CARMAX MINING

FINANCIAL STATEMENTS

FOR THE YEAR ENDED
OCTOBER 31, 2015
AND THREE MONTHS ENDED OCTOBER 31, 2014

(Expressed in Canadian Dollars)

MORGAN & COMPANY LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Carmax Mining Corp.

Report on the financial statements

We have audited the accompanying financial statements of Carmax Mining Corp., which comprise the statements of financial position as at October 31, 2015 and 2014, and the statements of operations and comprehensive loss, changes in equity, and cash flows for the year ended October 31, 2015 and for the three month period ended October 31, 2014, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Carmax Mining Corp. as at October 31, 2015 and 2014, and its financial performance and its cash flows for the year ended October 31, 2015 and for the three month period ended October 31, 2014, in accordance with International Financial Reporting Standards.

Vancouver, Canada — *"Morgan & Company LLP"*

February 24, 2016 — Chartered Professional Accountants

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CARMAX MINING CORP.
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	As at October 31, 2015	As at October 31, 2014
ASSETS		
Current Assets		
Cash	**$ 512,829**	$ 75,656
Short term investments	**-**	251,115
GST receivable	**19,823**	42,916
B.C. Mining Exploration Tax Credit receivable	**-**	316,321
Prepaid expenses	**9,150**	31,493
Total Current Assets	**541,802**	717,501
Equipment	**-**	771
Investment (Note 5)	**2,500**	5,000
Reclamation Deposits (Note 6)	**135,000**	135,000
Exploration and Evaluation Assets (Note 7, 12)	**9,184,280**	8,386,736
Total Assets	**$ 9,863,582**	$ 9,245,008
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	**$ 312,796**	$ 190,272
Decommissioning Provision (Note 8)	**35,467**	34,903
Promissory Note (Note 12)	**100,000**	-
Total Liabilities	**448,263**	225,175
Equity		
Share capital (Note 9)	**14,500,597**	13,768,130
Share-based payment reserve	**279,077**	270,399
Accumulated other comprehensive loss	**(22,000)**	(19,500)
Deficit	**(5,342,355)**	(4,999,196)
Total Equity	**9,415,319**	9,019,833
Total Liabilities and Equity	**$ 9,863,582**	$ 9,245,008

These financial statements were approved and authorized for issue by the Board of Directors on February 24, 2016 by:

"Jevin Werbes"	"Chris Healey"
Chief Executive Officer	Director

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

CARMAX MINING CORP.

STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(Expressed in Canadian Dollars)

		Year Ended October 31, 2015		Three Months Ended October 31, 2014
Operating Expenses				
Accretion	**$**	**564**	$	141
Consulting		**167,738**		20,932
Director fees		**10,500**		-
Insurance		**19,958**		4,092
Management fees		**-**		24,000
Office		**21,676**		2,620
Professional fees		**40,231**		32,913
Promotion and entertainment		**23,123**		1,446
Rent		**11,900**		6,900
Share-based payments		**53,006**		30,500
Shareholder communications		**31,276**		21,230
Transfer agent and regulatory fees		**20,649**		5,210
Travel		**10,504**		4,007
Wages		**10,082**		7,218
Loss Before Non-Operating Items		**(421,207)**		(161,209)
Non-Operating Income				
Interest income		**3,722**		1,158
Loss Before Taxes		**(417,485)**		(160,051)
Income Taxes				
Deferred income tax recovery		**30,000**		-
Net Loss		**(387,485)**		(160,051)
Other Comprehensive Loss				
Unrealized loss on AFS investment		**(2,500)**		(1,000)
Comprehensive Loss		**(389,985)**		(161,051)
Basic and Fully Diluted Loss per Share	**$**	**(0.01)**	$	(0.00)
Weighted Average Number of Shares Outstanding		**65,373,940**		53,500,985

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

CARMAX MINING CORP.

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD OF JULY 31, 2014 TO OCTOBER 31, 2015

(Expressed in Canadian Dollars)

	Shares	Amount	Share-Based Payment Reserve	Accumulated Other Comprehensive Loss	Deficit	Total Equity
Balance, July 31, 2014	52,175,998	13,541,384	458,440	(18,500)	(5,057,686)	8,923,638
Shares issued for cash	3,386,078	237,025	-	-	-	237,025
Share issuance costs	-	(10,279)	-	-	-	(10,279)
Expiration of share-based compensation	-	-	(218,541)	-	218,541	-
Revaluation of investment to market value	-	-	-	(1,000)	-	(1,000)
Share-based compensation	-	-	30,500	-	-	30,500
Net loss for the period	-	-	-	-	(160,051)	(160,051)
Balance, October 31, 2014	**55,562,076**	**$ 13,768,130**	**$ 270,399**	**$ (19,500)**	**$ (4,999,196)**	**$ 9,019,833**
Shares issued for cash	16,180,450	809,023	-	-	-	809,023
Share issuance costs	-	(46,556)	-	-	-	(46,556)
Expiration of share-based compensation	-	-	(44,328)	-	44,328	-
Revaluation of investment to market value	-	-	-	(2,500)	-	(2,500)
Share-based compensation	-	-	53,006	-	-	53,006
Flow-through share premium	-	(30,000)	-	-	-	(30,000)
Net loss for the period	-	-	-	-	(387,485)	(387,485)
Balance, October 31, 2015	**71,742,526**	**$ 14,500,597**	**$ 279,077**	**$ (22,000)**	**$ (5,342,355)**	**$ 9,415,319**

