Aquila Resources Inc.

FOR THE THREE MONTHS ENDED MARCH 31, 2015
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States Dollars, unless otherwise stated)
(Unaudited)

INDEX

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 financial statements they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated 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

Aquila Resources Inc.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Unaudited - Expressed in United States Dollars)

	March 31 2015	December 31 2014
ASSETS	**$**	**$**
Current assets		
Cash	**4,778,912**	461,175
Accounts receivable	**127,926**	143,411
Prepaid expenses	**35,458**	75,000
	4,942,296	679,586
Mineral property costs *(notes 4 & 7)*	**21,655,434**	17,413,340
Security deposits	**172,615**	172,616
Capital assets *(note 5)*	**809,044**	815,934
Total assets	**27,579,389**	19,081,476
EQUITY AND LIABILTIES		
Current liabilities		
Accounts payable and accrued liabilities	**818,318**	601,054
Debentures payable *(note 6)*	**725,380**	768,285
Conversion feature on debentures payable *(note 6)*	**14,982**	16,378
Warrants Payable *(note 11)*	**1,116,186**	661,521
	2,674,866	2,047,237
Silver stream financing *(note 7)*	**6,500,000**	-
Contingent Consideration *(notes 3&7)*	**4,174,560**	5,559,900
Total liabilities	**13,349,426**	7,607,137
Shareholders' Equity		
Share capital *(note 8a)*	**56,333,431**	53,634,046
Contributed Surplus *(note 8)*	**6,735,405**	6,735,405
Warrants *(note 9)*	**866,574**	40,959
Deficit	**(49,705,447)**	(48,936,072)
Total shareholders' equity	**14,229,963**	11,474,338
	27,579,389	19,081,476

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

Nature of operations and going concern (Note 1)

Approved on behalf of the Board

"Edward J. Munden" Director *"Barry Hildred"* Director

Aquila Resources Inc.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF NET LOSS AND COMPREHENSIVE LOSS

(Unaudited - Expressed in United States Dollars)

For the Three Months Ended March 31,	2015	2014
	$	$
Expenses		
Administrative expenses *(note 12)*	**357,872**	406,918
Mineral property exploration expenses	**66,315**	189,993
Transaction costs *(note 7)*	**738,316**	
Finance charges *(note 13)*	**23,921**	38,956
Loss from operations	**1,186,424**	635,867
Gain on settlement of contingent consideration *(note 7)*	**(416,000)**	-
Gain on foreign exchange	**(504,937)**	(164,727)
Loss on change in value of warrants	**503,888**	-
Net loss and comprehensive loss for the period	**769,375**	471,140
Loss per common share		
Basic and diluted loss per share	**0.00**	0.00
Weighted average number of common shares outstanding	**192,173,528**	183,185,512

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

Aquila Resources Inc.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited - Expressed in United States Dollars)

	Share Capital		Issuable Share Capital		Contributed Surplus	Warrant	Deficit	Total
	Number	$	Number	$	$	$	$	$
Balance, December 31, 2013	98,167,697	42,858,892	84,993,204	10,387,828	6,654,698	108,381	(42,544,163)	17,465,636
Shares issued as compensation	82,443	9,526	(82,443)	(9,526)	-	-	-	-
Shares issued pursuant to an arrangement	64,825,568	7,923,370	(64,825,568)	(7,923,370)	-	-	-	-
Shares issued pursuant to HMI acquisition	18,650,193	2,279,538	(18,650,193)	(2,279,538)	-	-	-	-
Shares granted pursuant to Arrangement	1,435,000	175,394	(1,435,000)	(175,394)	-	-	-	-
Shares granted for compensation	40,273	4,531	-	-	-	-	-	4,531
Net loss for the period	-	-	-	-	-	-	(471,141)	(20,458,582)
Balance, March 31, 2014	183,201,174	53,251,251	-	-	6,654,698	108,381	(43,015,304)	16,999,026
Shares issued from private placement	8,972,354	1,071,111	-	-	-	-	-	1,071,111
Share issue costs	-	(40,600)	-	-	-	-	-	(40,600)
Fair value assigned to warrants	-	(641,716)	-	-	-	13,285	-	(634,431)
Warrants expired	-	-	-	-	80,707	(80,707)	-	-
Net loss for the period	-	-	-	-	-	-	(5,920,768)	(4,838,595)
Balance, December 31, 2014	192,173,528	53,634,046	-	-	6,735,405	40,959	(48,936,072)	11,474,338
Shares issued from private placement	26,923,077	3,500,000	-	-	-	-	-	3,500,000
Share issue costs	-	(166,000)	-	-	-	(34,000)	-	(200,000)
Fair value assigned to warrants	-	(807,692)	-	-	-	807,692	-	-
Fair value assigned to warrants	-	(51,923)	-	-	-	51,923	-	-
Shares issued on settlement of royalty payment	1,730,769	225,000	-	-	-	-	-	225,000
Net loss for the period	-	-	-	-	-	-	(769,375)	(769,375)
Balance, March 31, 2015	220,827,374	56,333,431	-	-	6,735,405	866,574	(49,705,447)	14,229,963

