VELOCITY MINERALS LTD.

Condensed interim consolidated financial statements

Six months ended December 31, 2015

(Expressed in Canadian dollars)

(Unaudited – prepared by Management)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

"D. Barry Lee"

D. Barry Lee
Chief Financial Officer

VELOCITY MINERALS LTD.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

	Note	December 31, 2015	June 30, 2015
ASSETS			
Current			
Cash		$ 17,986	$ 330
Marketable securities	4	-	2,000
Receivables	5	1,552	4,834
		19,538	7,164
Reclamation bonds	6	-	25,000
Exploration and evaluation assets	7	-	-
		$ 19,538	$ 32,164
LIABILITIES AND SHAREHOLDERS' DEFICIENCY			
Current			
Accounts payable and accrued liabilities	8	$ 793,498	$ 293,594
Due to related parties	11	-	584,485
		793,498	878,079
Shareholders' deficiency			
Share capital	10	5,607,997	5,547,997
Reserves	10	1,145,310	1,145,310
Deficit		(7,527,267)	(7,539,222)
		(773,960)	(845,915)
		$ 19,538	$ 32,164

Nature and continuance of operations (Note 1)

On behalf of the Board:

"Joseph Martin" Director *"Paul Larkin"* Director

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

VELOCITY MINERALS LTD.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Expressed in Canadian dollars)

	Note	Three months ended December 31, 2015	Three months ended December 31, 2014	Six months ended December 31, 2015	Six months ended December 31, 2014
EXPENSES					
Bank charges and interest		$ 162	$ 90	$ 266	$ 261
Filing and transfer agent fees		10,467	2,517	14,350	7,626
Investor relations and promotion		-	180	-	300
Management fees		-	7,500	-	15,000
Office and administration		7,753	785	8,296	1,522
Office rent		-	6,000	4,000	12,000
Professional fees		8,101	12,579	30,416	20,027
Travel and related		-	-	-	-
		26,483	29,651	57,328	56,736
		(26,483)	(29,651)	(57,329)	(56,736)
Loss on sale of marketable securities		-	-	(65)	-
Unrealized gain on marketable securities		-	700	-	1,400
Gain on settlement of accounts payable	7	-	-	69,348	-
		-	700	69,283	1,400
Income (loss) and comprehensive income (loss) for the period		(26,483)	(28,951)	11,955	(55,336)
Basic and diluted loss per common share	9	$ (0.01)	$ (0.04)	$ 0.01	$ (0.08)
Weighted average number of common shares outstanding		1,928,324	728,324	1,341,368	728,324

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

VELOCITY MINERALS LTD.
CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (DEFICIENCY)
Expressed in Canadian dollars

	Share Capital				
	Number	Amount	Reserves	Deficit	Total
Balance, June 30, 2014	728,324	5,547,997	1,145,310	(7,000,694)	(307,387)
Net loss for the period	-	-	-	(55,336)	(55,336)
Balance December 31, 2014	728,324	5,547,997	1,145,310	(7,056,030)	(362,723)
Net loss for the period	-	-	-	(483,192)	(483,192)
Balance, June 30, 2015	728,324	5,547,997	1,145,310	(7,539,222)	(845,915)
Private placement financing	1,200,000	60,000	-	-	60,000
Net income for the period	-	-	-	11,955	11,955
Balance, December 31, 2015	1,928,324	$ 5,607,997	$ 1,145,310	$(7,527,267)	$ (773,960)

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

VELOCITY MINERALS LTD.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)

	Six months ended December 31 2015	Six months ended December 31 2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) for the period	$ 11,955	$ (55,336)
Items not affecting cash:		
Gain on settlement of accounts payable	(69,348)	-
Loss on sale marketable securities	65	-
Unrealized loss on marketable securities	-	(1,400)
Changes in non-cash working capital items:		
Receivables	3,282	6,476
Accounts payable and accrued liabilities	(15,233)	37,708
Due to related parties	-	15,750
Net cash provided by (used in) operating activities	(69,279)	3,198
CASH FLOWS FROM INVESTING ACTIVITIES		
Exploration and evaluation assets expenditures	-	(573)
Refund of reclamation bond	25,000	-
Sale of marketable securities	1,935	-
	26,935	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Share capital issued	60,000	-
Change in cash for the period	17,656	2,625
Cash, beginning of period	330	4,423
Cash, end of period	$ 17,986	$ 7,048
Cash paid for interest	$ -	$ -
Cash paid for income taxes	$ -	$ -

Supplemental disclosure with respect to cash flows (Note 15)

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Velocity Minerals Ltd. (the "Company") was incorporated under the laws of the province of Alberta on September 22, 2000 and was continued into British Columbia on December 2, 2004. The head office and principal address of the Company is Suite 530 - 625 Howe Street, Vancouver, BC V6C 2T6. The common shares of the Company trade on the NEX level of the TSX Venture Exchange with the symbol "VLC.H". In November 2015, the Company consolidated its share capital on a 10 to 1 basis. All share and per share amounts have been retroactively restated to reflect the consolidation.