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

CARMAX MINING CORP.
STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	Year Ended October 31, 2015	Three Months Ended October 31, 2014
Cash Provided By (Used In) Operating Activities		
Net loss for the period	**$ (387,485)**	$ (160,051)
Items not affecting cash:		
Accretion	**564**	141
Accrued interest	**1,115**	245
Share–based payments	**53,006**	30,500
	(332,800)	(129,165)
Changes in non-cash working capital items:		
Accounts payable and accrued liabilities	**(46,145)**	12,895
GST receivable	**23,093**	(6,415)
Prepaid expenses	**22,343**	12,790
Cash Outflows From Operating Activities	**(333,509)**	(109,895)
Cash Provided by (Used in) Investing Activities		
B.C. Mining Exploration Tax Credit received	**286,483**	-
Exploration advances	**-**	80,000
Exploration and evaluation assets	**(598,266)**	(911,733)
Short term investments (net)	**250,000**	500,000
Cash Outflows from Investing Activities	**(61,783)**	(331,733)
Cash Provided by (Used in) Financing Activities		
Proceeds from promissory note	**100,000**	-
Proceeds from share issuances	**779,021**	237,025
Share issue costs	**(46,556)**	(10,279)
Cash Inflows From Financing Activities	**832,465**	226,746
Increase (decrease) in cash for the year	**437,173**	(214,882)
Cash, beginning of the year	**75,656**	290,538
Cash, End of Year	**$ 512,829**	$ 75,656
Supplemental Cash Flow Information		
Interest paid	**$ -**	$ -
Income taxes paid	**$ -**	$ -

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

1. NATURE OF OPERATIONS

Carmax Mining Corp. (**"Carmax"** or the **"Company"**) was incorporated under the Canada Business Corporations Act on June 16, 2000 and is listed on the TSX Venture Exchange.

The Company maintains its head office at #217-179 Davie Street, Vancouver, British Columbia, Canada, V6Z 2Y1.

The Company's principal business activity is the acquisition and exploration of resource properties. The Company presently has no proven or probable reserves and on the basis of information to date, it has not yet determined whether these properties contain economically recoverable ore reserves. Consequently, the Company considers itself to be an exploration stage company. On January 5, 2015, the Company changed its fiscal year-end from July 31 to October 31.

2. BASIS OF PRESENTATION

a) Statement of Compliance

These financial statements were authorized for issue by the Board of Directors on February 24, 2016.

b) Basis of Measurement

These financial statements have been prepared on a historical cost basis except for financial instruments that have been measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The functional currency of the Company is the Canadian dollar, being the currency of the economic environment of the Company's operations. The functional currency is also the presentation currency.

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. See Note 4 for Critical Accounting Estimates and Judgments made by management in the application of IFRS.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these financial statements set out below have been applied consistently in all material respects.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents to the extent the funds are not being held for investment purposes. As of October 31, 2015 and 2014, the Company had no cash equivalents.

Short Term Investments

Short term investments include investments that are convertible to known amounts of cash and have a maturity of one year or less.

Basic and Diluted Loss per Share

Basic earnings per share are computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year. Diluted earnings per share reflect the potential dilution that could occur if potentially dilutive securities were exercised or converted to common stock. The dilutive effect of options and warrants and their equivalent is computed by application of the treasury stock method and the effect of convertible securities by the "if converted" method. Diluted amounts are not presented when the effect of the computations are anti-dilutive due to the losses incurred. Accordingly, there is no difference in the amounts presented for basic and diluted loss per share.

Exploration and Evaluation Assets

Pre-exploration costs

Pre-exploration costs are expensed in the period in which they are incurred.

Exploration and evaluation costs for mineral properties

Once the legal right to explore a property has been acquired, exploration and evaluation expenditures are recognized and capitalized. Mineral exploration costs are capitalized on an individual prospect basis until such time as an economic ore body is defined or the prospect is abandoned. Once the technical feasibility and commercial viability of extraction of the mineral resources has been determined, the property is considered to be a property under development and is reclassified as such. Costs for a producing prospect are amortized on a unit-of-production method based on the estimated life of the ore reserves, while those costs for the prospects abandoned are written off.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Exploration and Evaluation Assets (Continued)

<u>Exploration and evaluation costs for mineral properties</u> (Continued)

When facts and circumstances suggest that the carrying amount exceeds the recoverable amount, an impairment loss is recognized.

Facts and circumstances that indicate a test for impairment as defined in *IFRS 6 exploration and evaluation assets* include the following:

- the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;

- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;

- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area;

- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

The recoverability of the amounts capitalized for the undeveloped mineral property is dependent upon the determination of economically recoverable mineral resources, confirmation of the Company's interest in the underlying mineral claims, the ability to obtain the necessary financing to complete their development, and future profitable production or proceeds from the disposition thereof.

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance history characteristic of many mineral properties. The Company has investigated title to its mineral properties and, to the best of its knowledge, the title to its properties are in good standing.

