CASSIUS VENTURES LTD.

Consolidated Financial Statements

Years Ended October 31, 2015 and 2014

(Expressed in Canadian dollars)

SATURNA GROUP
CHARTERED PROFESSIONAL ACCOUNTANTS LLP
1066 West Hastings Street, Suite 1250
Vancouver, BC Canada V6E 3X1

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders of Cassius Ventures Ltd.

We have audited the consolidated financial statements of Cassius Ventures Ltd., which comprise the consolidated statements of financial position as at October 31, 2015 and 2014, and the consolidated statements of loss and comprehensive loss, changes in equity, and cash flows for the years then ended, and the related notes comprising 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 consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 involves evaluating the appropriateness of the 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 we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Cassius Ventures Ltd. as at October 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 of the consolidated financial statements which indicates the existence of a material uncertainty that may cast significant doubt on the ability of Cassius Ventures Ltd. to continue as a going concern.

Saturna Group LLP

Saturna Group Chartered Professional Accountants LLP

Vancouver, Canada

February 25, 2016

CASSIUS VENTURES LTD.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

		October 31, 2015		October 31, 2014
Assets				
Current assets				
Cash	**$**	**869**	$	60,995
Amounts receivable		**29**		1,730
Prepaid expenses		**867**		5,685
TOTAL ASSETS	**$**	**1,765**	$	68,410
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	**$**	**33,868**	$	1,125,034
Due to related parties (Note 9)		**59,931**		61,176
Promissory notes payable (Note 6)		**57,000**		-
TOTAL LIABILITIES		**150,799**		1,186,210
Shareholders' Deficit				
Share capital		**5,968,027**		5,968,027
Contributed surplus		**269,534**		267,136
Deficit		**(6,386,595)**		(7,352,963)
Total Shareholders' Deficit		**(149,034)**		(1,117,800)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT	**$**	**1,765**	$	68,410

Nature of operations and continuation of business (Note 1)
Subsequent event (Note 14)

Approved for Issuance by the Board of Directors:

"John A. Thomas" Director

"Robert Atkinson" Director

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

CASSIUS VENTURES LTD.
Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)
Years ended October 31, 2015 and 2014
(Expressed in Canadian Dollars)

		October 31, 2015		October 31, 2014
Operating Expense				
Exploration expenditures	**$**	**359,248**	$	299,283
Foreign exchange loss		**125,042**		36,052
Office and general (Note 9)		**14,537**		23,061
Professional fees		**15,205**		25,332
Share-based payments (Notes 8 and 9)		**2,398**		-
Transfer agent and regulatory		**20,896**		20,307
Write-down of equipment		**-**		11,580
Write-down of mineral properties (Note 5)		**-**		4,871,196
Net loss from operations		**(537,326)**		(5,286,811)
Other income (expense)				
Interest income (expense)		**(2,751)**		131
Gain on sale of Nueva Segovia Mining S.A. (Note 5)		**-**		71,267
Gain on sale of Fortress de Nicaragua S.A. (Note 5)		**1,506,445**		-
Net income (loss) before income taxes		**966,368**		(5,215,413)
Deferred Income tax expense (Note 10)		**-**		261,033
Net income (loss) and comprehensive income (loss) for the year	**$**	**966,368**	$	(4,954,380)
Earnings (loss) per common share - basic and diluted	**$**	**0.09**	$	(0.80)
Weighted average number of common shares outstanding		**10,217,248**		6,180,707

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

CASSIUS VENTURES LTD.
Consolidated Statements of Changes in Equity
Years ended October 31, 2015 and 2014
(Expressed in Canadian Dollars)

	Share capital								
	Number of shares		Amount		Contributed surplus		Deficit		Total equity
Balance - October 31, 2014	**10,217,248**	**$**	**5,968,027**	**$**	**267,136**	**$**	**(7,352,963)**	**$**	**(1,117,800)**
Share based payments	-		-		2,398		-		2,398
Net income for the year	-		-		-		966,368		966,368
Balance - October 31, 2015	**10,217,248**	**$**	**5,968,027**	**$**	**269,534**	**$**	**(6,386,595)**	**$**	**(149,034)**

