of his interest in the agreements to two other individuals – one of these individuals is a director of the Company.

The Bluffpoint Project is subject to a royalty payable to the optionors equal to a 2% Net Smelter Royalty ("NSR"), of which 1% may be purchased by the Company at any time for the payment of $1,000,000; leaving the optionors with a final 1% NSR. If the optionors decide to dispose of their remaining 1% NSR, the Company has the first right of refusal to acquire the remaining 1% NSR on the same terms and conditions that the optionors propose to dispose of their NSR.

During the year ended July 31, 2014, the Company recorded an impairment of $1,541,156 on the Bluffpoint Project as management determined that amount would not be recoverable. During the year ended July 31, 2015, the Company recorded and impairment of $452,935 on the Bluffpoint Project as management determined that amount would not be recoverable.

6. EXPLORATION AND EVALUATION ASSETS (continued)

Goldlund Project

On December 13, 2013, the Company entered into an option agreement (the "Goldlund Option") with a company (the "Vendor") to acquire an undivided 10% non-diluting interest in the Goldlund Project (the "Goldlund Project") located near the town of Sioux Lookout, Ontario. In order to exercise its option, the Company was required to incur aggregate exploration expenditures of $1,000,000 by December 31, 2013 (incurred).

Any time after acquisition of the Goldlund Option and before December 31, 2015, the Company had the right to transfer the interest back to the Vendor of the Project in exchange for $2,000,000 in unsecured convertible debenture (the "Convertible Debenture") of the Vendor's parent company, Tamaka Gold Corporation ("Tamaka").

On July 31, 2014, the Company exercised the right to relinquish the Company's 10% non-diluting interest in the Project. This transaction was completed on August 15, 2014, by issuance to the Company of a $2,000,000 Convertible Debenture of Tamaka, which was measured and recorded as $1 by the Company due to the uncertainty of its collectability (Note 7).

Esox, Higbee Extension and Mulcahy Projects

On April 30, 2013, the Company entered into an assignment agreement with three individuals, including a director and a director and officer of the Company, through which, for the consideration of one dollar, the Company was assigned 100% interest in the Esox, Higbee Extension and Mulcahy projects. These three projects are located in Northwestern Ontario in the vicinity of the Bluffpoint Project. During the year ended July 31, 2014, the Company decided not to proceed with exploration on its Esox, Higbee Extension and Mulcahy projects since the results of assays did not warrant further exploration. The Company wrote-off deferred exploration costs of $32,522, $9,249 and $29,024 associated with these projects to the statement of loss and comprehensive loss.

7. DEBENTURES RECEIVABLE

On August 15, 2014, the Company sold its 10% interest in the Goldlund Project for a $2,000,000 senior unsecured convertible debenture (the "Debenture") of Tamaka (Note 6), which was recorded as $1, its estimated fair value.

The Debenture is due on August 15, 2021, earns interest at a fixed rate of 10% per annum compounded annually and is unsecured. At the election of Tamaka, up to 50% of the interest may be paid by the issuance of additional debentures of Tamaka. The Debenture is subject to certain restrictions on transfer and a right of first refusal in favour of Tamaka. Subject to certain exceptions, the Debenture is not redeemable prior to the third anniversary of the date of issuance, unless agreed to by the Company, after which it will be redeemable, in cash, at the option of Tamaka, at the principal amount including all accrued and unpaid interest.

On December 31, 2014, the Company received a first interest payment on the Debenture. The total interest accumulated as at December 31, 2014 was calculated to be $76,164. Tamaka elected to exercise its option to substitute 50% of the interest with its senior unsecured convertible debenture; as such, the Company received a cash payment of $38,164 and a senior unsecured convertible debenture totalling $38,000 (the "Interest Debenture").

Since Tamaka is a private corporation, the value of the original Debenture and the Interest Debentures (collectively, the "Debentures") cannot be reasonably estimated; therefore, the Debentures are carried on the statement of financial position at their fair value, which the Company estimated to be $1. Due to uncertainty in collectability of the future interest payments, the Company does not accrue the interest income associated with the Debentures and records it upon receipt of funds.

