KOOTENAY SILVER INC.

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period ending

June 30, 2015

and

June 30, 2014

(Unaudited)

(Expressed in Canadian dollars)

Notice of no Auditor review of Interim Financial Statements

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

The accompanying unaudited consolidated interim 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 standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Index

UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

KOOTENAY SILVER INC.

(Expressed in Canadian dollars)

CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

Exhibit 1

	June 30, 2015	December 31, 2014
ASSETS		
Current:		
Cash and cash equivalents	**$ 721,727**	$ 2,360,822
Receivables and advances (Note 8, 11)	**533,709**	724,641
Prepaid expenses	**194,548**	68,392
Marketable securities (Note 4)	**206,890**	173,815
Total current assets	**1,656,874**	3,327,670
Non-current assets:		
Equipment (Note 5)	**203,079**	217,872
Advances and deposits	**92,000**	106,000
Mineral properties (Note 6)	**34,880,520**	31,697,553
	$ 36,832,473	$ 35,349,095
LIABILITIES AND EQUITY		
Current Liabilities:		
Accounts payable and accrued liabilities (Note 11)	**$ 404,433**	$ 416,852
Equity:		
Share capital (Note 7)	**49,519,793**	48,935,618
Contributed surplus (Note 7)	**19,297,585**	18,703,382
Accumulated other comprehensive income (loss) (Exhibit 4)	**968,411**	(716,130)
Deficit	**(33,357,749)**	(31,990,627)
Total Equity	**36,428,040**	34,932,243
Total liabilities and equity	**$ 36,832,473**	$ 35,349,095

Approved on Behalf of the Board:

"James McDonald"
Director

"Jon Morda"
Director

- see accompanying notes -

KOOTENAY SILVER INC.

(Expressed in Canadian dollars)

CONSOLIDATED INTERIM STATEMENTS OF LOSS

Exhibit 2

	Three months ended June 30		Six months ended June 30	
	2015	2014	**2015**	2014
General and Administrative Expenses				
Depreciation (Note 5)	**$ 14,060**	$ 16,138	**$ 28,491**	$ 32,253
Office and general (Note 11)	**278,736**	234,821	**592,275**	541,935
Management fees (Note 11)	**89,750**	89,750	**179,500**	179,500
Share based payments (Note 7)	**110,348**	147,051	**311,916**	420,443
Professional fees	**95,733**	81,250	**203,000**	211,908
Regulatory and filing fees	**3,150**	21,474	**31,750**	34,253
Rent	**22,608**	23,413	**44,367**	52,160
Loss before Exploration and Other Items	**614,385**	613,897	**1,391,299**	1,472,452
Exploration Expenditures				
Mineral property investigation (Note 6)	**10,931**	7,831	**29,099**	109,571
Impairment of mineral property (Note 6)	**-**	-	**17,343**	-
	10,931	7,831	**46,442**	109,571
Other Items				
Foreign exchange (gain) loss	**(10,986)**	84,553	**(54,031)**	173,346
Finance income	**(4,143)**	(6,038)	**(16,588)**	(13,514)
	(15,129)	78,515	**(70,619)**	159,832
Loss for the period	**610,187**	700,243	**1,367,122**	1,741,855
Basic and Diluted Loss per Share (Note 7)	**$ (0.008)**	$ (0.011)	**$ (0.018)**	$ (0.028)
Weighted Average Number of Shares Outstanding	**74,788,897**	62,862,037	**74,282,141**	62,834,190

\- see accompanying notes -

KOOTENAY SILVER INC.

(Expressed in Canadian dollars)

CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME AND LOSS

Exhibit 3

	For the three months ended		For the six months ended	
	June 30, 2015	June 30, 2014	**June 30, 2015**	June 30, 2014
Net loss for the period	**$ 610,187**	$ 700,243	**$ 1,367,122**	$ 1,741,855
Other comprehensive loss				
Unrealized (income) on available-for-sale financial assets arising during the period	**(33,500)**	(54,106)	**(9,075)**	(44,115)
Foreign currency translation differences of foreign operations	**401,857**	(814,434)	**(1,675,466)**	(244,650)
Total other comprehensive (income)/loss	**368,357**	(868,540)	**(1,684,541)**	(288,765)
Comprehensive (income)/loss for the period	**$ 978,544**	$ (168,297)	**$ (317,419)**	$ 1,453,090

- see accompanying notes -

KOOTENAY SILVER INC.

(Expressed in Canadian dollars)

CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

Exhibit 4

	Number of Shares	Capital Stock	Contributed Surplus	Subscription Received in Advance	Accumulated Other Comprehensive Income (Loss)	Deficit	Total Equity
Balance, December 31, 2013	62,808,850	$ 47,043,736	$17,243,528	$ -	$ (297,672)	$ (26,101,022)	$ 37,888,570
Subscription received in advance	-	-	-	37,500	-	-	37,500
Share issuance costs paid in advance	-	(5,066)	-	-	-	-	(5,066)
Acquisition of mineral properties	55,000	22,550	-	-	-	-	22,550
Share based payment	-	-	420,443	-	-	-	420,443
Unrealized gain on available-for-sale financial assets arising during the period	-	-	-	-	44,115	-	44,115
Foreign currency translation differences of foreign operations	-	-	-	-	244,650	-	244,650
Loss for the six months	-	-	-	-	-	(1,741,855)	(1,741,855)
Balance, June 30, 2014	62,863,850	$ 47,061,220	$17,663,971	$ 37,500	$ (8,907)	$ (27,842,877)	$ 36,910,907
Balance, December 31, 2014	72,230,683	48,935,618	18,703,382	-	(716,130)	(31,990,627)	34,932,243
Shares issued, net of issuance costs	2,388,214	507,675	282,287	-	-	-	789,962
Acquisition of mineral properties	170,000	76,500	-	-	-	-	76,500
Share based payment	-	-	311,916	-	-	-	311,916
Unrealized gain on available-for-sale financial assets arising during the period	-	-	-	-	9,075	-	9,075
Foreign currency translation differences of foreign operations	-	-	-	-	1,675,466	-	1,675,466
Loss for the six months	-	-	-	-	-	(1,367,122)	(1,367,122)
Balance, June 30, 2015	74,788,897	$ 49,519,793	$19,297,585	$ -	$ 968,411	$ (33,357,749)	$ 36,428,040

- see accompanying notes -

KOOTENAY SILVER INC.