	Share capital								
	Number of shares		Amount		Contributed Surplus		Deficit		Total equity
Balance - October 31, 2013	**4,114,848**	**$**	**5,668,005**	**$**	**267,136**	**$**	**(2,398,583)**	**$**	**3,536,558**
Net loss for the year	-		-		-		(4,954,380)		(4,954,380)
Private placement	6,102,400		305,120		-		-		305,120
Share issue costs	-		(5,098)		-		-		(5,098)
Balance - October 31, 2014	**10,217,248**	**$**	**5,968,027**	**$**	**267,136**	**$**	**(7,352,963)**	**$**	**(1,117,800)**

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

CASSIUS VENTURES LTD.
Consolidated Statements of Cash Flows
Years ended October 31, 2015 and 2014
(Expressed in Canadian Dollars)

		October 31, 2015		October 31, 2014
Operating activities				
Net income (loss) for the year	**$**	**966,368**	$	(4,954,380)
Items not involving cash:				
Deferred income tax expense		**-**		(261,033)
Share-based payments		**2,398**		-
Write-down of equipment		**-**		11,580
Write-down of mineral properties		**-**		4,871,196
Gain from sale of Nueva Segovia Mining S.A.		**-**		(71,267)
Gain from sale of Fortress de Nicaragua S.A.		**(1,506,445)**		-
Net changes in non-cash working capital balances:				
Prepaid expenses		**4,818**		395
Amounts receivable		**1,701**		(400)
Accounts payable and accrued liabilities		**415,279**		274,296
Due to related parties		**(1,245)**		(112,473)
Net cash used in operating activities		**(117,126)**		(242,086)
Investing activities				
Redemption of GIC		**-**		5,750
Mineral property expenditures		**-**		(68,376)
Net cash used in investing activities		**-**		(62,626)
Financing activities				
Private placement, net of share issuance costs		**-**		300,022
Promissory notes, gross proceeds received		**57,000**		-
Net cash provided in financing activities		**57,000**		**300,022**
Change in cash during the year		**(60,126)**		(4,690)
Cash, beginning of year		**60,995**		65,685
Cash, end of year	**$**	**869**	$	60,995
Non-cash investing and financing activities				
Equipment amortization capitalized in mineral properties	**$**	**-**	$	13,453
Mineral property expenditures in accounts payable	**$**	**-**	$	1,088,254
Supplemental cash flow information				
Interest paid	**$**	**-**	**$**	**-**
Income taxes paid	**$**	**-**	**$**	**-**

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

1. Nature of Operations and Continuance of Business

Cassius Ventures Ltd. (the “Company”) is an exploration stage company focused on acquiring exploration and/or development stage mineral properties for the purposes of further exploration and development. The Company was incorporated under the Business Corporations Act (British Columbia) on February 23, 2007. The Company maintains its head office at 595 Burrard Street, Suite 3083, Vancouver, British Columbia. The Company’s registered and records office is located at 595 Burrard Street, Suite 2900, Vancouver, British Columbia. Its common shares are traded on the NEX Board of the TSX Venture exchange under the symbol “CZ.H”.

The Company was previously focused on mineral exploration of its Nicaraguan Gold properties as held by Fortress de Nicaragua S.A. (“Fortress”), a private Nicaraguan company, which is the legal and beneficial owner of sixteen exploration concessions with a total area of approximately 137,000 hectares in Nicaragua. In April, 2015, the Company disposed of Fortress to an arm’s length Nicaraguan party.

These consolidated financial statements have been prepared on a going concern basis, which assumes that 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.

The Company has yet to generate any revenues from operations and as at October 31, 2015, had an accumulated deficit of $6,386,595 and a working capital deficit of $149,034. The above conditions, along with other factors indicate the existence of material uncertainties that may cast significant doubt upon the Company’s ability to continue as a going concern. The Company’s ability to continue operations in the normal course of business is dependent on several factors, including the ability to secure additional financing.