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The Company is in the process of exploring and developing its exploration and evaluation assets and has not yet determined whether the properties contain mineral reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties and related deferred exploration costs are dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain necessary financing to complete the development of those mineral reserves and upon future profitable production.

These condensed interim consolidated financial statements have been prepared using accounting principles applicable to a going-concern which assumes the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company has incurred losses since inception and the ability of the Company to continue as a going-concern depends upon its ability to continue to raise adequate financing. These matters and conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Management is continually targeting sources of additional financing through alliances with financial, exploration and mining entities, or other business and financial transactions to ensure continuation of the Company's operations and exploration programs.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These condensed interim consolidated financial statements of the Company for the six months ended December 31, 2015 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34"). Accordingly, these condensed interim financial statements follow the same accounting principles and methods of application as the annual financial statements for the year ended June 30, 2015 but may condense or omit certain disclosures that otherwise would be present in annual financial statements prepared in accordance with IFRS. These financial statements should therefore be read in conjunction with the annual financial statements for the year ended June 30, 2015. Results for the period ended December 31, 2015 are not necessarily indicative of future results.

These condensed interim consolidated financial statements were authorized for issue on February 25, 2016 by the Board of Directors.

SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Basis of Presentation

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board effective as of June 30, 2015.

The condensed interim consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified at fair value through profit and loss, which are stated at their fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and its subsidiaries is the Canadian dollar, which is also the reporting currency of the Company. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21.

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries. Subsidiaries are all entities controlled by the Company. Control exists when the Company has the power to directly or indirectly govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account in the assessment of whether control exists. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date on which control ceases.

These condensed interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Velocity Exploration Ltd., incorporated in the province of British Columbia, and Velocity USA Ltd., a holding company incorporated under the laws of the state of Nevada, U.S.A.

All inter-company balances and transactions have been eliminated upon consolidation.

Significant accounting judgments, estimates and assumptions

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and 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.

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Critical accounting estimates

Carrying value and recoverability of exploration and evaluation assets

The carrying amount of the Company's exploration and evaluation assets does not necessarily represent present or future values, and the Company's exploration and evaluation assets have been accounted for under the assumption that the carrying amount will be recoverable. Recoverability is dependent on various factors, including the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development and upon future profitable production or proceeds from the disposition of the mineral properties themselves. Additionally, there are numerous geological, economic, environmental and regulatory factors and uncertainties that could impact management's assessment as to the overall viability of its properties or to the ability to generate future cash flows necessary to cover or exceed the carrying value of the Company's exploration and evaluation assets.

To the extent that any of management's assumptions change, there could be a significant impact on the Company's future financial position, operating results and cash flows.

Fair value of stock options and warrants

Determining the fair value of warrants and stock options requires judgments related to the choice of a pricing model, the estimation of stock price volatility, the expected forfeiture rate and the expected term of the underlying instruments. Any changes in the estimates or inputs utilized to determine fair value could result in a significant impact on the Company's future operating results or on other components of shareholders' equity (deficiency).

Income taxes

The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialization of mineral reserves. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and future income tax provisions or recoveries could be affected.

Critical accounting judgments

Critical accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments.

The preparation of our financial statements requires us to make judgments regarding the going concern of the Company as discussed in Note 1.

Cash and cash equivalents

Cash is comprised of cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Marketable Securities

Marketable securities are classified as fair value through profit or loss ("FVTPL") because the Company intends to liquidate the marketable securities when market conditions are conducive to a sale of these securities. Unrealized holding gains and losses on hold for trade securities are included in the statement of operations in accordance with the Company's designation of marketable securities as fair value through profit or loss.