(Expressed in Canadian dollars)

CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

Exhibit 5

	For the three months ended		For the six months ended	
	June 30, 2015	June 30, 2014	**June 30, 2015**	June 30, 2014
Cash Flows from Operating Activities				
Net loss for the period	**$ (610,187)**	$ (700,243)	**$ (1,367,122)**	$ (1,741,855)
Add items not involving any outlay of cash:				
Share based payment	**110,348**	147,051	**311,916**	420,443
Mineral property impairment	**-**	-	**17,343**	-
Depreciation	**14,060**	16,140	**28,491**	32,253
	(485,779)	(537,052)	**(1,009,372)**	(1,289,159)
Changes in non-cash operating working capital balances:				
Receivable and advances	**101,299**	8,028	**231,821**	41,580
Prepaid expenses	**41,486**	169,481	**(125,373)**	166,351
Accounts payable and accrued liabilities	**33,459**	(169,455)	**(13,729)**	(323,791)
	$ (309,535)	$ (528,998)	**$ (916,653)**	$ (1,405,019)
Cash Flows from Financing Activities				
Issuance of share capital, net of share issuance costs	**$ -**	$ -	**$ 789,963**	$ -
Share issuance costs paid in advance	**-**	(5,066)	**-**	(5,066)
Subscription received in advance	**-**	37,500	**-**	37,500
	$ -	$ 32,434	**$ 789,963**	$ 32,434
Cash Flows from Investing Activities				
Investment in mineral properties	**$ (827,994)**	$ (366,017)	**$ (1,508,175)**	$ (783,525)
Reclamation deposits	**14,000**	(5,000)	**14,000**	$ (17,500)
Investment in equipment	**(1,682)**	-	**(3,853)**	-
Receipt of METC refund	**-**	-	**-**	212,707
	$ (815,676)	$ (371,017)	**$ (1,498,028)**	$ (588,318)
Effect of foreign exchange rate changes on cash	**15,589**	156,615	**(14,377)**	249,396
Decrease in Cash and Cash Equivalents, During the period	**(1,109,622)**	(710,966)	**(1,639,095)**	(1,711,507)
Cash and Cash Equivalents, Beginning of the period	**1,831,349**	1,803,882	**2,360,822**	2,804,423
Cash and Cash Equivalents, End of the period	**$ 721,727**	$ 1,092,916	**$ 721,727**	1,092,916

Supplemental Disclosure of Cash and Non-Cash Activities (Note 10)

- see accompanying notes -

(Expressed in Canadian dollars)

1 Reporting Entity:

Kootenay Silver Inc. (the "Company") is a Canadian exploration stage company incorporated under the *Business Corporations Act* (British Columbia). The address of the Company's registered office is 1820 – 1055 West Hastings St. Vancouver, British Columbia, Canada.

The Company is focused on acquiring and exploring mineral properties principally located in North America, with the objective of identifying mineralized deposits economically worthy of subsequent development, mining or sale.

Going Concern

These consolidated interim financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. There are conditions and events, which constitute material uncertainties that may cast significant doubt on the validity of this assumption.

The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. During the three and six months ended June 30, 2015, the Company raised aggregate gross proceeds of $835,875 from the closing of a non-brokered private placement. Subsequent to June 30, 2015, the Company closed its July 16, 2015 announced non-brokered private placement raising total gross proceeds of $1,315,950. During the year ended December 31, 2014, the Company raised $2,916,050 from the closing of two non-brokered private placements. While the Company has been successful in the past at raising funds, there can be no assurance that it will be able to do so in the future.

The Company has predominately experienced operating losses and negative operating cash flows; operations of the Company having been primarily funded by the issuance of share capital. The Company expects to incur further losses in the development of its business. Management has estimated that the Company has sufficient financing to complete current work plans; however, future development will require additional financing in order to complete all planned exploration and other programs during the year ending December 31, 2015 and thereafter. If funds are unavailable on terms satisfactory to the Company, some or all planned activities may be cancelled or postponed.

The business of mining and exploration involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of resource property expenditures is dependent upon several factors. These include the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development of these properties, and future profitable production or proceeds from disposition of mineral properties. The Company will need access to capital to continue advancing its primary project located in Sonora Mexico called the Promontorio Silver Project ("Promontorio"), which includes the discovery of a recent zone of mineralization within the Promontorio concession block called La Negra ("La Negra Discovery"), as well as other property interests.

These consolidated interim financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for these consolidated interim financial statements, then adjustments to the carrying values of assets and liabilities would be necessary.

	June 30, 2015	June 30, 2014
Deficit	**$ 33,357,749**	$ 27,842,877
Working capital	**$ 1,252,441**	$ 2,513,218

2 Basis of Presentation:

Statement of Compliance

These consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards and Interpretations (collectively, "IFRS") applicable to the preparation of financial statements, including Interim Financial Reporting (IAS 34).

The policies applied in these consolidated interim financial statements are consistent with the accounting policies disclosed in Notes 2 and 3 of the audited consolidated financial statements for the year ended December 31, 2014. These consolidated interim financial statements should be read in conjunction with the Company's audited consolidated statements for the year ended December 31, 2014.

These consolidated interim financial statements were authorized for issue by the Audit Committee of the Company as authorized by the Board of Directors on August 31, 2015.

Functional and presentation currency

These consolidated interim financial statements are presented in Canadian dollars. Under IFRS, the Canadian dollar is the functional currency of the parent and Kootenay Resources Inc. The functional currency of Minera JM S.A. de C.V. and Kootenay Gold (US) Corp. is the US dollar and Servicios de Exploraciones Sonora, S.A. de C.V. is the Mexican Peso.

Assets and liabilities of the subsidiaries with a functional currency in US dollars and Mexican pesos are translated at the period-end exchange rates, and the results of its operations are translated at average exchange rates for the period. The resulting translation adjustments are recorded in accumulated other comprehensive loss in shareholders' equity. Additionally, foreign exchange gains and losses related to certain intercompany loans that are permanent in nature are included in accumulated other comprehensive loss.