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

Aquila Resources Inc.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASHFLOWS
(Unaudited - Expressed in United States Dollars)

For the Three Months Ended March 31,	**2015**	2014
	$	$
Cash flow from operating activities		
Net loss for the period	**(769,375)**	(471,141)
Items not involving cash		
Change in fair value of warrants	**503,888**	-
Gain on settlement of contingent consideration	**(416,000)**	-
Amortization	**6,890**	891
Mineral property write-off	**-**	20,145
	(674,597)	(450,105)
Changes in non-cash working capital		
Accounts receivable	**15,485**	(73,074)
Prepaid expenses	**39,542**	(30,796)
Accounts payable and accrued liabilities	**217,266**	(525,293)
Debenture conversion feature	**(1,397)**	(7,408)
Warrant payable	**(49,223)**	(14,330)
Contingent consideration	**(969,340)**	(265,050)
Debentures payable	**(42,905)**	(6,489)
Cash receivable from arrangement	**-**	4,221,730
Cash flow used in operating activities	**(1,465,169)**	2,849,185
Cash flow from investing activities		
Increase in mineral properties	**(4,242,094)**	(67,238)
Cash flow used in investing activities	**(4,242,094)**	(67,238)
Cash flow from financing activities		
Proceeds received from silver stream financing	**6,500,000**	-
Issuance of common shares, net of share issue costs	**3,525,000**	4,532
Cash flow from financing activities	**10,025,000**	4,532
Increase (decrease) in cash	**4,317,737**	2,786,479
Cash, beginning of period	**461,175**	289,349
Cash, end of period	**4,778,912**	3,075,828

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

1. Nature of Operations and Going Concern

Aquila Resources Inc. (the “Company” or “Aquila”) was incorporated under the Business Corporations Act ("Canada") and is involved in the mineral exploration business. The Company’s head office address is 10 King Street East, Suite 300, Toronto Canada, M5C 1C3.

The Company is listed on the Toronto Stock Exchange under the symbol “AQA”, on the Frankfurter Wertpapierbörse under the symbol “JM4A”, and on the American OTC Pink Sheets under the symbol “AQARF” and is in the business of exploring for and developing mineral properties. Substantially all of the efforts of the Company are devoted to these business activities.

Although the Company has taken steps to verify title to the 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 government licensing requirements or regulations, unregistered prior agreements, undetected defects, unregistered claims, native land claims, and non-compliance with regulatory and environmental requirements.

The Company’s ability to realize the costs it has incurred to date on its properties is dependent upon it being able to identify economically recoverable reserves; to finance their exploration and evaluation costs; to resolve any environmental, regulatory, or other constraints which may hinder the successful development of the reserves; and to attain profitable operations.

The business of mining and exploration for minerals 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 the carrying value of exploration properties and the Company’s continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise alternative financing, or alternatively upon the Company’s ability to dispose of its interests on an advantageous basis.