(Expressed in Canadian Dollars)

8. FLOW-THROUGH SHARE PREMIUM LIABILITY

Balance, July 31, 2013	$	109,921
Reversal recognized upon expenditures being incurred		(109,921)
Balance, July 31, 2014 and 2015	$	-

On November 19, 2012, the Company completed the private placement financing with Strategic Metals Ltd. ("Strategic"). Strategic acquired 3,700,000 flow-through common shares of the Company at a price of $0.60 per flow-through common share for gross proceeds of $2,220,000. The premium received on the shares issued was determined to be $259,000 and was recorded as a share capital reduction. An equivalent premium liability was recorded and was reduced as and when the qualified exploration expenditures occurred. During the year ended July 31, 2014, the Company recorded $109,921 in income that resulted from the flow-through share premium, and $4,516 in Part XII.6 taxes associated with the renunciation of the exploration expenditures under the look-back rule. The Company did not have similar transactions during the year ended July 31, 2015.

9. SHARE CAPITAL

Authorized share capital

The authorized share capital of the Company consists of an unlimited number of common shares without par value.

Share issuances

During the year ended July 31, 2015:
During the year ended July 31, 2015, the Company did not have any transactions that resulted in issuance of its common stock.

During the year ended July 31, 2014
On September 23, 2013, pursuant to the Bluffpoint Project option agreement (Note 6), the Company issued 2,000,000 common shares with a fair value of $0.05 per share to the two Optionors of the Bluffpoint Project.

Stock options

The Company has adopted an incentive stock option plan (the "Option Plan") which provides that the Board of Directors of the Company may, from time to time, in its discretion and in accordance with TSX-V requirements, grant options to directors, officers and technical consultants for up to 10% of the issued and outstanding common shares of the Company. Such options will be exercisable for a period of up to five years from the date of grant. Vesting terms will be determined at the time of grant by the Board of Directors.

On December 5, 2012, the Company granted incentive stock options to acquire up to 250,000 shares of the Company's common stock to its consultant for corporate advisory services and up to 75,000 shares of the Company's common stock to its investor relations consultant. The options are exercisable at $0.60 per share expiring December 5, 2017. The options vested over a period of 18 months in equal portions of 81,250 options. During the year ended July 31, 2014, the Company recorded recovery of the share-based compensation on these options of $751, which resulted from the overall decrease in price of the Company's common stock.

As of July 31, 2015, all options have vested, and options to acquire up to 75,000 shares of the Company's common stock issued to the consultant for corporate advisory services have been cancelled in accordance with the Company's Option Plan.

(Expressed in Canadian Dollars)

9. SHARE CAPITAL (continued)

Stock options (continued)

On March 26, 2015, the Company granted 700,000 stock options to its directors, officers and consultants at a price of $0.05 per share expiring March 26, 2020. 300,000 of these options vested immediately and 400,000 vest over a period of 12 months in equal portions of 100,000 options. The Company recorded share-based compensation expense of $6,505 being the estimated grant date fair value of the stock options granted to its directors and officers, and $8,110 being the estimated vesting date fair value of the stock options granted to its consultant. The weighted average fair value of options granted during the year ended July 31, 2015 is $0.03 per option.

The fair value of the stock options granted during the years ended July 31, 2015 and 2014 was estimated using the Black-Scholes Option pricing model using the following weighted average assumptions:

	Year ended July 31, 2015	Year ended July 31, 2014
Expected life	5 years	-
Annualized volatility	148%	-
Risk-free interest rate	0.95%	-
Dividend yield	Nil	-

A summary of the changes in the number of stock options outstanding during the years ended July 31, 2015 and 2014 are as follows:

	Year ended July 31, 2015		Year ended July 31, 2014	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning	1,935,000	$ 0.18	1,935,000	$ 0.18
Options granted	700,000	0.05	-	-
Options cancelled(1)	(635,000)	(0.16)	-	-
Options outstanding, ending	2,000,000	$ 0.15	1,935,000	$ 0.18
Options exercisable, ending	1,700,000	$ 0.16	1,935,000	$ 0.18

(1) Cancelled options represent options to acquire up to 135,000 shares of the Company's common stock issued to the Company's former independent consultant for investor relation services and options to acquire up to 500,000 shares of the Company's common stock issued to former directors of the Company. The options were cancelled in accordance with the Company's Option Plan.