3 Significant Accounting Policies:

The accounting policies set out below have been applied consistently to all years presented in these consolidated interim financial statements.

The significant accounting policies adopted by the Company are as follows:

Basis of measurement

These consolidated interim financial statements have been prepared on a historical cost basis, except for available-for-sale financial instruments which are measured at fair value through other comprehensive loss and share based payments which are measured at fair value through profit or loss.

Consolidation

These consolidated interim financial statements include the accounts of the Company and its wholly-owned subsidiaries, Kootenay Resources Inc. (formerly Kootenay Gold Corp) (a company incorporated in Canada), Minera JM S.A. de C.V. (a company incorporated in Mexico), Servicios de Exploraciones Sonora, S.A. de C.V. (a company incorporated in Mexico) and Kootenay Gold (US) Corp. (a company incorporated in US).

Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated interim financial statements from the date that control commences until the date that control ceases. All intercompany transactions and balances have been eliminated in full upon consolidation.

3 Significant Accounting Policies *(continued):*

Critical accounting estimates and judgements

The preparation of the consolidated interim financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities at the date of the consolidated interim financial statements, and revenues and expenses for the period. By their nature, these estimates and judgments are subject to uncertainty and the effect on the consolidated interim financial statements of changes in such estimates in future periods could be significant. Actual results may differ from those estimates and judgements.

Significant estimates used in the preparation of the consolidated interim financial statements include, but are not limited to:

(i) asset carrying values and impairment charges;
(ii) the economic recoverability of exploration expenditures incurred and the probability of future economic benefits from development expenditures incurred;
(iii) the expected costs of decommissioning liabilities; and,
(iv) the calculation of share-based compensation and warrants which include the assumptions used in the Black-Scholes option pricing model including volatility, estimated forfeiture rates and expected time until exercise.

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the consolidated interim financial statements are as follows:

(i) Equipment

The Company estimates the useful lives of equipment based on the period over which the assets are expected to be available for use. The depreciation method and useful lives reflect the pattern in which management expects the asset's future economic benefits to be consumed by the Company. The amounts and timing of recorded expenses for any year would be affected by changes in assumptions and estimates used.

(ii) Exploration and evaluation assets

The Company makes certain estimates and assumptions regarding the recoverability of the carrying values of exploration and evaluation assets. These assumptions are changed when conditions exist that indicate the carrying value may be impaired, at which time an impairment loss is recorded.

(iii) Decommissioning liabilities

The Company recognizes the liability for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of mineral properties, when those obligations result from the exploration or development of its properties. The Company assesses its provision for site reclamation at each reporting date. Significant estimates and assumptions are made in determining the provision for site reclamation, as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to inflation rates, and discount rates. Those uncertainties may result in future actual expenditures differing from the amounts currently provided. The provision at the reporting date represents management's best estimate of the present value of the future reclamation costs required.

3 Significant Accounting Policies *(continued)***:**

(iv) Share based payments

The Company has an equity-settled share-based scheme for directors, officers, employees and consultants. Services received, and the corresponding increase in equity, are measured by reference to the fair value of the equity instruments at the date of the grant, excluding the impact of any non-market vesting conditions. The fair value of share options is estimated by using the Black-Scholes model on the date of the grant based on certain assumptions. Those assumptions are described in Note 7 and include, among others, expected volatility, expected life of the options and number of options expected to vest. Where vesting conditions exist for share options, the Board reviews progress against those vesting conditions annually and reviews the estimated date of the financial close of project, which will impact the consolidated interim financial statements. In the event that milestone conditions are not met, it is anticipated that certain options will lapse.

(v) Taxes

Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable income realized, including the usage of tax planning strategies.

Significant judgments used in the preparation of these consolidated interim financial statements include, but are not limited to:

(i) those relating to the assessment of the Company's ability to continue as a going concern; and
(ii) the determination of functional currency.

Future accounting standards issued but not yet adopted

The following amendments to existing standards were issued by the IASB and are effective for annual periods beginning on or after January 1, 2015. Pronouncements that are not applicable or do not have a significant impact to the Company have been excluded from below:

The IASB intends to replace IAS 39, *Financial Instruments: Recognition and Measurement* in its entirety with IFRS 9, *Financial Instruments* ("IFRS 9") and to reduce the complexity in the classification and measurement of financial instruments. The completed version of IFRS 9 includes classification and measurement, impairment and hedge accounting requirements and is effective for annual periods beginning on or after January 1, 2018. The Company is currently evaluating the impact of IFRS 9 on its consolidated interim financial statements.

4 Marketable Securities:

Marketable securities are classified as available for sale financial instruments, which are adjusted to market value at the end of the reporting period. As at June 30, 2015, the market value of securities held is $206,890 (2014 – $662,254). The Company recorded an unrealized comprehensive gain of $9,075 (2014 – $44,115) for fair value adjustments to marketable securities.

(Expressed in Canadian dollars)

5 Equipment:

	Vehicle	Office Equipment	Computer Equipment	Leasehold	Total
Cost					
Balance December 31, 2013	**223,000**	**66,485**	**188,298**	**60,321**	**538,104**
Additions	-	-	30,352	-	30,352
Impaired	-	-	(15,960)	-	(15,960)
Effect of foreign exchange	9,691	-	13,452	-	23,143
Balance December 31, 2014	**232,691**	**66,485**	**216,142**	**60,321**	**575,639**
Additions	498	-	3,391	-	3,889
Effect of foreign exchange	15,297	-	12,912	-	28,209
Balance June 30, 2015	**248,486**	**66,485**	**232,445**	**60,321**	**607,737**
Accumulated Depreciation					
Balance December 31, 2013	**154,463**	**35,661**	**88,577**	**5,654**	**284,355**
Depreciation for year	28,247	5,023	19,364	12,347	64,981
Effect of foreign exchange	4,528	800	3,103	-	8,431
Balance December 31, 2014	**187,238**	**41,484**	**111,044**	**18,001**	**357,767**
Depreciation for period	10,689	2,331	9,297	6,174	28,491
Effect of foreign exchange	12,540	5	5,855	-	18,400
Balance June 30, 2015	**210,467**	**43,820**	**126,196**	**24,175**	**404,658**
Carrying Value December 31, 2014	**45,453**	**25,001**	**105,098**	**42,320**	**217,872**
Carrying Value June 30, 2015	**38,019**	**22,665**	**106,249**	**36,146**	**203,079**