Management's capitalization of exploration and development costs and assumptions regarding the future recoverability of such costs are subject to significant estimation uncertainty. Management's assessment of recoverability is based on, among other things, the Company's estimate of current mineral reserves and resources which are supported by geological estimates, estimated commodity prices, and the procurement of all necessary regulatory permits and approvals. These assumptions and estimates could change in the future and this could materially affect the carrying value and the ultimate recoverability of the amounts recorded for mineral properties.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Mining Tax Credits

Mining tax credits are recorded in the financial statements when there is reasonable assurance that the Company has complied with, and will continue to comply with, all conditions needed to obtain the credits. These non-repayable mining tax credits are earned in respect to exploration costs incurred in British Columbia, Canada and are recorded as a reduction of the related exploration and evaluation assets.

Equipment

Exploration equipment is recorded at cost and depreciated over its estimated useful life at 30% straight line per annum.

The cost of an item includes the purchase price and directly attributable costs to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Where an item of equipment comprises major components with different useful lives, the components are accounted for as separate items of equipment.

Depreciation methods, useful lives and residual values are reviewed at each financial year end and are adjusted if appropriate.

Share-Based Payments

Equity-settled share based payments for directors, officers, employees and consultants are measured at fair value using the Black-Scholes option valuation model at the stock option grant date and recorded as an expense in the financial statements with a corresponding increase in the share-based payment reserve. The fair value determined at the grant date of the equity-settled share based payments is expensed using the graded vesting method over the vesting period based on the Company's estimate of the amount of shares that will eventually vest. Consideration paid by optionees on exercise of stock options together with their fair values is credited to share capital. The fair values of expired, forfeited and cancelled options are removed from the share-based payment reserve and credited to deficit.

Compensation expense on stock options granted to consultants is measured at the earlier of the completion of performance and the date the options are vested at the fair value of the goods and services received and are recorded as an expense in the same period as if the Company had paid cash for the goods or services received. When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by the use of the Black-Scholes model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Income Taxes

Income tax expense comprises of current and deferred tax. Current and deferred tax is recognized in the statement of operations except to the extent that it relates to a business combination or items

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

recognized directly in equity or other comprehensive income, in which case the income tax is also recognized directly in equity or other comprehensive income.

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

Deferred tax assets and liabilities are recognized in respect of all qualifying temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the statement of financial position date and are expected to apply when the deferred tax asset or liability is settled. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Impairment of Long-lived Assets

The Company's tangible and intangible assets are reviewed for an indication of impairment at each statement of financial position date. If indication of impairment exists, the asset's recoverable amount is estimated.

An impairment loss is recognized when the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in the statement of operations for the period. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of Long-lived Assets (Continued)

of depreciation or amortization, if no impairment loss had been recognized. An impairment loss with respect to goodwill is never reversed.

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 assets in the following categories depending on the purpose for which the instruments were acquired.

Financial assets are classified into one of four categories: Financial assets at fair value through profit or loss (“FVTPL”), Held-to-maturity investments, available for sale (“AFS”) financial assets and loans and receivable.

The Company has classified cash, and short term investments as FVTPL and reclamation deposits and other receivables as loans and receivable, which are recorded at amortized cost.

The Company has classified the investment as AFS. Available for sale financial assets are measured at fair value, with unrealized gains and losses recorded in other comprehensive income or loss until the asset is realized, at which time they will be recorded in net income or loss.

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. Financial assets are impaired when one or more events that occurred after the initial recognition of the financial asset have been impacted.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset’s carrying amount and the present value of the estimated future cash flows, discounted at the financial asset’s original effective interest rate.

The carrying amount of all financial assets, excluding trade receivables, is directly reduced by the impairment loss. The carrying amount of trade receivables is reduced through the use of an allowance. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in the statement of operations.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (Continued)

Impairment losses on loans and receivables carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized. Impairment losses on available-for-sale equity instruments are not reversed.

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at FVTPL, or other financial liabilities, as appropriate.

The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value.

The Company's financial liabilities include accounts payables and accrued liabilities. Subsequent to initial recognition, accounts payable and accrued financial liabilities are measured at amortized cost using the effective interest method.

Decommissioning Provisions

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of tangible long-lived assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates is capitalized to the amount of the related asset along with a corresponding increase in the decommissioning provision in the period incurred. Provisions are determined by discounting the risk-adjusted expected future cash flows to take into consideration risks and uncertainties involving the transaction. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The decommissioning cost is depreciated on the same basis as the related asset. The liability is progressively increased each period as the effect of discounting unwinds, creating an expense recognition in the statement of operations.

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

The Company's estimates are reviewed at each reporting date for changes in regulatory requirements, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to the statement of operations for the period.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Translation of Foreign Currencies

The financial statements are presented in Canadian dollars which is the Company's functional and presentation currency.

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined and are not subsequently retranslated.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the statement of operation in the period in which they arise.

Share Capital

Share issue costs

Costs directly identifiable with the raising of share capital financing are charged against share capital. Share issue costs incurred in advance of share subscriptions are recorded as non-current deferred assets. Share issue costs related to uncompleted share subscriptions are charged to operations.