The Company has invested in Back Forty Joint Venture LLC (“BFJV”). This investment holds a property for which a Preliminary Economic Assessment Technical Report (PEA) was issued in April 2012, and the results from a new PEA were released on July 23, 2014. Effective July 3, 2012 HudBay Minerals Inc. ("HudBay"), which had the controlling interest in the BFJV, suspended its exploration and evaluation activities at the Back Forty Project. On November 7, 2013, the Company signed a definitive agreement with HudBay to effectively take back control and 100% ownership of the BFJV which was completed on January 16, 2014.

These condensed interim consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying condensed interim consolidated financial statements. Such adjustments could be material. It is not possible to predict whether the Company will be able to raise adequate financing or to ultimately attain profitable levels of operations.

(Unaudited - Expressed in United States Dollars, unless otherwise stated)

These conditions indicate the existence of material uncertainties that may cast doubt about the Company's ability to continue as a going concern. Changes in future conditions could require a material write down of carrying values.

Details of deficit and working capital of the Company are as follows:

	March 31, 2015	December 31, 2014
	$	$
Deficit	**49,705,447**	48,936,072
Working capital	**2,267,430**	(1,367,651)

2. Accounting Policies

Statement of Compliance

These condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by IASB and interpretations issued by IFRIC. These condensed interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2014.

These condensed interim consolidated financial statements were authorized for issuance by the Board of Directors of the Company on May 13, 2015.

Basis of Presentation

These condensed interim consolidated financial statements have been prepared on a historical cost basis. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

In the preparation of these consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the period. Actual results could differ from these estimates.

Basis of Consolidation

These condensed interim consolidated financial statements include the accounts of the Company and all of its subsidiaries. Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain variable benefits from its power over the entity's activities. Subsidiaries are included in the consolidated financial results of the Company from the effective date of acquisition of control up to the effective date of disposal or loss of control. The Company's principal subsidiaries are, Aquila Resources USA Inc. and Aquila Michigan Inc. (previously known as HudBay Michigan Inc.), which are located in Michigan USA, as well as REBgold Corporation located in Canada. All inter-company balances and transactions have been eliminated.

2. Accounting Policies (Continued)

These condensed interim consolidated financial statements are expressed in US Dollars, except those amounts denoted CDN$ which are in Canadian Dollars. The United States dollar is the functional and reporting currency of the Company and its subsidiaries' operations. Monetary assets and liabilities denominated in foreign currencies are translated into United States dollars at exchange rates in effect at the statement of financial position date. Non-monetary assets and liabilities are translated at historical exchange rates. Revenues and expenses are translated at the rate at the time of the transaction. Any resulting gain or loss is recorded in the condensed interim statement of loss and comprehensive loss.

New Accounting Pronouncements Adopted During the Period

IAS 24, Related Party Disclosures ("IAS 24")

The amendments to IAS 24, issued in December 2013, clarify that a management entity, or any member of a group of which it is a part, that provides key management services to a reporting entity, or its parent, is a related party of the reporting entity. The amendments also require an entity to disclose amounts incurred for key management personnel services provided by a separate management entity. This replaces the more detailed disclosure by category required for other key management personnel compensation. The amendments will only affect disclosure and are effective for annual periods beginning on or after July 1, 2014. The Company adopted the amendments on January 1, 2015, with material impact its Company's condensed interim consolidated financial statements.

Future Accounting Pronouncements

IFRS 9, Financial Instruments ("IFRS 9")

IFRS 9 was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39, Financial Instruments – Recognition and Measurement ("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 are recognized in profit or loss to the extent not clearly representing a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in comprehensive income indefinitely.

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income. IFRS 9 will be effective as at January 1, 2018. The Company is in the process of assessing the impact of this pronouncement. The extent of impact has not yet been determined.