Although management is of the opinion that sufficient working capital will be obtained from external financing to meet the Company’s remaining current liabilities as well as future liabilities and commitments as they become due, there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. The consolidated financial statements do not include any additional adjustments to the recoverability and classification of certain recorded asset amounts, and changes to the statement of comprehensive loss that might be necessary if the Company was unable to continue as a going concern.

2. Basis of Presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

The Company has consistently applied the same accounting policies in all periods presented. These consolidated financial statements were approved by the board of directors on February 25, 2016.

3. Summary of Significant Accounting Policies

a) Principles of consolidation

These consolidated financial statements include the accounts of the Company and its previously wholly-owned subsidiaries: Fortress de Nicaragua S.A. ("Fortress") from November 1, 2013 to April 8, 2015 (the date of sale of Fortress – refer to note 5); and Nueva Segovia Mining S.A. ("Nueva Segovia") from November 1, 2013 to June 12, 2014 (the date of sale of Nueva Segovia – refer to note 5). All material intercompany transactions and balances have been eliminated on consolidation.

b) Mineral properties

Mineral properties consist of exploration and mining concessions, options and contracts. Acquisition costs are capitalized and deferred until such time as the property is put into production or the property is disposed of, either through sale or abandonment, or becomes impaired. If a property is put into production, the cost of acquisition will be written off over the life of the property based on estimated economic reserves. Proceeds received from the sale of any interest in a property will be credited against the carrying value of the property. If a property is abandoned, the acquisition costs will be written off to operations. Recorded costs of mineral properties are not intended to reflect present or future values of the properties. The recorded costs are subject to measurement uncertainty and it is reasonably possible, based on existing knowledge, that changes in future conditions could require a material change in the recognized amounts.

Although the Company has taken steps that it considers adequate to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Title to mineral properties in foreign jurisdictions is subject to uncertainty and consequently, such properties may be subject to prior undetected agreements or transfers and title may be affected by such defects.

c) Mineral property exploration expenditures

Once a license to explore an area has been secured, expenditures on exploration and evaluation activities are capitalized to exploration and evaluation and classified as a component of mineral properties. Exploration expenditures relate to the initial search for deposits with economic potential and to detailed assessments of deposits or other projects that have been identified as having economic potential.

d) Impairment of mineral properties

The Company regularly reviews the recoverability of the carrying value of each mineral property. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

3. Summary of Significant Accounting Policies (continued)

e) Asset retirement obligations

Asset retirement obligations will be recognized for estimated obligations related to the retirement of long-lived tangible assets that arise from the acquisition, construction, development or normal operation of such assets. A liability for an asset retirement obligation is recognized in the period in which it is incurred and when a reasonable estimate of the fair value of the liability can be made with the corresponding asset retirement cost recognized by increasing the carrying amount of the related long-lived asset. The asset retirement cost is subsequently allocated in a rational and systematic method over the underlying asset's useful life. The initial fair value of the liability is accreted, by charges to operations, to its estimated future value. The Company had no asset retirement obligations at October 31, 2015 and 2014.

f) Cash and cash equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance, are readily convertible to known amounts of cash, and which are subject to insignificant risk of changes in value to be cash equivalents.

g) Translation of foreign currencies

i. Functional and presentation currency: Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). These consolidated financial statements are presented in Canadian dollars which is the functional currency of the Company, along with its previously wholly-owned subsidiaries, Fortress and Nueva Segovia.

ii. Transactions and balances: Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Generally, foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in currencies other than an entity's functional currency are recorded in the consolidated statements of loss and comprehensive loss.

h) Earnings/(Loss) per share

Basic earnings/(loss) per share is calculated by dividing the earnings/(loss) attributable to common shareholders by the weighted average number of common shares outstanding during the period.