Fair value of warrants

Proceeds from unit placements are allocated between shares and warrants issued according to their relative fair value using the residual method to determine the fair value of warrants issued. The value of warrants issued to brokers is determined by using the Black-Scholes model.

Flow-through shares

The Company provides certain share subscribers with a flow-through component for tax incentives available on qualifying Canadian exploration expenditures. The increase to share capital when flow-through shares are issued is measured based on the current market price of common shares. Any premium, being the excess of the proceeds over the market value of the common shares, is recorded as a liability. At the later of the renouncing and the incurrence of the expenditure, the Company de-recognizes the liability, and the premium amount is recognized as a credit to deferred tax in the statement of operations. The Company may be subject to a Part XII.6 tax on flow-through proceeds, renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Standards Issued But Not Yet Applied

International Financial Reporting Standard 9, Financial Instruments ("IFRS 9"), was issued in November 2009. It addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: Amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends, to the extent not clearly representing a return of investment, are recognized in profit or loss; however, other gains and losses (including impairments) associated with such instruments remain in accumulated other comprehensive income indefinitely. This standard is required to be applied for accounting periods beginning on or after January 1, 2018, with earlier adoption permitted. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

Recently Adopted Accounting Pronouncements

There have been no new accounting policies adopted by the Company.

4. USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. The preparation of the financial statements also requires management to exercise judgment in the process of applying the accounting policies.

On an on-going basis, management evaluates its judgments and estimates in relation to assets, liabilities and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances, as the basis for its judgments and estimates. Revisions to accounting estimates are recognised prospectively from the period in which the estimates are revised. Actual outcomes may differ from those estimates under different assumptions and conditions.

<u>Critical Accounting Estimates</u>

The following are the key estimate and assumption uncertainties that have a significant risk of resulting in a material adjustment within the next financial year.

Impairment

Assets, especially exploration and evaluation assets; are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts exceed their recoverable amounts. The assessment of the recoverable amount requires estimates and assumptions such as discount rates, exchange rates, commodity prices, future capital requirements and future operating performance.

4. USE OF ESTIMATES AND JUDGEMENTS (Continued)

Share-Based Payment Transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and the dividend yield. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 10.

Title To Mineral Property Interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

Decommissioning Provisions

Management's best estimates regarding the decommissioning provisions are based on the current economic environment and future cash flows. Changes in estimates of contamination, restoration standards and restoration activities result in changes to provisions from period to period. Actual decommissioning provisions will ultimately depend on future market prices of obligations.

Critical Judgments Used in Applying Accounting Policies

Going Concern

Financial statements are prepared on a going concern basis, unless management either intends to liquidate the Company or to cease trading, or has no realistic alternative to do so. Assessment of the Company's ability to continue as a going concern requires the consideration of all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. This information includes estimates of future cash flows and other factors, the outcomes of which are uncertain. When management is aware, in making its assessment, of material uncertainties related to events or conditions that may cost significant doubt upon the Company's ability to continue as a going concern, those uncertainties are disclosed. Management has determined that disclosure is not required for these statements.

Exploration And Evaluation Expenditures

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which is based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after the expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely,

Notes to the financial statements for the year ended October 31, 2015 and the three months ended October 31, 2014 (Expressed in Canadian Dollars)

4. USE OF ESTIMATES AND JUDGEMENTS (Continued)

Exploration and Evaluation Expenditures (Continued)

the amount capitalized is impaired in the statement of operations during the period the new information becomes available.

Income taxes

Significant judgment is required in determining the provision for future income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

5. INVESTMENT

	October 31, 2015	October 31, 2014
Alexandria Minerals Corporation – 100,000 common shares, quoted at market value ($0.025 as at October 31, 2015)	**$ 2,500**	$ 5,000

6. RECLAMATION DEPOSITS

The Company was required to post three bonds totalling $135,000, relating to the exploration of the Eaglehead Property in British Columbia. The deposits will be refunded to the Company upon completion of reclamation to the satisfaction of the British Columbia Inspector of Mines. The reclamation deposits are being held in term deposits at various interest rates.

Notes to the financial statements for the year ended October 31, 2015 and the three months ended October 31, 2014 (Expressed in Canadian Dollars)

7. EXPLORATION AND EVALUATION ASSETS

Mineral property costs for the year ended October 31, 2015 are:

		Eaglehead Property
Property acquisition costs, as at October 31, 2014	$	622,512
Deferred exploration costs, as at October 31, 2014		7,764,224
Balance as at October 31, 2014		**8,386,736**
Additions during the period:		
Amortization of field equipment		771
Assays		89,213
B.C. Mining Exploration Tax Credit receivable		29,838
Camp costs		43,893
Drilling		176,512
Engineering and consulting		163,760
Equipment rental		300
Reports and mapping		3,088
Storage		2,000
Supplies		13,486
Survey and geological		34,307
Technicians and labour		35,756
Transportation		26,672
Travel		82,147
Wages		95,801
Total for the Year		**797,544**
Balance as at October 31, 2015	**$**	**9,184,280**

Notes to the financial statements for the year ended October 31, 2015 and the three months ended October 31, 2014 (Expressed in Canadian Dollars)

7. EXPLORATION AND EVALUATION ASSETS (Continued)

Mineral property costs for the three month period ended October 31, 2014 were:

	Eaglehead Property
Property acquisition costs, as at July 31, 2014	$ 622,512
Deferred exploration costs, as at July 31, 2014	7,132,572
Balance as at July 31, 2014	**7,755,084**
Additions during the period:	
Amortization of field equipment	638
Assays	51,906
B.C. Mining Exploration Tax Credit receivable	(157,753)
Camp costs	95,376
Drilling	340,849
Engineering and consulting	97,885
Equipment rental	18,500
Social license	2,147
Supplies	8,324
Survey and geological	64,375
Technicians and labour	49,990
Transportation	2,728
Travel	56,687
Total for the Period	**631,652**
Balance as at October 31, 2014	**$ 8,386,736**

Eaglehead Property

The Company entered into an agreement, effective October 31, 2005, with two former directors of the Company, to acquire a 100% interest in the Eaglehead Property claims, subject to a 2.5% net smelter return royalty, located near the Dease Lake area of north central British Columbia.

During the year ended July 31, 2008, the Company successfully staked an additional six claims adjoining the Eaglehead Property to the southeast. During the year ended July 31, 2011, the Company completed all the terms of the acquisition agreement, including the minimum cash payments totalling $350,000, issuing 300,000 common shares and spending a minimum of $6,000,000 in exploration and development costs. As a result of meeting all the terms of the acquisition, the Company obtained 100% ownership of the property.

During the year ended July 31, 2014, the Company acquired from Copper Fox Metals Inc. (**"Copper Fox"**) four mineral tenures comprising 2,130 hectares. Three of the mineral tenures comprising of 981 hectares are subject to a 2% Net Smelter Return Royalty, one-half (1%) of which may be purchased for $1,000,000. The tenures were acquired for $11,011, which was the cost of acquisition to Copper Fox Metals Inc.

Notes to the financial statements for the year ended October 31, 2015 and the three months ended October 31, 2014 (Expressed in Canadian Dollars)

8. DECOMMISSIONING PROVISION

The decommissioning provision for the Eaglehead exploration and evaluation asset was estimated by management based on the Company's ownership interest, the estimated timing of the risk adjusted costs to be incurred in future periods and the Company's risk free interest rate of 1.46% at October 31, 2015. The Company has estimated the net present value of this provision at October 31, 2015 to be $35,467 based on a total undiscounted liability of $36,500. This undiscounted cost was determined by using a risk adjusted rate of inflation of 5% annually. These costs are expected to be incurred in 2017.

		October 31, 2015		October 31, 2014
Balance, Beginning of Year	**$**	**34,903**	$	34,762
Accretion		**564**		141
Balance, End of Year	**$**	**35,467**	$	34,903

9. SHARE CAPITAL

a) Authorized

An unlimited number of common shares without par value.

b) Issued and Outstanding

During the year ended October 31, 2015, the Company incurred the following share issuances;

- On December 23, 2014, the Company issued 3,000,000 units at $0.05 each pursuant to a private placement for gross proceeds of $150,000. Each unit consists of one flow-through common share and one callable share purchase warrant. Each share purchase warrant is exercisable into one non-flow through-common share at $0.10 until December 23, 2016. Finders' fees of $12,000 were paid pursuant to this financing.

- On January 14, 2015, the Company issued 2,180,450 units to Northern Fox Copper Inc. ("**Northern Fox**"), a wholly owned subsidiary of Copper Fox Metals Inc., at a price of $0.05 per unit for total aggregate proceeds of $109,023 pursuant to the pre-emptive and non-dilution rights included in the letter agreement between Copper Fox and the Company as detailed in Note 12. Each unit consists of one common share and one share purchase warrant. Each warrant is exercisable into one common share at $0.10 until January 14, 2017.

  The Company also incurred other share issuance costs comprising legal fees and filing fees amounting to $24,073 in connection with the above two financings.

- On May 1, 2015, the Company issued 11,000,000 units to Northern Fox at a price of $0.05 per unit for total aggregate proceeds of $550,000, pursuant to a private placement. Each unit consists of one common share and one share purchase warrant. Each share purchase warrant is exercisable into one common share at $0.075 until May 1, 2017. No finders' fees were paid

Notes to the financial statements for the year ended October 31, 2015 and the three months ended October 31, 2014 (Expressed in Canadian Dollars)

9. SHARE CAPITAL (Continued)

b) *Issued and Outstanding* (Continued)

in relation to this financing. The Company incurred share issuance costs comprising of legal fees amounting to $10,483.

