INV METALS INC.

ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2014 AND 2013

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of INV Metals Inc. (the "Company") were prepared by management in accordance with International Financial Reporting Standards. Management acknowledges responsibility for the preparation and presentation of the consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances. The significant accounting policies of the Company are summarized in note 3 to these consolidated financial statements.

Management has established processes which are in place to provide sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the consolidated financial statements and (ii) the consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as at the date of and for the periods presented by the consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

March 23, 2015

Independent Auditor's Report

To the Shareholders of
INV Metals Inc.

We have audited the accompanying consolidated financial statements of INV Metals Inc. and its subsidiaries, which comprise the consolidated statement of financial position as at December 31, 2014 and 2013 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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.

PricewaterhouseCoopers LLP
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Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of INV Metals Inc. as at December 31, 2014 and December 31, 2013 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

(Signed) “PricewaterhouseCoopers LLP”

Chartered Professional Accountants, Licensed Professional Accountants

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(IN CANADIAN DOLLARS)

As at	**December 31, 2014**	December 31, 2013
Assets		
Current assets		
Cash	**$ 16,154,571**	$ 19,104,520
Other receivables (note 5)	**1,107,584**	720,409
Total current assets	**17,262,155**	19,824,929
Non-current assets		
Investments (note 6)	**319,537**	473,350
Property, plant and equipment (note 7)	**338,120**	347,818
Exploration properties (note 8)	**37,888,526**	42,249,252
Other receivables (note 5)	**413,895**	220,922
Total non-current assets	**38,960,078**	43,291,342
Total assets	**$ 56,222,233**	$ 63,116,271
Liabilities		
Current liabilities		
Other payables (note 9)	**$ 357,974**	$ 505,398
Total current liabilities	**357,974**	505,398
Non-current liabilities		
Provisions (note 10)	**276,718**	228,587
Deferred tax liabilities (note 19)	**-**	246,495
Total non-current liabilities	**276,718**	475,082
Total liabilities	**634,692**	980,480
Equity		
Share capital (note 11)	**107,184,006**	107,127,075
Warrants (note 12)	**-**	910,151
Contributed surplus (note 12)	**11,229,832**	9,993,000
Deficit	**(67,416,486)**	(57,707,399)
Accumulated other comprehensive loss	**4,590,189**	1,812,964
Total equity attributed to equity holders of the Company	**55,587,541**	62,135,791
Total liabilities and equity	**$ 56,222,233**	$ 63,116,271

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

(IN CANADIAN DOLLARS)

		December 31, 2014		December 31, 2013
Operations				
General and administration (note 16)	$	319,810	$	311,699
Compensation (note 16)		1,509,359		2,215,464
Professional fees		204,386		268,887
Loss on sale of exploration properties		-		4,492
Write down of exploration properties (note 8)		6,249,689		-
Fair value (gain)/loss on investments (note 6)		(2,770)		238,225
Foreign exchange loss		135		45,957
Operating loss before discontinued operations		8,280,609		3,084,724
Loss from discontinued operations		1,875,808		7,164,086
Operating loss after discontinued operations		10,156,417		10,248,810
Finance income		(200,835)		(254,603)
Total loss for the year before taxes	$	9,955,582	$	9,994,207
Deferred tax (recovery)/expense (note 19)		(246,495)		159,015
Total loss for the year	$	9,709,087	$	10,153,222
Other comprehensive loss				
Cumulative translation adjustment		(2,777,225)		(1,912,306)
Total comprehensive loss for the year	$	6,931,862	$	8,240,916
Basic and diluted total loss per share (note 11)	$	0.20	$	0.21

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

(IN CANADIAN DOLLARS)

Equity attributable to owners of the Company

	Share Capital	Warrants	Contributed Surplus	Deficit	Accumulated Other Comprehensive (Income)/Loss	Total
Balance January 1, 2013	$107,047,075	$910,151	$ 9,090,186	$ (47,554,177)	$ (99,342)	$ 69,393,893
Total loss for the period	-	-	-	(10,153,222)	-	(10,153,222)
Cumulative translation adjustment	-	-	-	-	1,912,306	1,912,306
Total comprehensive loss for the period	-	-	-	(10,153,222)	1,912,306	(8,240,916)
Issuance of shares - restricted share unit exercise (note 11)	80,000	-	(80,000)	-	-	-
Stock-based compensation (note 12)	-	-	982,814	-	-	982,814
Transactions directly attributed to equity	80,000	-	902,814	-	-	982,814
Balance December 31, 2013	$107,127,075	$910,151	$ 9,993,000	$ (57,707,399)	$ 1,812,964	$ 62,135,791

Equity attributable to owners of the Company

	Share Capital	Warrants	Contributed Surplus	Deficit	Accumulated Other Comprehensive (Income)/Loss	Total
Balance January 1, 2014	$107,127,075	$910,151	$ 9,993,000	$ (57,707,399)	$ 1,812,964	$ 62,135,791
Total loss for the period	-	-	-	(9,709,087)	-	(9,709,087)
Cumulative translation adjustment	-	-	-	-	2,777,225	2,777,225
Total comprehensive loss for the period	-	-	-	(9,709,087)	2,777,225	(6,931,862)
Issuance of shares - restricted share unit exercise (note 11)	56,931	-	(56,931)	-	-	-
Expiry of warrants (note 12)	-	(910,151)	910,151	-	-	-
Stock-based compensation (note 12)	-	-	383,612	-	-	383,612
Transactions directly attributed to equity	56,931	(910,151)	1,236,832	-	-	383,612
Balance December 31, 2014	$107,184,006	$ -	$ 11,229,832	$ (67,416,486)	$ 4,590,189	$ 55,587,541