2. Accounting Policies (Continued)

Future Accounting Pronouncements (Continued)

IFRS 15, Revenue from Contracts with Customers (“IFRS 15”)

IFRS 15 was issued by IASB in May 2014 and will replace IAS 18, Revenue, IAS 11, Construction Contracts, and related interpretations on revenue. IFRS 15 establishes principles to address the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. Companies can elect to use either a full or modified retrospective approach when adopting this standard and it is effective for annual periods beginning on or after January 1, 2017. The Company is in the process of analyzing IFRS 15 and determining the effect on its financial statements as a result of adopting this standard.

3. Contingent Consideration

On December 30, 2013, the shareholders approved the acquisition of 100% of the shares of HudBay Michigan Inc. (“HMI”), a subsidiary of HudBay Minerals Inc. (“HudBay”), effectively giving Aquila 100% ownership in the Back Forty Project (the “HMI Acquisition”). Pursuant to the HMI Acquisition, HudBay’s 51% interest in the Back Forty Project was acquired in consideration for the issuance of common shares of Aquila, future milestone payments tied to the development of the Back Forty Project and a 1% net smelter return royalty on production from certain land parcels in the project.

On March 31, 2015, Aquila paid HudBay US$1.0 million in cash plus US$225,000 of Unit financing (as described above) which is equivalent to 1,730,769 units, with each unit comprising one share and one-half of one warrant, to settle the 1% NSR portion of the contingent consideration. For additional information refer to note 7.

For the period ended March 31, 2015, key estimates on the valuation, using discounted cash flow model, of the contingent consideration were a 19.4% discount rate for the milestone. The milestone payments are estimated to commence in 2017 with production starting in 2019. When performing a sensitivity analysis, if discount rates used in the valuation were increased or decreased by 1%, the impact on the fair value of the contingent consideration would be an increase or decrease of an estimated $120,000. If another key assumption, being the commencement of the milestone payments and the commencement of production, were respectively pushed to 2018 and 2020, the impact on fair value would be a decrease of an estimated $628,000.

(Unaudited - Expressed in United States Dollars, unless otherwise stated)

3. Contingent Consideration (Continued)

The fair value of the contingent consideration as of March 31, 2015 is as follows:

Fair value as at December 31, 2013	$7,000,000
Gain on change in fair value of contingent consideration	(901,076)
Change due to foreign exchange	(539,024)
Fair value as at December 31, 2014	**$5,559,900**
Gain on change in value of contingent consideration	-
Settlement of contingent consideration	(1,696,000)
Change due to foreign exchange	310,660
Fair value as at March 31, 2015	**$4,174,560**

4. Mineral Property Costs

Total accumulated deferred mineral property costs are detailed as follows:

Three Months ended March 31, 2015	Balance beginning of period $	Acquisition $	Reimbursed Exploration $	Adjustment/ Write-off $	Balance end of period $
Reef Gold Project	177,231	-	-	-	177,231
Back Forty Project *(note 7)*	17,236,109	4,242,094	-	-	21,478,203
	17,413,340	4,242,094	-	-	21,655,434

Year ended December 31, 2014	Balance beginning of year $	Acquisition $	Reimbursed Exploration $	Adjustment/ Write-off $	Balance end of year $
Reef Gold Project	147,012	30,219	-	-	177,231
Back Forty Project	15,747,695	1,488,414	-	-	17,236,109
REBgold Acqusition	5,513,104	26,945	-	(5,540,049)	-
	21,407,811	1,545,578	-	(5,540,049)	17,413,340

** *For a complete description of the Company's mineral properties, please see note 8 of the Company's December 31, 2014 audited consolidated financial statements.*

(Unaudited - Expressed in United States Dollars, unless otherwise stated)

5. Capital Assets

Cost	Land $	Buildings $	Furniture and Fixtures $	Total $
Balance, December 31, 2014 and March 31, 2015	**380,880**	**541,017**	**33,382**	**955,279**

Accumulated depreciation	Land $	Buildings $	Furniture and Fixtures $	Total $
Balance December 31, 2013	**-**	**86,589**	**22,960**	**101,943**
Adjustment	-	-	82	82
Additions	-	19,650	10,064	29,714
Balance December 31, 2014	**-**	**106,239**	**33,106**	**139,345**
Adjustment	-	-	-	-
Additions	-	6,614	276	6,890
Balance, March 31, 2015	**-**	**112,853**	**33,382**	**146,235**