Diluted earnings/(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. Diluted loss per share has not been presented separately as the effect of common shares issuable on the exercise of stock options and share purchase warrants would be anti-dilutive. As at October 31, 2015, the Company had 346,000 (2014: 146,000) potentially dilutive shares from its issued and outstanding stock options, none of which are in the money.

i) Share issuance costs

Share issuance costs incurred on the issuance of the Company's shares are charged directly to share capital.

3. Summary of Significant Accounting Policies (continued)

j) Share-based payments

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 the 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 amount recognized as an expense is adjusted to reflect the number of awards expected to vest. The offset to the recorded cost is to contributed surplus.

Consideration received on the exercise of stock options is recorded as share capital and the related share-based payments reserve is transferred to share capital. Charges for options that are forfeited before vesting are reversed from contributed surplus.

k) Current and deferred taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the statement of income (loss) except to the extent that it relates to items recognized either in other comprehensive income or directly in equity, in which case it is recognized in other comprehensive income or in equity respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects either accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

l) Use of estimates and judgments

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual areas of estimates include the carrying value of mineral properties, assumptions used in the accounting for share-based payments, and recognition of unrecognized deferred tax assets. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the notes to the financial statements where applicable.

3. Summary of Significant Accounting Policies (continued)

m) Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

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

At initial recognition, the Company classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

- Held-for-trading: A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term. The Company has designated its cash as held-for-trading and are measured at fair value at the end of each period with any resulting gains or losses recognized in the statement of income (loss).

- Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables are comprised of amounts receivable, and are included in current assets due to their short-term nature. Loans and receivables are initially recognized at the amount expected to be received less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

- Financial liabilities at amortized cost: Financial liabilities at amortized cost include accounts payable and accrued liabilities, and amounts due to related parties. Accounts payable and accrued liabilities, promissory notes payable and amounts due to related parties are initially recognized at the amount required to be paid less, when material, a discount to reduce the payables to fair value. Financial liabilities are classified as current liabilities as payment is due within twelve months.

4. Accounting Standards Issued but Not Yet Applied

IFRS 9 – Financial instruments

In November 2009, the IASB issued IFRS 9 Financial Instruments as the first step in its project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on an entity's business model and the contractual cash flows of the financial asset. Classification is made at the time the financial asset is initially recognized, namely when the entity becomes a party to the contractual provisions of the instrument. IFRS 9 amends some of the requirements of IFRS 7 Financial Instruments: Disclosures, including added disclosures about investments in equity instruments measured at fair value in OCI, and guidance on the measurement of financial liabilities and derecognition of financial instruments. The IASB has suspended the originally planned effective date of January 1, 2015 for IFRS 9. The Company will commence assessing the impact of this new standard upon the announcement of its new effective date.

(Expressed in Canadian Dollars)

5. Mineral Properties

		Fortress de Nicaragua S.A.
Balance October 31, 2013	**$**	**4,480,341**
Deferred exploration expenditures		
Office and fieldwork costs		75,502
Claims/permitting		272,620
Other		42,733
Total additions		**390,855**
Write down of mineral properties		(4,871,196)
Balance - October 31, 2014 and 2015	**$**	**-**

Nueva Segovia Mining S.A. ("Nueva Segovia")

In June 2014, Fortress entered into a share sale agreement to dispose of the issued and outstanding shares of Nueva Segovia to Avaluce S.A. ("Avaluce"), a private Nicaraguan company for a nominal amount of consideration. Under the terms of the share sale agreement, Avaluce assumed all liabilities of Nueva Segovia totaling $71,267, resulting in a gain on the sale of Nueva Segovia of $71,267 in the statement of loss for the year ended October 31, 2014. All costs previously capitalized in relation to the Nueva Segovia properties were written off during the year ended October 31, 2013.

Fortress de Nicaragua S.A.

On February 12, 2015, the Company executed a share sale agreement with an arm's length Nicaraguan party in respect of the sale of Fortress, subject to regulatory and shareholder approval. During the year ended October 31, 2014, the Company recorded an impairment charge of $4,871,196. On April 8, 2015, the sale of Fortress was completed. Although no consideration was received for the sale of Fortress, the Company relinquished obligations totalling $1,506,445 which had been previously recorded as a liability on the consolidated statement of financial position, and have now been recorded as a gain on the sale of Fortress in the consolidated statement of income (loss) for the year ended October 31, 2015.