As a result of the May 1, 2015 share issuance, Copper Fox Metals Inc., through its wholly owned subsidiary Northern Fox obtained a controlling interest of 50.97% of the issued and outstanding common shares of the Company.

c) *Warrants*

A summary of changes in share purchase warrants for the year ended October 31, 2015 and the three month period ended October 31, 2014 is presented below:

	Year Ended October 31, 2015		Three Months Ended October 31, 2014	
	Number of Warrants Outstanding	**Weighted Average Exercise Price**	Number of Warrants Outstanding	Weighted Average Exercise Price
Balance, Beginning of Year	**28,046,078**	**$ 0.077**	24,660,000	$ 0.075
Issued	**16,180,450**	**0.083**	3,386,078	0.09
Balance, End of Year	**44,226,528**	**$ 0.079**	28,046,078	$ 0.077

As at October 31, 2015 share purchase warrants were outstanding for the purchase of common shares as follows:

Number of Warrants Outstanding	**Warrant Exercise Price**	**Warrants Exercisable as of October 31, 2015**	**Warrant Expiry Date**
20,000,000	$ 0.075	20,000,000	May 28, 2016
4,660,000	$ 0.075	4,660,000	July 9, 2016
3,386,078	$ 0.090	3,386,078	September 25,2016
3,000,000	$ 0.100	3,000,000	December 23, 2016
2,180,450	$ 0.100	2,180,450	January 14, 2017
11,000,000	$ 0.075	11,000,000	May 1, 2017
44,226,528	**$ 0.079**	**44,226,528**	

As at October 31, 2015, the weighted average remaining contractual life of the share purchase warrants was 0.91 years (October 31, 2014 – 1.62 years) and the weighted average exercise price was $0.079 (October 31, 2014 - $0.077).

Notes to the financial statements for the year ended October 31, 2015 and the three months ended October 31, 2014 (Expressed in Canadian Dollars)

10. SHARE BASED PAYMENTS

Stock Options

The Company has a fixed stock option plan which follows the policies of the TSX Venture Exchange ("**TSX-V**") regarding stock option awards granted to directors, officers, employees and consultants. The stock option plan allows a maximum of 10% of the issued shares to be reserved for issuance under the plan.

A summary of changes in stock options for the year ended October 31, 2015 and the three months ended October 31, 2014 is presented below:

	Year Ended October 31, 2015			Three Months Ended October 31, 2014		
	Number of Options Outstanding		**Weighted Average Exercise Price**	Number of Options Outstanding		Weighted Average Exercise Price
Balance, beginning of period:	**4,800,000**	**$**	**0.07**	5,250,000	$	0.10
Cancelled	**(800,000)**		**(0.08)**	(1,200,000)		(0.21)
Granted	**1,250,000**		**0.05**	750,000		0.10
Balance, end of period	**5,250,000**	**$**	**0.07**	4,800,000	$	0.07

As at October 31, 2015, options were outstanding for the purchase of common shares as follows:

Number of Options Outstanding		**Option Exercise Price**	**Options Exercisable as of October 31, 2015**	**Option Expiry Date**
550,000	$	0.10	550,000	September 12, 2016
3,450,000	$	0.07	3,450,000	July 9, 2019
900,000	$	0.05	900,000	April 29, 2020
350,000	$	0.05	350,000	October 16, 2020
5,250,000	**$**	**0.07**	**5,250,000**	

As at October 31, 2015, the weighted average remaining contractual life of the options was 3.62 years (October 31, 2014 – 4.25 years) and the weighted average exercise price was $0.07 (October 31, 2014 - $0.07).

Compensation costs attributable to the granting and vesting of share options are measured at fair value and expensed with a corresponding increase to share-based payment reserve. Upon exercise of the stock options, consideration paid by the option holder together with the amount previously recognized in share-based payment reserve is recorded as an increase to share capital. Upon expiry, the amounts recorded for share-based compensation are transferred to the deficit from the share-based payment reserve.

Notes to the financial statements for the year ended October 31, 2015 and the three months ended October 31, 2014 (Expressed in Canadian Dollars)

10. SHARE BASED PAYMENTS (Continued)

Options Issued to Employees

The fair value measured at the grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, expected forfeitures, the term of the option, the share price at grant date, the expected volatility of the underlying share, the dividend yield and the risk free interest rate of the option.

During the year ended October 31, 2015, the Company recorded $53,006 (three month period ended October 31, 2014 - $30,500) in share–based payment expense for options accruing or vesting during the period.

Options Issued to Non-Employees

Options issued to non-employees are measured based on the fair value of the goods or services received at the date of receiving those goods or services. If the fair value of the goods or services received cannot be estimated reliably the options are measured by determining the fair value of the options granted using the Black-Scholes option pricing model.

During the year ended October 31, 2015, the Company did not issue any options to non-employees.

The fair value of each stock option granted to employees is estimated on the date of grant. The fair value of stock options granted to non-employees that vest over time, are re-valued at each vesting period. All stock options are estimated using the Black-Scholes option-pricing model with weighted average assumptions as follows:

	Year Ended October 31,2015	Three Months Ended October 31, 2014
Risk free interest rate	**0.65% - 0.83%**	1.10%
Expected life	**5 years**	2 years
Expected volatility	**136% - 143%**	144%
Expected forfeiture	**-**	-
Expected dividend yield	**-**	-
Fair Value of Options Issued	**$0.03**	$0.06

Notes to the financial statements for the year ended October 31, 2015 and the three months ended October 31, 2014 (Expressed in Canadian Dollars)

11. INCOME TAXES

A reconciliation of income taxes at statutory rates to the Company's effective income tax expense is as follows:

	Year Ended October 31, 2015	Three Months Ended October 31, 2014
Statutory tax rate	**26%**	26%
Expected tax recovery based on statutory Canadian combined federal and provincial tax rates	**$ (109,000)**	$ (42,000)
Non-deductible permanent differences and other	**(27,000)**	6,000
Expiry of non-capital losses	**-**	77,000
Flow-through renunciations	**39,000**	-
Change in estimate	**4,000**	(1,000)
Change in deferred tax assets not recognized	**63,000**	(40,000)
Deferred Income Tax Recovery	**$ (30,000)**	**$ -**

The significant components of the Company's deferred income tax assets are as follows:

	October 31, 2015	October 31, 2014
Non-capital losses carried forward	**$ 1,237,000**	$ 1,131,000
Decommissioning provision	**9,000**	9,000
Equipment	**11,000**	11,000
Investments	**3,000**	3,000
Share issuance costs deductible in future periods	**20,000**	24,000
Deferred Income Tax Assets	**1,280,000**	**1,178,000**
Excess of book value over tax value:		
Resources properties and deferred exploration expenditures	**(745,000)**	(706,000)
Net deferred income tax assets	**535,000**	472,000
Deferred tax assets not recognized	**(535,000)**	(472,000)
Total	**$ -**	$ -

The Company has Canadian non-capital losses carried forward of approximately $4,760,000 (October 31, 2014 - $4,338,000) that may be available for tax purposes. The potential tax benefits of these losses have not been recognized as realization is not considered more likely than not.

Notes to the financial statements for the year ended October 31, 2015 and the three months ended October 31, 2014 (Expressed in Canadian Dollars)

11. INCOME TAXES (Continued)

The losses expire as follows:

2026	$	512,000
2027	$	508,000
2028	$	578,000
2029	$	546,000
2030	$	448,000
2031	$	527,000
2032	$	388,000
2033	$	396,000
2034	$	435,000
2035	$	422,000

12. RELATED PARTY TRANSACTIONS

On January 14, 2015, the Company issued 2,180,450 units to Northern Fox at a price of $0.05 per unit for total aggregate proceeds of $109,023. Each unit consists of one common share and one share purchase warrant. Each warrant is exercisable into one common share at $0.10 until January 14, 2017.

On May 1, 2015, the Company issued 11,000,000 units to Northern Fox at a price of $0.05 per unit for total aggregate proceeds of $550,000 pursuant to a private placement. Each unit consists of one common share and one share purchase warrant. Each share purchase warrant is exercisable into one common share at $0.075 until May 1, 2017. No finders' fees were paid pursuant to this financing.

As a result of this issuance Copper Fox Metals Inc. now has a controlling interest of the Company comprising 50.97% of the issued and outstanding common shares of the Company.

Copper Fox, as the parent of the Company, consolidates 100% of the assets and liabilities related to the Company and then include a non-controlling interest portion of the assets and liabilities in their equity section.

Related party transactions are in the normal course of operations and are measured at the amount of consideration established and agreed to by the related parties.

Key management personnel are the persons responsible for the planning, directing and controlling of the Company's activities, and include both executive and non-executive directors, as well as entities controlled by such persons. The Company considers all directors and officers of the Company to be key management personnel.

At October 31, 2015, included in accounts payable and accrued liabilities is ($3,806) (October 31, 2014 - $102) owing to companies controlled by directors and $4,830 (October 31, 2014 - $7,468) owing to a

Notes to the financial statements for the year ended October 31, 2015 and the three months ended October 31, 2014 (Expressed in Canadian Dollars)

12. RELATED PARTY TRANSACTIONS (Continued)

Companies controlled by officers for services rendered to the Company. In addition, for the year ended October 31, 2015 $11,900 (October 31, 2014 - $6,900) was paid in rent to companies controlled by either a director or an officer of Carmax and $73,403 (October 31, 2014 - $91,014) was paid and capitalized to Eaglehead for services rendered by a company controlled by a director. These amounts payable are non-interest bearing, unsecured and have no specific terms of repayment.

During the year ended October 31, 2015 and the three month period ended October 31, 2014, the Company also incurred the following expenses charged by key management personnel and companies directly controlled by key management personnel.

	October 31, 2015	October 31, 2014
Balance Sheet Items:		
Exploration and evaluation assets	**$ 188,942**	$ 102,451
Total	**$ 188,942**	$ 102,451

	Year Ended October 31, 2015	Three Months Ended October 31, 2014
Statement of Operations Items:		
Consulting	**$ 128,000**	$ 432
Director fees	**10,500**	-
Management fees	**-**	24,000
Office administration	**9,000**	6,750
Professional fees	**18,010**	10,350
Rent	**11,900**	6,900
Share-based payments	**38,260**	-
Total	**$ 215,670**	$ 48,432

Promissory Note

On October 28, 2015 Copper Fox entered into a promissory note loan (the **"Loan"**) with Carmax, whereas Copper Fox agreed to lend Carmax up to $400,000, in minimum increments of $50,000, for working capital purposes, as needed. Carmax shall pay interest on the principle, from the disbursement date to the due date, November 30, 2016, at a rate of 1%, compounded monthly.

At any time during the term of the Loan, Copper Fox, at its sole discretion, can convert a portion or all of the loan outstanding, including unpaid interest, into free trading shares of Carmax at a price equal to the greater of $0.05 or the 10-day average trading price, calculated over the period after notice is given, subject to the prior approval of the exchange.

As at October 31, 2015, Copper Fox had loaned Carmax $100,000.