Net book value, December 31, 2013	**380,880**	**454,428**	**10,422**	**845,730**
Net book value, December 31, 2014	**380,880**	**434,778**	**277**	**815,934**
Net book value, March 31, 2015	**380,880**	**428,165**	**-**	**809,044**

6. Debentures Payable

	Three Months Ended March 31, 2015 **$**	Year Ended December 31, 2014 $
Convertible debenture maturing April 2, 2015	**398,959**	423,640
Convertible debenture maturing April 13, 2015	**326,421**	344,645
	725,380	768,285

Convertible Debenture Maturing April 2, 2015

On April 2, 2013, REBgold (a subsidiary of the Company) closed CDN$510,000 of convertible debentures bearing interest at 8% per annum, compounded and payable upon the maturity date of April 2, 2015. The debentures are convertible into common shares by the holders at any time at a price of CDN$0.15 per common share.

Convertible Debenture Maturing April 13, 2015

On October 13, 2010, REBgold closed CDN$430,000 convertible, redeemable debentures that bear interest at a fixed rate of 18% per year and are convertible into 430,000 common shares of the Company at a price of $1.00 per share. In addition, REBgold issued 430,000 common share purchase warrants to the debenture holders with an exercise price of CDN$1.20.

6. Debentures Payable (Continued)

On December 6, 2010 REBgold completed a Plan of Arrangement with a company called BacTech Environmental Corporation ("BEC"), whereby BEC assumed 20% of the debenture obligation from REBgold. On December 6, 2010, 20% of the book value of the debenture obligation was CDN$66,642; this would accrete to CDN$86,000 over the remaining life of the debenture. Upon maturity, REBgold would repay the debenture obligation and accrued interest to the debenture holders and receive from BEC 20% of the principal plus 20% of the interest accrued from December 2, 2010 to maturity.

On April 17, 2012, REBgold extended the maturity date of the CDN$410,000 principal amount of the outstanding convertible debentures and 410,000 common share purchase warrants, with an original maturity date of April 13, 2012, to April 13, 2015.

The debentures were measured on the acquisition of REBgold at their fair value, with the conversion feature considered to be an embedded derivative, being valued first, and the residual assigned to the debentures.

7. Orion Financing

On March 31, 2015, the Company closed a financing transaction with Orion Mine Finance ("Orion") that includes an equity private placement and a silver purchase agreement for total financing of $20.75-million ("Orion Financing"). Concurrent with the transaction, the Company has also completed the repurchase of two existing royalties on Back Forty.

Equity Private Placement

The Company issued 26,923,077 units to Orion at a price of 13 cents per unit for gross proceeds of $3.5-million. Each unit was composed of one common share and one-half of a warrant. Each full warrant entitles Orion to purchase one common share for a price of 19 cents for a period of 36 months. At the close of the transaction Orion held approximately 12.2 % of the outstanding common share. Orion also has the right to participate in any future equity or equity-linked financings to maintain its ownership level in Aquila. In connection with the private placement, Orion received the right to nominate one individual for election to the board of directors of Aquila for 24 months and thereafter for such time as Orion owns at least 10 per cent of the outstanding common shares. Orion has not yet exercised its nomination right but has indicated that it intends to do so. The proceeds received from this transaction were recorded as an equity transaction, therefore refer to note 8(a) for further information.

Silver Stream Financing

Under the terms of the silver purchase agreement, Orion has agreed to purchase up to 75 per cent of the total silver produced from the Back Forty project at $4.00 per ounce. In exchange for the right to purchase silver, Orion will pay Aquila $17.25 million, payable in five instalments. Orion has advanced the first installment of $6.5 million which is reflected as a Deposit Received from Silver Stream Financing and is shown as a liability on the Statement of Financial Position as at March 31, 2015. The remaining $10.75 million is payable in four instalments over the next 18 months and is subject to

7. Orion Financing (Continued)

the completion of certain milestones and the satisfaction of certain other conditions. Therefore, it is not reflected in the statement of financial position at this time. Orion has been provided a general security agreement over the subsidiaries of Aquila that are directly involved with development of the Back Forty project. Where the market price of silver is greater than $4, the difference will be applied against any deposit received from Orion. The deposits bear interest on an annual uncompounded basis at 12%.