6. Promissory Notes Payable

In February 2015, the Company issued promissory notes totalling $57,000 bearing interest at 7% per annum. The promissory notes are unsecured and payable on demand. Interest incurred on the promissory notes for the year ended October 31, 2015 totalled $2,751. Refer to Note 9(c).

7. Share Capital

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

On April 23, 2014, the Company's common shares were consolidated on the basis of one post-consolidated share for every ten pre-consolidated shares. All common share, stock option, and share purchase warrant figures in these consolidated financial statements were retrospectively restated to present common share balances on a post-consolidated basis.

On September 19, 2014, the Company issued 6,102,400 common shares at $0.05 per share for gross proceeds of $305,120. As part of the private placement, the Company incurred $5,098 of share issuance costs.

(Expressed in Canadian Dollars)

8. Stock Options

The Company has established a stock option plan (the “Plan”) for its directors, executive officers, employees and consultants under which the Company may grant options to acquire a maximum number of common shares equal to 10% of the total issued and outstanding common shares of the Company exercisable for a period of up to 5 years from the date of grant.

Within any 12 month period, the maximum number of common shares reserved for issuance to any individual cannot exceed 5% of the issued common shares, and the maximum number of common shares reserved for issuance to any insider cannot exceed 10% of the issued common shares. The aggregate number of common shares reserved for issuance to insiders cannot exceed 10% of the issued common shares. Within any 12 month period, the maximum number of options granted to any one consultant cannot exceed 2% of the issued common shares and the maximum number of options granted to all employees and consultants conducting investor relations activities cannot exceed 2% of the issued common shares.

The exercise price of an option granted under this plan shall not be less than the discounted market price provided that:

(i) if options are granted within 90 days of a distribution by a prospectus, the minimum exercise price of those options will be the greater of the discounted market price and the per share price paid by the public investors for shares acquired under the distribution;

(ii) the 90 day period begins on the date a final receipt is issued for the prospectus;

(iii) for unit offerings, the minimum option exercise price will be the ‘base’ (or imputed) price of the shares included in the unit; and

(iv) for all other financings, the minimum exercise price will be the average price paid by the public investors.

Subject to the discretion of the Board, the options granted to an optionee under this Plan shall fully vest on the date of grant of such options. In accordance with the policies of the TSXV, and subject to their approval to the contrary, options issued to consultants providing investor relations services must vest (and not otherwise be exercisable) in stages over a minimum of 12 months with no more than 25% of the options vesting in any 3 month period.

As at October 31, 2015 and 2014, the Company had the following stock options outstanding and exercisable:

	Options	Weighted average exercise price
October 31, 2013	163,500	$ 2.10
Forfeited	(17,500)	2.10
October 31, 2014	146,000	2.05
Granted	250,000	0.05
Forfeited	(50,000)	2.21
October 31, 2015	**346,000**	**$ 0.05**
Options exerciseable - October 31, 2015	**158,500**	**$ 0.05**

8. Stock Options (continued)

On April 7, 2015, the Company re-priced a total of 96,000 stock options, with original exercise prices ranging from $1.65 to $2.10 and expiry dates ranging from July 18, 2016 to April 30, 2017, to $0.05 per option. The incremental fair value granted as a result of the modification was $243 and was expensed during the year ended October 31, 2015. The incremental fair value is the difference between the value of the options at the modification date calculated using the original exercise prices and the modified exercise price. On May 29, 2015, the Company granted a total of 250,000 stock options to the Chief Financial Officer of the Company with an exercise price of $0.05, expiring on May 29, 2020.

As at October 31, 2015, all outstanding stock options had an exercise price of $0.05 with a weighted average remaining life of 3.6 years.