(Expressed in Canadian dollars)

6 Mineral Properties:

	MEXICO					CANADA					
	Promontorio	**Sonora Anomalies**	**Cervantes**	**San Diego***	**Mexico Total**	**Nechako Region**	**Silver Fox**	**Other**	**Canada Total**	**2015 Total**	**2014 Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Acquisition Costs											
Balance, beginning	3,658,642	591,681	-	17,189	4,267,512	145,630	32,500	1,184,085	1,362,215	5,629,727	5,554,988
Incurred	-	-	-	75,526	75,526	-	-	86,500	86,500	162,026	74,739
Balance, ending	3,658,642	591,681	-	92,715	4,343,038	145,630	32,500	1,270,585	1,448,715	5,791,753	5,629,727
Exploration Expenditures											
Balance, beginning	27,839,645[1]	6,449,996	156,583	73,160	34,519,384[1]	481,232	528,388	5,691,292	6,700,912	41,220,296[1]	37,595,299[1]
Assaying and Lab	124,339	-	-	-	124,339	-	-	5,968	5,968	130,307	165,330
Camp Costs	128,364	-	7,455	39	135,858	-	-	-	-	135,858	224,504
Drafting	50,837	8,881	-	776	60,494	350	3,550	-	3,900	64,394	194,208
Drilling	465,127	-	-	-	465,127	-	-	-	-	465,127	471,316
Geological mapping	24,014	-	-	-	24,014	125	24	-	149	24,163	151,335
Geophysics	-	-	-	-	-	-	-	-	-	-	9,610
Maintenance	195,815	42,834	436	5,822	244,907	-	-	5,675	5,675	250,582	235,890
Miscellaneous	2,043	2,262	-	-	4,305	-	-	-	-	4,305	18,250
Prospecting	285,211	3,089	198	8,792	297,290	-	23,000	-	23,000	320,290	380,277
Rock Sampling	36,000	-	-	-	36,000	-	-	-	-	36,000	72,000
Metallurgical testing	9,639	-	-	-	9,639	-	-	-	-	9,639	-
Incurred	1,321,389	57,066	8,089	15,429	1,401,973	475	26,574	11,643	38,692	1,440,665	1,922,720
Balance, ending	29,161,034	6,507,062	164,672	88,589	35,921,357	481,707	554,962	5,702,935	6,739,604	42,660,961	39,518,019
Total property balance	32,819,676	7,098,743	164,672	181,304	40,264,395	627,337	587,462	6,973,520	8,188,319	48,452,714	45,147,746
Recovery of costs	-	(3,466,284)	-	(50,561)	(3,516,845)	-	-	(2,646,245)	(2,646,245)	(6,163,090)	(6,082,432)
Mineral exploration refund	-	-	-	-	-	-	(624)	(212,083)	(212,707)	(212,707)	(212,707)
Proceeds from sale	-	-	-	-	-	-	-	(230,000)	(230,000)	(230,000)	(230,000)
Option payment received	-	(8,000)	-	-	(8,000)	-	-	(108,000)	(108,000)	(116,000)	(92,000)
Impaired or disposed	(290,896)	(2,630,297)	(14,034)	-	(2,935,227)	(555,187)	-	(3,359,983)	(3,915,170)	(6,850,397)	(6,833,054)
Cumulative mineral property	32,528,780	994,162	150,638	130,743	33,804,323	72,150	586,838	417,209	1,076,197	34,880,520	31,697,553

[1]Includes foreign exchange related to translation of foreign operations
*Earn-in option agreement

6 Mineral Properties *(continued)***:**

Promontorio - Sonora State, Mexico

The Company entered into an agreement on October 20, 2006 with Siete Campanas de Plata, S.A de C.V. ("Siete"), Exploration Canada De Oro, SA de CV ("ECO") and the Mexican Government Agency ("FIFOMI") to acquire an unencumbered 100% registered and beneficial interest in the Promontorio Concession, which includes the former producing Promontorio Mine Site. Upon completion of a bankable feasibility study or commencement of production, the Company must pay the remaining cash balance of US$210,000 to Siete and ECO.

A 1% net smelter royalty is payable to Siete on the core claims of Promontorio of which the Company can purchase 50% of this net smelter royalty at any time for US$500,000. The Company also has a first right of refusal to purchase the remaining 50% of this royalty. Additionally, a 2% net smelter royalty is payable to ECO on the core and surrounding claims. The Company may upon commencement of commercial production or sooner purchase 50% of this net smelter return for US$1,000,000. The Company also has a right of first refusal on the remaining 50% of this royalty.

Santa Lucia - Southern Sonora State, Mexico

On May 1, 2006, amended September 27, 2006, the Company entered into an agreement and acquired a 100% interest in two mineral claims comprised of 9,350 hectares. During the year ended December 31, 2014, the Company abandoned one of the claims totaling 9,330 hectares. A 2% net smelter return is payable on the remaining claim. The Company may purchase 50% of the net smelter return for US$1,000,000 and has the right of first refusal on the remaining 50%.

San Diego – Northwest Sonora, Mexico

On April 8, 2014, the Company entered into an option agreement to acquire an undivided interest in the San Diego concession from an arms-length party. Under the terms of the agreement, the Company must issue 100,000 common shares of the Company; and make total cash payments of US$480,000 within a four-year period. The Company has made total cash payments of US$40,000, including US$25,000 that was paid during the six months ended June 30, 2015. Per the agreement, the Company has issued 100,000 shares with a fair value of $45,000 during the six months ended June 30, 2015. The optionee retains a 2% net smelter return, which can be purchased by the Company for US$750,000 for each percentile.

During the six months ended June 30, 2015, the Company announced that it had entered into an option agreement through its wholly owned Mexican subsidiary, MJM, with Oro de Altar ("ODA") a wholly owned Mexican subsidiary of AuRico Gold Inc. The option allows ODA to earn up to 100% interest in the San Diego property.