The initial term of the agreement is for 40 years, automatically renewable for the successive 10 year periods, unless there has been no active mining operations on the Back Forty property during the last 10 years of the initial term or throughout such additional renewal terms.

The agreement is subject to certain operating and financial covenants, which are in good standing as of March 31, 2015.

The first installment amount of $6.5 million as at March 31, 2015 was used as an advance of $1.5 million to Aquila, plus the Royalty Termination arrangements to HudBay Minerals Inc. for $1.0 million and to Vale Exploration USA Inc. for $4.0 million.

Net Smelter Return (“NSR”) Termination Payment to HudBay Minerals Inc. (“HudBay”)

During 2013, the Company acquired 100% interest in the Back Forty project from HudBay as noted in note 8(a). The purchase consideration included a contingent consideration payable to HudBay of a 1% NSR royalty on production from certain land parcels in the Back Forty project. The total carrying value of the contingent consideration as at December 31, 2014 was approximately $5.5 million, of which the amount that related to the HudBay NSR was approximately $3.3 million. Effective March 31, 2015, Aquila paid HudBay $1.0 million in cash plus $225,000 of unit financing is equivalent to 1,730,769 units, with each unit comprising one share and one-half of one warrant, to settle the 1% NSR portion of the contingent consideration.

The difference between the carrying amount of the financial liability of $1.696 million, plus the pro rata share of the transaction costs of $55,000, that was extinguished, and the consideration paid through equity instruments which is made up the $1.0 million in cash plus $225,000 of Unit financing, was recognized as gain.

Royalty Termination Payments Vale Exploration USA Inc. (“Vale”)

Mineral interests generally include acquired royalty interests and stream metal purchase agreements in producing, advanced/development and exploration stage properties. Royalty stream interests would be recorded at cost and capitalized as tangible assets with finite lives. Accordingly, the $4.0 million payment to Vale for the royalty stream has been capitalized, plus the pro rata share of transactions costs of $220,000, to the Back Forty’s Mineral Property Costs.

(Unaudited - Expressed in United States Dollars, unless otherwise stated)

7. Orion Financing (Continued)

Transaction Costs

Transactions costs for this transaction have been allocated on a pro rata basis between the equity transaction, royalty termination payments to HudBay and Vale, as well as the Silver Stream Financing.

Accordingly, transactions costs relating to the

i. private placement would be deducted pro rata from the value assigned to the shares and warrants;

ii. settlement of contingent consideration and termination of existing royalty agreement with HudBay would constitute costs that related to a financial liability classified as fair value is recognized as a through an expense; and

iii. acquisition of Vale royalty would constitute costs directly attributable to the acquisition of a capitalized asset, and hence can be capitalized with the related asset.

8. Share Capital

A. Authorized

Unlimited number of common shares.

Issued and outstanding:

	Number of Share	Total $
Balance, December 31, 2014	192,173,528	53,634,046
Shares issued from private placement, net of costs (i)	26,923,077	3,300,000
Fair value assigned to warrants (i)	-	(866,574)
Shares issued on settlement of royalty obligation (i)	1,730,769	225,000
Balance, March 31, 2015	**220,827,374**	**56,333.431**

	Number of Share	Total $
Balance, December 31, 2013	98,167,697	42,858,892
Shares issued as compensation	122,716	14,057
Shares issued pursuant to Arrangement	66,260,568	8,098,764
Shares issued pursuant to HMI Acquisition	18,650,193	2,279,538
Balance, March 31, 2014	**183,201,174**	**53,251,251**