Foreign currency translation

Transactions in foreign currencies are translated at the exchange rate in effect at the date of the transaction. Foreign denominated monetary assets and liabilities are translated to their Canadian dollar equivalents using foreign exchange rates prevailing at the financial position reporting date. Exchange gains or losses arising on foreign currency translation are reflected in profit and loss for the year.

Non-monetary assets and liabilities that are measured at historical cost are translated into Canadian dollars by using the exchange rate in effect at the date of the initial transaction and are not subsequently restated. Non-monetary assets and liabilities that are measured at fair value or a revalued amount are translated into Canadian dollars by using the exchange rate in effect at the date the value is determined and the related translation differences are recognized in net income or other comprehensive loss consistent with where the gain or loss on the underlying non-monetary asset or liability has been recognized.

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. Exploration and evaluation expenditures are capitalized. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

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

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

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 asset is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

Decommissioning, restoration and similar liabilities ("Asset Retirement Obligation" or "ARO")

The Company recognizes liabilities for legal or constructive obligations associated with the retirement of long lived assets. The net present value of future rehabilitation costs is capitalized to the related asset along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the rehabilitation provision.

The increase in the provision due to the passage of time is recognized as interest expense.

There were no provisions for environmental rehabilitations for the periods presented.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. Provisions for environmental restoration, legal claims, onerous leases and other onerous commitments are recognized at the best estimate of the expenditure required to settle the Company's liability.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. An amount equivalent to the discounted provision is capitalized within tangible fixed assets and is depreciated over the useful lives of the related assets. The increase in the provision due to passage of time is recognized as interest expense.

Impairment of assets

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

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

Assets that have an indefinite useful life are not subject to amortization and are tested at each reporting period for impairment.

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. 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.

Financial instruments

a) Financial assets

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

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit or loss. The Company's cash and marketable securities are classified as FVTPL.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

a) Financial assets (cont'd)

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's receivables are classified as loans and receivables.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. The Company has not classified any of its financial instruments as held-to-maturity.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses. The Company has not classified any of its financial instruments as available-for-sale financial assets.

At each reporting date, the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

b) Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities. At December 31, 2015, the Company has not classified any financial liabilities as FVTPL.

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, accrued liabilities and due to related parties 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 earnings unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in earnings.

Share capital

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 charged directly to share capital.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Share-based payments

The stock option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as stock-based payments with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. Consideration paid on the exercise of stock options is credited to share capital and the fair value of the options is reclassified from reserves to share capital.

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 that fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received.

The fair value is measured at grant date and each tranche is recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. Volatility used in the Black-Scholes model is determined using the historical volatility of the Company and the historical volatility of comparable peer companies. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the number of stock options that are expected to vest.

Loss per share

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

Income taxes

Current tax is the expected tax payable or receivable on the local taxable income or loss for the year, using local tax rates enacted or substantively enacted at the statement of financial position date, and includes any adjustments to tax payable or receivable in respect of previous years.

Deferred income taxes are recorded using the statement of financial position liability method whereby deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the statement of financial position date. Deferred tax is not recognized for temporary differences which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Comprehensive income (loss)

Comprehensive income (loss) consists of net income (loss) and other comprehensive income (loss) and represents the change in shareholders' equity (deficiency) which results from transactions and events from sources other than the Company's shareholders. For the years presented, comprehensive loss was the same as net loss.

(Expressed in Canadian dollars and unaudited – prepared by management)

3. NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET EFFECTIVE

During the year ended June 30, 2015 the Company adopted the following accounting standards (or amendments) with no effect on the Company: IFRS 7, 10, 11, 12, 13 and IAS 27, 28 & 32.

A number of new IFRS standards, amendments to standards and interpretations were not yet effective for the year ended June 30, 2015, and have not been applied in preparing these financial statements. None of these are expected to have an effect on the Company's financial statements.

IFRS 9 – Financial Instruments

IFRS 9 addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit and loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at fair value through profit and loss or at fair value through other comprehensive income. This IFRS shall apply for annual periods beginning after January 1, 2015.

IFRS 7 has been amended to require additional disclosures on transition from IAS 39 and IFRS 9, effective for annual periods beginning on or after January 1, 2015.

4. MARKETABLE SECURITIES

As at December 31, 2015, marketable securities consisted of common shares of a company listed on the TSX Venture Exchange with a quoted market value of $Nil (June 30, 2015 - $2,000). The Company sold the shares in August 2015 and received net proceeds of $1,935.