9. Related Party Transactions

a) Key Management Compensation

Key management includes the Company's directors, Chief Executive Officer, and Chief Financial Officer. Compensation awarded to key management for the year ended October 31, 2015 comprised share based payments of $243 (2014 - $Nil) relating to the incremental fair value attributed to the re-pricing of stock options held by directors and officers as well as share based payments of $2,155 (2014 - $Nil) relating to the continued vesting of options granted to a director and the Chief Financial Officer of the Company in May, 2015.

b) Payments for services by related parties

Up until December 31, 2014, the Company was charged shared lease and overhead, and service costs by Atlantic Gold Corporation ("Atlantic"), a Company with a director and officer in common. For the year ended October 31, 2015, the Company incurred $1,528 (2014: $10,660) in shared lease and overhead, and service costs. As at October 31, 2015, the Company owed $28,215 to Atlantic (October 31, 2014: $31,363).

As at October 31, 2015, the Company owed $25,812 (October 31, 2014: $25,812) to Oceanic Iron Ore Corp., a company with a director and officer in common.

For the year ended October 31, 2015, the Company incurred accounting fees of $nil (2014: $4,000) to the Chief Financial Officer of the Company. As at October 31, 2015, the Company owed $4,000 (October 31, 2014: $4,000) to the Chief Financial Officer of the Company.

c) Promissory notes with related parties

In February 2015, the Company issued promissory notes totalling $37,000, $18,500 to a current director of the Company, and $18,500 to a former director of the Company. The promissory notes are unsecured, bear interest at 7% per annum and are payable on demand. Interest incurred on the promissory notes for the year ended October 31, 2015 totalled $1,904 (2014 - $Nil).

The amounts due to and from related parties other than those described in Note 8(c) below are non-interest bearing, unsecured and due on demand.

(Expressed in Canadian Dollars)

10. Income Taxes

Income tax expense differs from the amount that would result from applying the Canadian federal and provincial income tax rates to earnings before income taxes. These differences result from the following items:

	October 31, 2015	October 31, 2014
Income (loss) before income taxes	$ 966,368	$ (5,209,513)
Combined federal and provincial income tax rates	26.00%	26.00%
Expected income tax recovery	251,256	(1,354,473)
Increase (decrease) due to:		
Stock based compensation and other non-deductible expenses	11,865	280,078
Application of previously unrecognized tax assets against gain on di	(465,447)	-
Difference in foreign tax rates	(28,986)	(162,633)
Foreign exchange	-	39,927
Tax benefit of losses not recognized	231,312	936,068
Income tax recovery	**$ -**	**$ (261,033)**

The continuity of the changes in the Company's net deferred tax liability is as follows:

	October 31, 2015	October 31, 2014
Deferred tax liability, beginning of year	$ -	$ 261,033
Deferred tax recovery	-	(261,033)
Deferred tax liability, end of year	**$ -**	**$ -**

The composition of the unrecognized deferred tax asset is provided in the table below:

	October 31, 2015	October 31, 2014
Non-capital losses	$ 342,615	$ 897,093
Capital losses	534,414	-
Mineral property, plant and equipment	105,261	582,945
Share issuance costs	1,408	9,225
Unrecognized deferred tax assets	(983,698)	(1,489,263)
	$ -	**$ -**

10. Income Taxes (continued)

The Company has non-capital loss carry-forwards of $1,317,149 that may be available for income tax purposes. No deferred tax asset has been recorded in respect of these losses as it is not probable that the Company will generate sufficient taxable income. The loss carry-forwards are all in respect of Canadian operations and expire as follows:

Expiry Date	Canada
October 31, 2027	26,008
October 31, 2028	25,989
October 31, 2029	68,734
October 31, 2030	127,873
October 31, 2031	359,908
October 31, 2032	310,312
October 31, 2033	218,794
October 31, 2034	96,546
October 31, 2034	82,985
	$ 1,317,149

11. Financial Risk Management

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's financial instruments consist of cash, amounts receivable, restricted cash, accounts payable, accrued liabilities, and amounts due from and due to related parties.