The terms of the agreement allow ODA to earn a 65% interest by spending an aggregate total US$3 million in exploration expenditures by April 8, 2018, and to pay an aggregate total of US$480,000 by December 10, 2017. Upon earning the initial 65% interest, ODA will have the right to acquire a 100% interest by paying the Company US$8.00 per gold or gold equivalent ounce of resource based on the preparation of a NI 43-101 compliant resource statement, which must be completed no later than 90 days after April 8, 2018. On acquisition by ODA of 100% interest, MJM will receive a 2.5% net smelter royalty. If ODA does not acquire the remaining 35%, a one-time cash payment to MJM of US$250,000 becomes payable and a joint venture will be formed to further develop the project.

Unless specifically stated otherwise, all Sonora Concessions have been staked by the Company directly.

6 Mineral Properties *(continued)***:**

Other Properties – Southern British Columbia

Copley Property – Nechako Plateau, British Columbia

On February 23, 2010, the Company entered into an option agreement whereby it was granted the right to earn a 100% undivided interest in 10 mineral tenures totaling approximately 2,927 hectares collectively named as the Copley Property. Under the agreement the Company must make total cash payments of $80,000; issue an aggregate total of 130,000 common shares and make a cash payment of $5 per metre drilled to a maximum of 100,000 metres. The Company has issued 130,000 shares with a fair value of $84,400 including 40,000 issued with a fair value of $18,000 during the six months ended June 30, 2015 for settlement of the 5th and final anniversary payment. The Company has made total cash payments per the agreement of $80,000, including a final cash payment of $25,000 paid during the six months ended June 30, 2015.

The Fox and Two Times Fred Properties – Nechako Plateau, British Columbia

On July 8, 2014, the Company entered into a letter agreement with Theia Resources Ltd. (“Theia”), whereby the Company granted the right to Theia to earn a 60% undivided interest in the Fox and Two Times Fred Properties (the “Properties”). Under the terms of the agreement, Theia must issue an aggregate total of 750,000 common shares of Theia to the Company; and finance an aggregate $2,500,000 of exploration expenditures on the Properties within a five-year period.

The Two Times Fred property is being optioned by the Company effective July 1, 2014, pursuant to a grubstake agreement. To maintain its option, the Company must make total cash payments of $80,000; issue an aggregate total of 130,000 common shares and make a cash payment of $5 per metre drilled to a maximum of 100,000 metres. During the six months ended June 30, 2015, the Company made an initial payment of $5,000. Subsequent to June 30, 2015, the Company issued 15,000 common shares with a fair value of $6,000.

During the year ended December 31, 2011, the Company optioned the Fox property pursuant to a grubstake agreement. To maintain its option, the Company must make total cash payments of $80,000; issue an aggregate total of 130,000 common shares and make a cash payment of $5 per metre drilled to a maximum of 100,000 metres. The Company has made total cash payments of $80,000, including a final cash payment of $25,000 paid during the six months ended June 30, 2015. The Company has also issued 95,000 shares with a fair value of $80,350 including 30,000 issued with a fair value of $13,500 during the six months ended June 30, 2015.

During the six months ended June 30, 2015, the Company announced that it had exercised its option under the Kennedy grubstake agreement, namely Silver Fox, Spikes Vacation and Walter the Water Buffalo. The grubstake agreement requires the issuance of 100,000 shares over three years with 25,000 shares issuable on TSXV approval. The remainders of the share payments are due on the next 3 anniversaries of the option. The agreement also allows for an underlying 2% NSR, which can be purchased by the Company for $500,000 per each one-half (0.5%) percentile. Subsequent to June 30, 2015, the Company issued 75,000 common shares with a fair value of $30,000.

Property Investigation and Impairment

During the six months ended June 30, 2015, the Company expensed $29,099 (2014 - $109,571) related to other property investigation expense and recorded an aggregate total impairment expense of $17,343 (2014 - $nil) related to mineral properties located in both Mexico and Canada. Once the Company has made its evaluations, the properties will be either be abandoned or acquired under the terms of the Grubstake Agreements.

(Expressed in Canadian dollars)

6 Mineral Properties *(continued)*:

Title to Mineral Property Interests

Although the Company has taken steps to verify the title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

7 Share Capital and Reserves:

Authorized:
The authorized share capital of the Company is an unlimited number of common shares without par value and an unlimited number of preferred shares without par value. All issued shares, consisting of only common shares are fully paid.

Options and Warrants:
Stock option and share purchase warrant transactions are summarized as follows:

	Warrants			Options		
	Number		Weighted Average Exercise Price	Number		Weighted Average Exercise Price
Outstanding, December 31, 2013	**8,951,600**	**$**	**1.24**	**6,086,750**	**$**	**0.86**
Granted	**9,366,833**		**0.56**	**-**		**-**
Expired/Cancelled	**(1,896,600)**		**1.39**	**(944,750)**		**0.65**
Outstanding, December 31, 2014	**16,421,833**	**$**	**1.24**	**5,142,000**	**$**	**0.89**
Granted	**2,388,214**		**0.60**	**2,485,000**		**0.35**
Expired	**(3,125,000)**		**1.08**	**-**		**-**
Outstanding, June 30, 2015	**15,685,047**	**$**	**0.75**	**7,627,000**	**$**	**0.72**

Warrants
As at June 30, 2015, the Company had outstanding share purchase warrants, enabling holders to acquire common shares as follows:

Number of Shares	Exercise Price	Expiry Date
3,430,000	1.30	October 25, 2015
500,000	1.30	October 30, 2015
5,443,500	0.55	July 18, 2016
1,803,333	0.55	August 18, 2016
2,120,000	0.60	December 23, 2016
2,388,214	0.60	February 2, 2017
15,685,047		

The weighted average remaining life of the outstanding warrants is 1.02 years (2014 – 0.53 years). The fair value of warrants is estimated using the Black Scholes option-pricing model. Warrants are included in contributed surplus until exercised, at which time they are transferred into share capital.