5. RECEIVABLES

	December 31, 2015	June 30, 2015
GST receivable	$ 1,552	$ 4,834

6. RECLAMATION BONDS

As of December 31, 2015 the Company has $Nil (June 30, 2015 - $25,000) reclamation bonds in place with the Government of British Columbia relating to the exploration of the Cassiar Moly property. During the six months ended December 31, 2015, the Company completed the necessary reclamation work and a report was filed with and approved by the Government of British Columbia which resulted in the reclamation bond being refunded in full.

(Expressed in Canadian dollars and unaudited – prepared by management)

7. EXPLORATION AND EVALUATION ASSETS

The following expenditures were incurred on the Company's exploration and evaluations assets:

	Orogrande	Mt. Haskin	Total
Balance, June 30, 2014	433,524	-	433,524
Filing and assessments	8,072	-	8,072
Write-down of property	(441,596)	-	(441,596)
Balance, December 31, 2015 and June 30, 2015	$ -	$ -	$ -

Title to mineral property interests involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral claims. The Company has investigated title to all of its mineral property interests and, to the best of its knowledge, title to all of its interests are in good standing. The mineral properties in which the Company has committed to earn an interest are located in Canada and the United States.

Orogrande Mining District, Idaho

The Company owns certain mineral exploration claims located in the Orogrande Mining Division in Idaho County, Idaho, USA. To date, the Company has incurred $433,524 (2013 - $418,160) in acquisition and exploration and evaluation costs associated with the staking and exploration of these claims. At June 30, 2015, the Company determined that the Orogrande project was impaired and wrote-off all associated costs to operations.

Mt. Haskin

The Company holds a 100% interest in the Mt. Haskin property, which is located in the Cassiar District of Liard Mining Division in northwestern British Columbia, Canada. The claims are subject to a 3% net smelter return ("NSR") royalty, which may be acquired by the Company for a cash payment of $1,500,000.

During the year ended June 30, 2013, the Company determined that the Mt. Haskin property was impaired and wrote off all associated costs to operations. During the year ended June 30, 2014, additional costs of $1,300 were incurred and in accordance with the impairment determination, the Company wrote off these costs to operations.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2015	June 30, 2015
Accounts payable	$ 780,498	$ 285,594
Accrued liabilities	13,000	8,000
	$ 793,498	$ 293,594

In August 2015 the Company settled $110,348 of outstanding payables with various vendors for the sum of $41,000 cash resulting in a gain of $69,348.

9. BASIC AND DILUTED LOSS PER SHARE

The calculation of basic and diluted loss per share for the six months ended December 31, 2015 was based on the income attributable to common shareholders of $11,955 (2014 – loss of $55,336) and the weighted average number of common shares outstanding of 1,341,368 (2014 - 728,324).

10. SHARE CAPITAL

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

In November 2015, the Company consolidated its share capital on a 10 to 1 basis. All share and per share amounts have been retroactively restated to reflect the consolidation.

In September 2015 the Company closed a non-brokered private placement of 1,200,000 shares at a price of $0.05 per share to qualified investors, for gross proceeds of $60,000.

As at December 31, 2015 there were 1,928,324 (June 30, 2015 – 728,324) common shares issued and outstanding.

Reserves

The Shareholders' equity reserve consists of amounts recorded to account for the vesting of stock options granted to various officers, directors and consultants.

Stock options

The Company, in accordance with its stock option plan, is authorized to grant options to directors, employees and consultants, to acquire up to 10% of its issued and outstanding common stock. The exercise price of each option equals the market price of the Company's stock as calculated on the date of grant. The options can be granted for a maximum term of 10 years. Options granted vest at the discretion of the Board.

As at December 31, 2015 and June 30, 2015, there were no options outstanding.

Share-based payments

The Company uses the Black-Scholes valuation model for stock options. For the six months ended December 31, 2015, the Company expensed share based payments of $nil (2014 -$nil).

(Expressed in Canadian dollars and unaudited – prepared by management)

11. RELATED PARTY TRANSACTIONS

Key management personnel compensation

The Company entered into the following transactions with key management personnel, being those persons having authority and responsibility for planning, directing and controlling the activities of the Company, including directors and management.