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes.

Credit Risk

Credit risk arises from the potential for non-performance by counterparties of contractual financial obligations. The Company's exposure to credit risk is on its cash and amounts receivable. The Company's cash is being held with large financial institutions. Amounts receivables are comprised of GST receivables from the Government of Canada. The Company's credit risk is mitigated by maintaining its financial liquid assets with highly reputable counterparties. The maximum exposure to credit risk is equal to the fair value or carrying value of the financial assets noted above.

Foreign Exchange Rate Risk

Up until the sale of Fortress, the Company incurred exploration expenditures in US dollars and Nicaraguan Cordobas. The financial risk was the risk to the Company's operations that arose from fluctuations in foreign exchange rates and the degree of volatility of these rates. As the Company disposed of its foreign operations during the year, the Company is no longer exposed to foreign exchange rate risk.

(Expressed in Canadian Dollars)

11. Financial Risk Management (continued)

Liquidity Risk

The Company's cash are invested in business accounts which are available on demand. The Company manages liquidity risk by preparing and maintaining cash forecasts, which illustrate cash spent to date and cash needs over the short term. As at October 31, 2015, the Company had total current assets of $1,765 (2014: $68,410). Contractual undiscounted cash flow requirements for financial liabilities as at October 31, 2015 and 2014 are presented below.

October 31, 2015

	Less than 1 year	1 - 3 years	4 - 5 years	Total
Accounts payable and accrued liabilities	$ 33,868	$ -	$ -	$ 33,868
Due to related parties	59,931	-	-	59,931
Promissory notes payable	57,000	-	-	57,000

October 31, 2014

	Less than 1 year	1 - 3 years	4 - 5 years	Total
Accounts payable and accrued liabilities	$ 1,125,034	$ -	$ -	$ 1,125,034
Due to related parties	61,176	-	-	61,176

The Company's ability to continue operations in the normal course of business is dependent on several factors, including the ability to secure additional financing, which is uncertain. Further information relating to liquidity risk is disclosed in Note 1.

Interest Rate Risk

As the Company's promissory notes bear a fixed interest rate, the Company is not significantly impacted by interest rate risk.

Price Risk

The Company is exposed to price risk with respect to commodity prices. The Company's ability to raise capital to fund exploration and development activities is subject to risks associated with fluctuations in the market price of commodities.

Fair Value

A three-level hierarchy for fair value measurements exists based upon the significance of inputs used in making fair value measurements:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 – inputs other than quoted prices that are observable for the asset or liability, either directly (i.e.: as prices) or indirectly (i.e.: derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data.

At October 31, 2015, cash was categorized as level 1. The fair values of other financial instruments, which include amounts receivable, accounts payable and accrued liabilities, promissory notes payable and amounts due to and from related parties, approximate their carrying values due to the relatively short-term maturity of these instruments.

12. Management of Capital

The Company considers its capital to be its share capital and contributed surplus. The Company's objectives when managing capital are to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk. In the management of capital, the Company includes the components of equity attributable to shareholders.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may attempt to issue new shares, issue debt and acquire or dispose of assets.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions and also taking into consideration externally imposed capital requirements. The annual and updated budgets are approved by the Board of Directors.

The Company's investment policy is to limit investments to guaranteed investment certificates, banker's acceptance notes, investment savings accounts or money market funds with high quality financial institutions in Canada and treasury bills, selected with regards to the expected timing of expenditures from continuing operations. The Company has no externally imposed capital requirements. The Company's capital management policies have not significantly changed from the year ended October 31, 2014.

13. Segmented Information

The Company operates in one business segment, being the acquisition, exploration and development of mineral properties. After the disposition of Fortress in April 2015, all of the Company's assets are located in Canada. As at October 31, 2015 and 2014, the Company had no non-current assets.

14. Subsequent Event

On January 7, 2016, the Company issued additional promissory notes to an officer and director of the Company totaling $12,000, under the same terms and conditions as disclosed in note 6.