Details of options outstanding as at July 31, 2015 are as follows:

Exercise price	Expiry date	Remaining life (years)	Number of options outstanding	Number of options exercisable
$0.10	December 7, 2016	1.36	160,000	160,000
$0.10	July 18, 2017	1.97	890,000	890,000
$0.60	December 5, 2017	2.35	250,000	250,000
$0.05	March 26, 2020	4.68	700,000	400,000
			2,000,000	1,700,000

At July 31, 2015, the weighted average remaining contractual life of the stock options outstanding was 2.6 years.

(Expressed in Canadian Dollars)

9. SHARE CAPITAL (continued)

Share purchase warrants

The changes in the number of warrants outstanding during the years ended July 31, 2015 and 2014 are as follows:

	Year ended July 31, 2015		Year ended July 31, 2014	
	Number of warrants	**Weighted average exercise price**	**Number of warrants**	**Weighted average exercise price**
Warrants outstanding, beginning	1,533,600	$ 0.68	1,587,850	$ 0.66
Warrants expired	(1,533,600)	(0.68)	(54,250)	0.10
Warrants outstanding, ending	-	$ -	1,533,600	$ 0.68

Reserves

The share-based payment reserve includes items recognized as share-based compensation expense and other share-based payments until such time that the stock options or warrants are exercised, at which time the corresponding amounts are transferred to share capital.

10. CAPITAL MANAGEMENT

Capital is comprised of the Company's shareholders' equity. The Company's objectives when managing capital are to maintain financial strength and to protect its ability to meet its on-going liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. Protecting the ability to pay current and future liabilities includes maintaining capital above minimum regulatory levels, current financial strength rating requirements and internally determined capital guidelines and calculated risk management levels. There were no changes in the Company's approach to capital management during the year. The Company is not subject to any externally imposed capital requirements.

11. RELATED PARTY TRANSACTIONS

Related parties include the Board of Directors, officers, key management personnel, close family members and enterprises that are controlled by these individuals. Key management personnel are those having authority and responsibility for planning and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

(Expressed in Canadian Dollars)

11. RELATED PARTY TRANSACTIONS (continued)

The Company incurred the following transactions with related parties, including key management personnel, that are not disclosed elsewhere in the financial statements:

	Years ended July 31, 2015	2014
Exploration and evaluation expenditures incurred to a private company controlled by certain directors and officers of the Company	$ 7,568	$ 1,045,599
Project investigation costs incurred to a private company controlled by certain directors and officers of the Company	$ 7,200	$ -
Corporate communication and travel expenditures incurred to a private company controlled by certain directors and officers of the Company	$ 9,640	$ 9,745
Accounting, consulting, and administrative fees incurred to a private company controlled by an officer of the Company	$ 72,000	$ 81,000
Consulting fees incurred to a private company controlled by two former directors of the Company	$ -	$ 33,000

Amounts due to related parties consist of amounts owed directly to the officers and directors of the Company and to private companies controlled by the officers and directors of the Company. These amounts are unsecured, non-interest bearing and due on demand. At July 31, 2015 the amount payable to related parties was $70 (2014 - $47).

(Expressed in Canadian Dollars)

12. INCOME TAXES

A reconciliation of income taxes at statutory rate is as follows:

	Year ended July 31, 2015	2014
Net loss before tax	$ (623,525)	$ (2,781,259)
Statutory income tax rate	26%	26%
Expected income tax recovery	(162,000)	(723,127)
Effect of non-deductible items	4,000	776
Change in prior year deferred tax estimate, and other	218,000	(38,655)
Effect of change in tax rates	-	2,311
Change in unrecognized deferred tax assets	(60,000)	662,267
Income tax recovery	$ -	$ (96,428)

The Company's deferred tax assets and liabilities are comprised of the following:

	Year ended July 31, 2015	2014
Deferred tax assets:		
Exploration and evaluation assets	$ 228,000	$ 327,064
Non-capital losses	340,000	280,022
Share issuance costs	34,000	55,181
	602,000	662,267
Unrecognized deferred tax assets	(602,000)	(662,267)
Net deferred tax asset	$ -	$ -

The Company has non-capital losses of $1,309,000 which may be used to reduce future taxable income and expire in the years 2031 – 2035.

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