(Expressed in Canadian dollars)

7 Share Capital and Reserves *(continued)***:**

During the six months ended June 30, 2015, the Company closed the final tranche of its December 10, 2014 announced non-brokered private placement and raised gross aggregate total proceeds of $1,577,875 by issuing an aggregate total of 4,508,214 units at a purchase price of $0.35 per unit. Each unit consisted of one common share and one transferable share purchase warrant. Each whole warrant entitles the holder to acquire one common share at an exercise price of $0.60. The private placement was completed in two tranches, with the first tranche of 2,120,000 units closed December 23, 2014 and the final tranche closed February 2, 2015, with the applicable warrants expiring on December 23, 2016 and February 2, 2017, respectively. The Company paid total share issuance costs of $23,887 and cash finder's fees of $50,415.

Subsequent to June 30, 2015, the Company announced and closed a non-brokered private placement for gross proceeds of $1,315,950 (see Subsequent Events - Note 17).

During the year ended December 31, 2014, the Company completed a non-brokered private placement of 7,246,833 units at a price of $0.30 per unit consisting of one common share and one transferable share purchase warrant, for gross proceeds of $2,174,050. Each whole warrant entitles the holder to acquire one common share at an exercise price of $0.55. The private placement was completed in two tranches with the first tranche of 5,443,500 units closed July 18, 2014 and the final tranche of 1,803,333 units closed on August 18, 2014, with the applicable warrants expiring on July 18, 2016 and August 18, 2016, respectively. The Company paid total share issuance costs of $29,550 and cash finder's fees of $86,490.

On October 10, 2014, the Company amended the expiration of 3,430,000 and 500,000 share purchase warrants exercisable at $1.30 from October 25, 2014 and October 30, 2014, respectively by an additional 12 months. In all other respects, the terms of these warrants remain unchanged. As a result of this amendment, the Company reclassified $13,805 of the fair value of the outstanding warrants from share capital to contributed surplus.

The following assumptions were used for the Black-Scholes valuation of warrants issued and amended during 2015 and 2014:

	2015	2014
Risk-free interest rate	**0.47%**	1.01% – 1.10%
Expected life of warrants	**24 months**	12 - 24 months
Fair value per warrant issued	**$0.118**	$0.004 - $0.102
Annualized volatility	**87%**	71% - 83%
Dividend rate	**0.00%**	0.00%

Option pricing models require the input of highly subjective assumptions, including the expected price volatility. The Company has used historical volatility in its share price to estimate expected volatility. Changes in the subjective input assumptions can materially affect the fair value estimated.

Options

The Company has adopted an incentive stock option plan under the rules of the TSX Venture Exchange ("TSXV") pursuant to which it is authorized to grant options to executive officers, directors, employees and consultants, enabling them to acquire up 10% of the issued and outstanding common shares of the Company. Under the plan, the exercise price of each option is equal to the market price of the Company's shares on the date of grant. The options can be granted for a maximum term of 10 years and generally vest 25% in specified increments. No individual may hold options to purchase common shares of the Company exceeding 5% of the total number of common shares outstanding from time to time. Pursuant to the policies of the TSXV, shares issued on exercise of options are restricted from trading during the four month period subsequent to the date of grant.

(Expressed in Canadian dollars)

7 Share Capital and Reserves *(continued)***:**

During the six months ended June 30, 2015, the Company granted a total of 2,485,000 incentive stock options to directors, officers, employees and consultants of the Company. Each share purchase option is exercisable for a period of 5 years from the grant date at an exercise price of $0.35. The share purchase options vest in increments from the grant date and will be fully vested in 18 months.

During the three and six months ended June 30, 2015, share based payments totaling $110,348 (2014 - $147,051) and $311,916 (2014 - $430,443) respectively, were expensed. As at June 30, 2015, 5,763,250 options (2014 – 4,166,000) with a weighted average exercise price of $0.84 per option (2014 - $0.95) were fully vested and exercisable.

As at June 30, 2015, the Company had outstanding stock options enabling holders to acquire common shares of the Company as follows:

Number of Shares	Exercise Price	Expiry Date
120,000	0.77	November 14, 2015
750,000	1.00	March 23, 2016
200,000	1.20	December 11, 2016
2,120,000	1.05	November 26, 2017
1,952,000	0.66	September 18, 2018
2,485,000	0.35	February 23, 2020
7,627,000		

The weighted average remaining life of the options is 3.13 years (2014 – 3.39 years).

For stock options granted to employees, officers, directors and consultants, share based payment expense is measured at fair value and recognized over the vesting period from the date of grant. The fair value of stock options granted during the six months ended June 30, 2015 was estimated using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	2015
Risk-free interest rate	**0.74%**
Expected life of options	**5 years**
Fair value per option granted	**$0.194**
Annualized volatility	**78%**
Forfeiture rate	**0.00%**
Dividend rate	**0.00%**

Option pricing models require the input of highly subjective assumptions, including the expected price volatility. The Company has used historical volatility in its share price to estimate expected volatility. Changes in the subjective input assumptions can materially affect the fair value estimated.

(Expressed in Canadian dollars)

7 Share Capital and Reserves *(continued)*:

Earnings per share

The calculation of basic loss per share for the three months ended June 30, 2015 was based on the loss of $610,187 (2014 - $700,243) and the weighted average number of common shares outstanding of 74,788,897 (2014 – 62,862,037) respectively. The Company does not have any instruments that would give rise to a dilution effect as of June 30, 2015. The Company has 7,627,000 options and 15,685,047 warrants that are anti-dilutive and thus, not included in diluted loss per share as of June 30, 2015.

The calculation of basic loss per share for the six months ended June 30, 2015 was based on the loss of $1,367,122 (2014 - $1,741,855) and the weighted average number of common shares outstanding of 74,282,141 (2014 – 62,834,190) respectively. The Company does not have any instruments that would give rise to a dilution effect as of June 30, 2015. The Company has 7,627,000 options and 15,685,047 warrants that are anti-dilutive and thus, not included in diluted loss per share as of June 30, 2015.