Notes to the financial statements for the year ended October 31, 2015 and the three months ended October 31, 2014 (Expressed in Canadian Dollars)

13. CAPITAL RISK MANAGEMENT

The Company considers its capital structure to consist of share capital, share options, SARs and warrants. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative returns on capital criteria for management.

The mineral properties in which the Company currently has an interest are in the exploration stage; as such, the Company is dependent on external financing to fund its activities. Additional sources of funding, which may not be available on favourable terms, if at all, include: share equity and debt financings; equity, debt or property level joint ventures; and sale of interests in existing assets. In order to carry out the planned exploration and development and pay for operating expenses, the Company will spend its existing working capital and raise additional amounts as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the year ended October 31, 2015. The Company is not subject to externally imposed capital requirements. The Company's investment policy is to invest its surplus cash in highly liquid short-term interest-bearing investments; all held within major Canadian financial institutions.

14. FINANCIAL INSTRUMENTS AND RISKS MANAGEMENT DISCLOSURES

The Company's financial assets and financial liabilities are categorized as follows:

		As At October 31, 2015		As At October 31, 2014	
	Input Level	**Carrying Amount**	**Estimated Fair value**	Carrying Amount	Estimated Fair Value
Financial Assets:					
Cash	**1**	**$ 512,829**	**$ 512,829**	$ 75,656	$ 75,656
Short term investments	**1**	**$ -**	**$ -**	$ 251,115	$ 251,115
Investment	**1**	**$ 2,500**	**$ 2,500**	$ 5,000	$ 5,000
Total		**$ 515,329**	**$ 515,329**	$ 331,771	$ 331,771

		As At October 31, 2015		As At October 31, 2014	
	Input Level	**Carrying Amount**	**Estimated Fair value**	Carrying Amount	Estimated Fair Value
Financial Liabilities:					
A/P and acc. liabilities	**1**	**$ 312,796**	**$ 312,796**	$ 190,272	$ 190,272
Total		**$ 312,796**	**$ 312,796**	$ 190,272	$ 190,272

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT DISCLOSURES (Continued)

Fair Value

The estimated fair values, established by IFRS 7, of cash, short term investments and accounts payable approximate their respective carrying values due to the immediate or short period to maturity. The available for sale investments are carried at fair values based on the published or electronic market price quotation.

The Company utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value as follows:

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

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); and

Level 3 - Significant unobservable (no market data available) inputs which are supported by little or no market activity.

Risk Management

Risk management is carried out by the Company's management team with guidance from the Board of Directors. The Company's risk exposures and their impact on the Company's financial instruments are summarized below:

a) Credit Risk

The Company does not currently generate any revenues from sales to customers nor does it hold derivative type instruments that would require a counterparty to fulfil a contractual obligation. The Company does not have any asset-backed commercial instruments. Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash and short term investments. To minimize the credit risk the Company places cash with the high credit quality financial institutions. The Company considers its exposure to credit risk to be insignificant.

b) Liquidity Risk

Liquidity risk is the risk that the Company cannot meet its financial obligations. The Company manages liquidity risk and requirements by maintaining sufficient cash and cash equivalent balances and or through additional financings to ensure that there is sufficient capital in order to meet short term obligations. As at October 31, 2015, the Company has cash, investments and short term investments aggregating $512,829 (October 31, 2014 - $331,771) and financial liabilities of $312,796 (October 31, 2014 - $190,272) which have contractual maturities of 30 days or less. The Company will require additional sources of equity, joint venture partnership or debt financing to fund ongoing operations and the exploration and development of its mineral properties.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT DISCLOSURES (Continued)

In the event that the Company is not able to obtain adequate additional funding to continue as a going concern, material adjustments would be required to both the carrying value and classification of assets and liabilities on the statement of financial position. It is not possible to predict, due to many external factors including commodity prices and equity market conditions, as to whether future financing will be successful or available at all.

c) Market Risk

i) Interest Rate Risk

The Company manages its interest rate risk by obtaining commercial deposit interest rates available in the market by the major Canadian financial institutions on its cash and short term investments.

ii) *Foreign Exchange Risk*

The Company's functional currency and the reporting currency is the Canadian dollar. Periodically the Company incurs charges on its operations for settlement in currencies other than its functional currency and any gain or loss arising on such transactions is recorded in operations for the year.

The Company does not participate in any hedging activities to mitigate any gains or losses which may arise as a result of exchange rate changes.

As at October 31, 2015, the Company held no financial assets or liabilities which were denominated in currencies other than the Canadian dollar.

iii) *Commodity Price Risk*

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. To mitigate price risk, the Company closely monitors commodity prices of precious metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

15. SUBSEQUENT EVENT

The Company closed a non-brokered private placement, announced in the Company's December 21, 2015 news release (the "**Offering")**, raising gross proceeds of $1,500,000 in flow-through funds from the issuance of 30,000,000 flow-through shares at a price of $0.05 per share.

The placement was made in its entirety to Northern Fox. At the closing of the Offering, Northern Fox's equity interest in Carmax increased to 65.4% of the outstanding shares, 68.2% on a fully diluted basis.

The shares issued under the Offering are subject to a hold period expiring May 13, 2016.