	Six months ended	
	December 31, 2015	**December 31, 2014**
Management fees charged by companies controlled by directors of the Company	$ -	$ 15,000
Rent charged by a company controlled by an officer of the Company	4,000	-
Administration fees charged by a company controlled by a director of the Company	7,500	-
	$ 11,500	$ 15,000

The amounts recorded as due to related parties of $Nil (2014 - $584,485) are payable to directors and officers and to companies controlled by directors of the Company. These amounts are unsecured, non-interest bearing and have no fixed terms of repayment. In August 2015, $584,485 in amounts due to related parties was assigned to arm's length parties to facilitate the reactivation of the Company.

During the six months ended December 31, 2015 the Company paid rent of $4,000 (2014 - $Nil) to a company controlled by an officer of the Company. Effective September 1, 2015, these payments ceased.

During the six months ended December 31, 2015, the Company accrued administrative fees of $7,500 to a company controlled by the President & CEO of the Company.

These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

12. FINANCIAL RISK MANAGEMENT

International Financial Reporting Standards 7, *Financial Instruments: Disclosures*, establishes a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at December 31, 2015, the carrying values of receivables, accounts payable, accrued liabilities and due to related parties approximate their fair values due to their short terms to maturity. The Company's cash and marketable securities under the fair value hierarchy are based on level one quoted prices in active markets for identical assets or liabilities.

Financial Risks

The Company has exposure to the following risks from its use of financial instruments:

Credit risk

The Company's credit risk is primarily attributable to cash and receivables. The Company has no significant concentration of credit risk arising from operations. Cash consists of chequing accounts at a reputable financial institution, from which management believes the risk of loss to be remote. Federal deposit insurance covers balances up to $100,000 in Canada. Financial instruments included in receivables consist of amounts due from government agencies. The Company limits its exposure to credit loss for cash by placing its cash with high quality financial institution. At December 31, 2015, the Company's exposure to credit risk is minimal.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. 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.

As at December 31, 2015, the Company had a cash balance of $17,986 (June 30, 2015 - $330) to settle current liabilities of $793,498 (June 30, 2015 - $870,079). All of the Company's accounts payable and accrued liabilities are subject to normal trade terms.

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.

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.

a) Interest risk

The Company's interest rate risk is limited to the risk that the fair value of future cash flows from a financial instrument will fluctuate as a result of changes in market prices. The Company's financial assets and liabilities are not exposed to significant interest rate risk due to their short-term nature. The Company's investment policy focuses on the preservation of capital and limits investments of excess cash into high grade Canadian debt securities. The Company periodically monitors the investments it makes and is satisfied with the credit rating of its banks. As of December 31, 2015 and June 30, 2015, the Company has $nil in guaranteed investment securities.

b) Foreign currency risk

The Company principally operates in Canada and the United States and the majority of its transactions are incurred in Canada, and is therefore not exposed to currency fluctuations denominated in currencies other than the Canadian dollar, the Company's functional currency. The Company's cash, accounts receivables and accounts payable and accrued liabilities and due to related parties are held in Canadian dollars and are therefore not subject to foreign exchange fluctuations.

12. FINANCIAL RISK MANAGEMENT (cont'd)

Financial Risks (cont'd)

c) Price risk

The Company is exposed to price risk with respect to commodity prices as it is in the resource industry. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company. The Company's future operations are affected by changes in the market prices for commodities. The supply and demand for commodities, the level of interest rates, the rate of inflation, investment decisions by large holders of commodities including governmental reserves and stability of exchange rates can all cause significant fluctuations in commodity prices. Such external economic factors are in turn influenced by changes in international investment patterns and monetary systems and political developments.

The Company holds investments in publicly traded securities. The Company closely monitors those prices to determine the appropriate course of action to be taken by the Company. However, there can be no assurance that the Company can exit these positions if required, resulting in proceeds approximating the carrying value of these securities.

13. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The capital structure of the Company consists of shareholders' equity (deficiency), comprising issued capital and deficit. The Company is not exposed to any externally imposed capital requirements.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company has historically relied on the equity markets to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

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

There were no changes in the Company's approach to capital management during the six months ended December 31, 2015.

14. SEGMENT INFORMATION

The Company has one reportable operating segment, being the acquisition and exploration of exploration and evaluation assets. Geographical information is as follows:

	December 31, 2015	June 30, 2015
Exploration and evaluation assets:		
Canada	$ -	$ -
United States	-	-
	$ -	$ -

15. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

During the six months ended December 31, 2015, there were no significant non-cash transactions.

During the six months ended December 31, 2014, $7,468 of exploration claim payments included in exploration and evaluation assets were included in the amount due to related parties.