8 Receivables:

The Company's receivables are as follows:

	June 30, 2015	June 30, 2014
IVA/GST receivable	**$ 396,175**	$ 572,762
Receivable	**101,752**	208,418
Advances	**35,782**	25,623
Total	**$ 533,709**	$ 806,803

9 Income Taxes:

As at December 31, 2014, the Company has non capital loss carryforwards of approximately $15,126,797 (2013: $12,427,157), which may be carried forward to apply against future year income tax for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

	Canadian
	2014
2025	197,017
2026	424,974
2027	630,148
2028	1,176,346
2029	1,925,432
2030	2,031,522
2031	2,200,884
2032	1,645,917
2033	1,901,800
2034	2,992,757
TOTAL	15,126,797

In addition, the Company has capital losses of $869,911, which may be carried forward indefinitely and applied to reduce future Canadian capital gains.

(Expressed in Canadian dollars)

9 Income Taxes *(continued)*:

The Company has net operating loss carryforwards of approximately $23,268,657 (2013: $20,980,007) which may be carried forward to apply against future year income for Mexican tax purposes, expiring in the following years:

	Mexican
	2014
2015	139,177
2016	-
2017	3,559,596
2018	6,828,094
2019	1,308,119
2020	2,816,616
2021	7,811,597
2022	207,844
2023	212,472
2024	385,142
TOTAL	23,268,657

10 Supplemental Disclosure of Cash and Non-Cash Activities:

The following transactions incurred during the period did not include cash:

	June 30, 2015	June 30, 2014
Acquisition of shares as proceeds from option of mineral property	**$ (24,000)**	$ (6,000)
Issuance of share capital for acquisition of mineral property interests	**76,500**	22,550
Shares received as proceeds on sale of mineral property	**-**	(230,000)
Receivable and advances for mineral property costs	**9,205**	131,934
Mineral property costs included in accounts payable	**(47,517)**	(8,794)

11 Related Party Transactions and Balances:

Except as disclosed elsewhere in these consolidated interim financial statements the following related party transactions were incurred in the normal course of business and were measured at the exchange amount:

	June 30, 2015	June 30, 2014
Management fees charged by companies controlled by a director and/or officers	**$ 251,500**	$ 251,500
Consulting, administrative and geological fees charged by a company with common officers	**60,000**	60,000

The Company has entered into a consulting agreement with Makwa Exploration Ltd. for the services of James McDonald to act as the Company's President and CEO, and with Manly Capital Corp. for the services of Kenneth Berry to act as the Company's Chairman. The base monthly fee is $15,000 under each agreement. The consulting agreement was effective as of January 1, 2008 and expired on December 31, 2009; on expiration, the agreement extends in increments of 24 months, until terminated.

(Expressed in Canadian dollars)

11 Related Party Transactions and Balances *(continued)***:**

Effective September 1, 2008, the Company entered into an administrative services agreement with Touchstone Capital Corp. a private company indirectly related to two common officers of the Company. Touchstone provides services to the Company including assisting in professional analysis and planning of exploration programs, promotional materials; providing access to secretarial services and providing such other additional instructions and directions as the Company may require. For the six months ended June 30, 2015, the Company incurred expenses of $60,000 (2014 - $60,000) under the administrative services contract.

In addition to the above:

a) Included in marketable securities as at June 30, 2015 is $154,000 (2014 - $218,000) market value of shares received from companies with directors in common.

b) Included in exploration recovery of costs as at June 30, 2015 is $1,181,621 (2014 - $1,141,026) received from joint venture partners who have a common director and a common officer.

c) Included in accounts receivable as at June 30, 2015 is $67,028 (2014 - $138,920) from companies who have common directors or officers.

d) Included in accounts payable as at June 30 2015 is $179,343 (2014 - $27,020) to companies who have common directors or officers.

e) For the six months ended June 30, 2015, the Company incurred $33,000 (2014 - $30,000) for compensation to directors. As at June 30, 2015, $33,000 (2014 - $30,000) is held in accounts payable.

f) For the six months ended June 30, 2015, the Company incurred $nil (2014 - $40,000) for consulting service fees charged by a director.

g) For the six months ended June 30, 2015, the Company incurred $166,001 (2014 - $204,722) for share based payment expenses to related parties.

12 Contingent Liabilities:

The Company's mineral properties are affected by the laws and regulations concerning environmental protection that exist in the various jurisdictions. It is not possible to estimate the future impact on operating results, if any, as a result of, future changes in regulations or developments.

13 Segmented Information:

The Company has one reportable operating segment, being the acquisition and exploration and future development of mineral properties.

The Company's current assets, non-current assets, current liabilities, and mineral properties and deferred costs by geographic location are as follows:

	June 30, 2015	June 30, 2014
Canada:		
Current asset	**$ 1,195,433**	$ 2,044,850
Mineral property	**1,076,197**	1,636,930
Other non-current asset	**169,145**	194,768
Current liability	**(389,121)**	(171,611)
	$ 2,051,654	$ 3,704,937

(Expressed in Canadian dollars)

13 Segmented Information *(continued)***:**

	June 30, 2015	June 30, 2014
Mexico:		
Current asset	**$ 461,441**	$ 687,581
Mineral property	**33,804,323**	32,432,209
Other non-current asset	**125,934**	133,782
Current liability	**(15,312)**	(47,602)
	$ 34,376,386	$ 33,205,970

14 Commitments:

The Company entered into a contract for office rent, which commenced January 1, 2013 and expires December 31, 2015. The following table summarizes the Company's total annual obligations under this agreement as at June 30, 2015:

2015	19,014
	$ 19,014

The Company entered into a contract for additional office rent, which commenced August 1, 2013 and expires July 31, 2018. The following table summarizes the Company’s total annual obligations under this agreement as at June 30, 2015:

2015	2,034
2016	37,066
2017	37,066
2018	21,622
	$ 97,788

During the year ended December 31, 2014, the Company subleased its additional office lease, reducing its monthly commitment from $2,967 to $339 per month until December 31, 2015.

15 Financial Instruments and Financial Risk Management:

The Company’s financial instruments include cash and cash equivalents, receivable and advances, marketable securities, advances and deposits, and accounts payable and accrued liabilities. The carrying values of these financial instruments approximate their fair values due to their relatively short periods to maturity and due to the insignificant carrying values of long term financial instruments except for marketable securities, which are measured at fair value through other comprehensive income at each reporting period end.