8. Share Capital (Continued)

i) Under the terms of a private placement, on March 31, 2015, the Company issued 26,923,077 units ("Units") at a price of $0.13 per unit for gross proceeds of $3.5 million. Each Unit is comprised of one common share and one-half of a warrant ("Warrant"). Each full Warrant entitles the bearer to purchase one common share for a price of $0.19 for a period of 36 months. Transaction costs allocated to this private placement were $200,000. (for further information on this transaction, see note 7)

The resulting 13,461,539 warrants issued in conjunction with the private placement were ascribed a fair value of $773,692 using the Black-Scholes pricing model with the following assumptions: a dividend yield of 0%, expected volatility of 116.14%, risk free interest rate 0.49%, and an expected life of 3 years.

On March 31, 2015, the Company issued a further 1,730,769 units in settlement of a royalty termination to HudBay Minerals Inc. The resulting 865,385 warrants were ascribed a fair value of $51,923 using the Black-Scholes pricing model with the following assumptions: a dividend yield of 0%, expected volatility of 116.14%, risk free interest rate 0.49%, and an expected life of 3 years.

B. *Stock-option plan and share-based compensation:*

The Company maintains a Stock Option Plan (the "Plan") for the benefit of directors, officers, employees, consultants and other service providers of the Company and its subsidiaries in order to assist the Company in attracting, retaining, and motivating such persons by providing them with the opportunity, through stock options to acquire an increased proprietary interest in the Company. Under the Plan, options are non-assignable and may be granted for a term not exceeding five years. The number of common shares that may be reserved for issuance to any one person must not exceed 5% of the outstanding common shares. The exercise price of an option may not be lower than the closing price of the common shares on the TSX, subject to applicable discounts, on the business day immediately before the date the option is granted. The options are non-transferable.

(Unaudited - Expressed in United States Dollars, unless otherwise stated)

8. Share Capital (Continued)

A summary of the Company's stock option, and changes during the three months ended March 31, are presented below:

	2015		2014	
	Options	Weighted average exercise price (CDN $)	Options	Weighted average exercise price (CDN $)
Balance outstanding January 1	**14,115,000**	**$ 0.16**	14,310,000	$ 0.16
Expired	**(665,000)**	**0.43**	-	-
Balance outstanding, March 31	**13,450,000**	**$ 0.15**	14,310,000	$ 0.16

As at March 31, 2015, common share stock options held by directors, officers, employees and consultants are as follows:

Number of options outstanding	CDN$ Exercise Price	Expiry Date	Number of options exercisable	Weighted average life (yrs)
13,450,000*	0.15	January 16, 2019	13,450,000	3.80

* Issuable under plan of arrangement.

9. Warrants

The movements in the number and estimated fair value of outstanding broker warrants and share purchase warrants for the three months ended March 31, 2015 and 2014 are as follows:

Canadian Dollar Warrants

	2015		2014	
	Warrants	Weighted average exercise Price (CDN $)	Warrants	Weighted average exercise price (CDN $)
Balance, January 1	**18,561,126**	**$ 0.44**	9,550,200	$ 0.72
Issued	**-**	**-**	-	-
Balance, March 31	**18,561,126**	**$ 0.44**	9,550,200	$ 0.72

(Unaudited - Expressed in United States Dollars, unless otherwise stated)

9. Warrants (Continued)

US Dollar Warrants

	2015		2014	
	Warrants	Weighted average exercise Price (US $)	Warrants	Weighted average exercise price (USD $)
Balance, January 1	**-**	**$ -**	-	$ -
Issued (Notes 7 & 8(i))	**14,326,923**	**0.19**	-	-
Balance, March 31	**14,326,923**	**$ 0.19**	-	$ -

The exercise price, expiry date, and warrants issued and outstanding as at March 31, 2015 are as follows:

Number of warrant outstanding	CDN$ Exercise Price	Expiry Date	Weighted average life (yrs)
2,945,000	0.20	May 17 to June 21, 2018	3.23
183,750	0.12	May 17 to June 22, 2018	3.23
410,000	1.20	April 15, 2015	0.03
1,701,500	1.00	June 17, 2015	0.21
2,000,000	1.00	November 10, 2016	1.61
1,950,000	1.00	November 10, 2016	1.61
159,950	0.15	January 16, 2016	0.79
9,210,926	0.15	September 18, 2017	2.47
18,561,126			**1.44**