The Company’s risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company’s activities. The Company has exposure to credit risk, liquidity risk and market risk as a result of its use of financial instruments.

This note presents information about the Company’s exposure to each of the above risks and the Company’s objectives, policies and processes for measuring and managing these risks. Further quantitative disclosures are included throughout these consolidated interim financial statements. The Board of Directors has overall responsibility for the establishment and oversight of the Company’s risk management framework. The Board has implemented and monitors compliance with risk management policies.

15 Financial Instruments and Financial Risk Management *(continued)*:

(a) Credit risk:

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's accounts receivable relates to receivables from exploration partners who are earning a right to the Company's property via earn-in option agreements, Goods and Services Tax input tax credits and IVA credits (Mexican Value Added Tax refunds) from the Mexican Government. Accordingly, the Company views credit risk on accounts receivable as minimal, being the refund of tax credits in Canada and Mexico to moderate being receivables from exploration partners.

(b) Liquidity risk:

Liquidity risk is the risk that the Company will incur difficulties meeting its financial obligations as they are due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Company's reputation.

The Company prepares annual expenditure budgets, which are regularly monitored and updated as considered necessary. To facilitate its expenditure program, the Company raises funds through private equity placements.

The Company anticipates it will have adequate liquidity to fund its financial liabilities through future equity contributions.

As at June 30, 2015, the Company's financial liabilities were comprised of accounts payable and accrued liabilities, which have a maturity of less than one year.

(c) Market risk:

Market risk consists of currency risk, commodity price risk and interest rate risk. The objective of market risk management is to manage and control market risk exposures within acceptable limits while maximizing returns.

(i) Currency risk:

Foreign currency exchange rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. Although the Company is considered to be in the exploration stage and has not yet developed commercial mineral interests, the underlying market prices in Canada for minerals are impacted by changes in the exchange rate between the Canadian dollar, the United States dollar and the Mexican Peso. The Company's transactions are denominated in Canadian dollars, United States dollars and the Mexican Peso. The Company has not entered into any arrangements to hedge currency risk but does maintain cash balances within each currency with a predominate balance held in Canadian Dollars. Canadian dollars are exchanged when needed to meet foreign denominated liabilities.

(Expressed in Canadian dollars)

15 Financial Instruments and Financial Risk Management *(continued)*:

The balances denominated in foreign currency are as follows:

	June 30, 2015	June 30, 2014
	US$	US$
Cash	**98,023**	16,533
Trade accounts payable and accrued liabilities	**18,789**	-
	Mexican Peso	Mexican Peso
Cash	**935,542**	633,722
Receivables and advances	**4,639,229**	7,503,083
Trade accounts payable and accrued liabilities	**192,679**	517,586

The Company has completed a sensitivity analysis to estimate the impact of the change in the foreign exchange rates on net loss for the period. The result of the sensitivity analysis shows a change in +/- 10% in the Mexican Peso exchange rate could have an impact of approximately +/- $27,000 on the Company's net loss. This result arises primarily because the Company has Mexican Peso denominated cash accounts, accounts receivable and short term liabilities. The actual results of a change in foreign exchange rates would depend on the foreign currency denominated assets and liabilities at the time and could cause the impact on the Company’s results to differ from above.

(ii) Commodity price risk:

Commodity price risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for minerals are impacted by world economic events that dictate the levels of supply and demand as well as the relationship between the Canadian and United States dollar, as outlined above. The Company is exposed to the price volatilities for precious and base metals that could significantly impact its future operating cash flow. As part of its routine activities, management is closely monitoring the trend of international metal prices.

(iii) Interest rate risk:

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The risk that the Company will realize a loss as a result of a decline in the fair value of cash and cash equivalents is limited because of their short-term investment nature. A variable rate of interest is earned on cash and cash equivalents, changes in market interest rates at the period-end would not have a material impact on the Company’s consolidated interim financial statements.

(Expressed in Canadian dollars)

15 Financial Instruments and Financial Risk Management *(continued)*:

d) Fair value of financial instruments

The Company classifies its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

June 30, 2015		**Level 1**		**Level 2**		**Level 3**		**Total**
Marketable securities	$	206,890	$	-	$	-	$	206,890
Cash and Cash Equivalents	$	721,727	$	-	$	-	$	721,727
June 30, 2014		Level 1		Level 2		Level 3		Total
Marketable securities	$	662,254	$	-	$	-	$	662,254
Cash and Cash Equivalents	$	1,092,916	$	-	$	-	$	1,092,916

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).

16 Capital Management:

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain a flexible capital structure which will allow it to pursue the development of its mineral properties. Therefore, the Company monitors the level of risk incurred in its mineral property expenditures relative to its capital structure.

The Company's capital structure includes working capital and shareholders' equity. The Company monitors its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to facilitate the management of capital and the development of its mineral properties, the Company prepares annual expenditure budgets, which are regularly monitored and updated as considered necessary.

To maintain or adjust the capital structure, the Company may issue new equity if available on favourable terms, option its mineral properties for cash and/or expenditure commitments from optionees, enter into joint venture arrangements, or dispose of mineral properties.

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

The Company is not subject to externally imposed capital requirements. There has been no change in the Company's approach to capital management during the six months ended June 30, 2015.

17 Subsequent Events:

Subsequent to June 30, 2015, the Company closed its July 16, 2015 announced non-brokered private placement and raised total gross proceeds of $1,315,950 by issuing a total of 4,386,500 units at a purchase price of $0.30 per unit. Each unit consists of one common share of the Company and one transferable share purchase warrant. Each whole warrant entitles the holder to acquire one common share at an exercise price of $0.55. The private placement was completed in two tranches, with the first tranche of 3,586,500 units closed August 11, 2015 and the final tranche closed August 26, 2015, with the applicable warrants expiring on August 10, 2017 and August 26, 2017, respectively. The Company paid cash finder's fees to arm's length parties totaling $10,710 and issued 96,000 finders units (the "Finders Units”). The Finders Units consist of one common share and one non-transferable common share purchase warrant, expiring August 10, 2017. All securities issued in connection with the private placement, including Finders Units, are subject to a four-month hold period, which expires on December 11, 2015 and December 26, 2015, respectively.