Number of warrant outstanding	USD$ Exercise Price	Expiry Date	Weighted average life (yrs)
14,326,923	**0.19**	**March 31, 2018**	**3.00**

Pursuant to a Plan of Arrangement between REBgold and BacTech Environmental Company ("BEC") that was completed on December 6, 2010. REBgold has certain obligations pursuant to the warrants in existence at the time of the December 6, 2010 Plan of Arrangement, which upon being exercised, shall be satisfied by the issuance of one common share from the Company and two common shares of BEC. Upon the exercise of any of these warrants, the Company shall pay to BEC 17% of the exercise proceeds as consideration for the issuance of the BEC common shares. The Company shall retain the balance of the aggregate exercise price as consideration for the issuance of its common shares from the exercise of the warrant

10. Derivative Liabilities

Warrants

During the three months ended March 31, 2015 no equity offerings were completed whereby 16,277,354 (December 31, 2014 – 16,277,354) warrants were issued with exercise prices denominated in Canadian dollars. As the warrants have an exercise price denominated in a currency which is different from the functional currency of the Company (US dollar), the warrants are treated as a financial liability. The Company's share purchase warrants are classified and accounted for as a financial liability at fair value with changes in fair value recognized in net earnings. The warrant derivative liability is classified as level 2 in the fair value hierarchy. As of March 31, 2015, the Company had 18,561,126 (December 31, 2014 – 18,561,126) warrants outstanding which are classified and accounted for as a financial liability. The Company uses the Black-Scholes Option Pricing Model to estimate the fair value of the Canadian dollar denominated warrants.

For the three months ended March 31,	**2015**	2014
Risk-free interest rate	**0.50%**	1.01-1.62%
Expected life	**1-3 years**	1-3 years
Price volatility	**90-126%**	70-106%
Share price (CDN $)	**0.17**	0.09-0.13
Dividend yield	**Nil**	Nil

Black-Scholes pricing models require the input of highly subjective assumptions. Volatility was estimated based on average daily volatility based on historical share price observations over the expected term of the option grant.

11. Related Party Transactions

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any directors (executive and non-executive) of the Company. The remuneration of directors and key executives is determined by the compensation committee. During the three months ended March 31, 2015, director's fees, professional fees and other compensation of directors and key management personnel were as follows:

	2015	2014
	$	**$**
Short-term compensation and benefits	**155,313**	196,140
Share-based payments (fair value of stock option benefits and share based payments)	**-**	-
	155,313	196,140

As at March 31, 2015, $93,100 (December 31, 2014 - $4,310) is included in accounts payable in connection with amounts due to key management personnel.

During the period ended March 31, 2015 a total of $Nil (2014 - $27,000) was billed to the Company by a geological consulting company of which the VP of Exploration is the President.

(Unaudited - Expressed in United States Dollars, unless otherwise stated)

During the three months ended March 31, 2015 rental expenditures in the amount of $3,600 (three months ended March 31, 2014 - $3,600) were paid to a company of which the Vice President, Exploration is a part owner.

12. Administrative Expenses

For the Three Months Ended March 31,	2015	2014
	$	$
Amortization	6,890	891
Management and consulting fees	141,957	157,071
Directors' fees	13,536	19,934
Filing and regulatory fees	22,566	14,439
Office, general and administrative	22,331	63,870
Professional fees	52,233	32,087
Rent	6,089	-
Salaries and benefits	75,533	58,967
Travel and promotion	16,737	59,659
Total administrative expense	**357,872**	406,918

13. Finance Charges

For the Three Months Ended March 31,	2015	2014
	$	$
Interest and bank charges	1,317	1,585
Interest income	-	(5,390)
Debenture interest	22,604	22,616
Debenture accretion	-	20,145
Total finance charges	**23,921**	38,956