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

(IN CANADIAN DOLLARS)

For the years ended	**December 31, 2014**	December 31, 2013
Cash flows from operating activities		
Total loss for the period	**$ (9,709,087)**	$ (10,153,222)
Adjustments for:		
Discontinued operations (note 15)	**$ 3,004,772**	$ -
Loss on sale of exploration properties	**-**	5,613,437
Write down of exploration properties (note 8)	**6,249,689**	1,463,197
Unrealized fair value (gain)/loss on investments (note 6)	**(2,770)**	238,226
Depreciation (note 7)	**29,902**	51,892
Change in other long-term receivables	**(192,974)**	167,444
Change in long-term provisions	**48,131**	(16,090)
Net (gain)/loss on sale of property, plant and equipment	**(45,951)**	19,717
Finance income	**(200,835)**	(254,603)
Unrealized loss on foreign exchange	**11,213**	3,094
Deferred tax (recovery)/expense (note 19)	**(246,495)**	159,015
Share-based compensation (note 12)	**377,631**	951,335
	(676,774)	(1,756,558)
Change in items of working capital:		
Change in other receivables	**(387,175)**	(386,579)
Change in other payables	**(145,325)**	129,943
	(532,500)	(256,636)
Net cash used in operating activities	**(1,209,274)**	(2,013,194)
Cash flows from investing activities		
Proceeds on sale of marketable securities (note 6)	**193,850**	-
Net proceeds from discontinued operations (note 15)	**1,079,808**	-
Interest received	**200,835**	254,603
Additions to exploration properties (note 8)	**(3,229,702)**	(4,509,666)
Net disposal of property, plant and equipment	**25,747**	72,948
Net cash used in investing activities	**(1,729,462)**	(4,182,115)
Net decrease in cash	**(2,938,736)**	(6,195,309)
Cash, beginning of year	**19,104,520**	25,302,923
Effect of exchange rate fluctuations on cash held	**(11,213)**	(3,094)
Cash, end of year	**$ 16,154,571**	$ 19,104,520

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

1) Reporting entity

INV Metals Inc. ("INV Metals" or the "Company") is a publicly listed company incorporated in Canada. The address of the Company's registered office is 55 University Avenue, Suite 700, Toronto, Ontario, Canada. The consolidated financial statements of the Company as at and for the years ended December 31, 2014 and 2013 include the Company and its subsidiaries (together the "Group" and individually as "Group entities"). The Group is primarily in the business of acquiring, exploring and developing mineral deposits in Ecuador and Namibia.

2) Basis of preparation

a) Statement of compliance

The consolidated financial statements of INV Metals have been prepared in accordance with International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ('IFRIC") interpretations. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss. The Company has consistently applied the same accounting policies throughout all periods presented.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are further disclosed within this note.

These consolidated financial statements were approved by the Board of Directors for issue on March 23, 2015.

b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis with the exception of financial assets at fair value through profit and loss, which are measured at fair value.

c) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars. Items included in the consolidated financial statements of each consolidated entity of the Company are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Company and its subsidiaries were evaluated on an individual basis and were each determined to have Canadian dollar functional currencies with the exception of INV Minerales Ecuador S.A. ("INV Minerales") whose functional currency is the United States ("US") dollar.

2) Basis of preparation (continued)

d) Translation of foreign operations

In accordance with IAS 21, The Effects of Changes in Foreign Exchange Rates (“IAS 21”), company entities and operations whose functional currencies differ from the presentation currency are translated into Canadian dollars as follows:

- assets and liabilities are translated at the closing rate as at the date of the statement of financial position;
- income and expenses are translated at the average rate of exchange for the reporting period;
- equity balances are initial translated at closing exchange rates and subsequent balances are translated at historical rates; and
- translation gains and losses are recognized in consolidated other comprehensive loss (“OCL”), and are reported as such in accumulated OCL.

e) Discontinued operations

A discontinued operation is a component of the Company’s business, the operations and cash flows of which can be clearly distinguished from the rest of the Company and which:

- represent a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and OCI is re-presented as if the operation has been discontinued from the start of the comparative year.

f) Critical judgments and key sources of estimation

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets 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 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 by management on an ongoing basis. The estimates and judgments include functional currency, impairment of non-financial assets and share based payments. 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

2) Basis of preparation (continued)

f) Critical judgments and key sources of estimation (continued)

revision and future periods if the revision affects both current and future periods.

The following discusses the most critical judgments and key sources of estimation that the Company has made in the preparation of the financial statements:

i) Functional currency

Management determined the US dollar is the functional currency of INV Minerales as the entity's currency is that of the economic environment of the Company's operations in Ecuador, and is the currency of the majority of its expenditures. The Canadian dollar is the functional currency of INV Metals and its other subsidiaries as the Company's capital receipts are denominated in Canadian dollars, and INV Metals finances the Group's expenditures using Canadian dollars.

ii) Impairment of non-financial assets

The Company evaluates its non-financial assets for impairment annually and whenever events or changes in circumstances indicate the carrying amount may not be recoverable. If there is any indication of impairment, the recoverable amount of the asset is estimated to determine the impairment loss, if any. To calculate the recoverable amount, estimates are made regarding fair value or the estimated future cash flows, if any. Given the fact that the Company's operations include exploration, it is often the case that the indications of impairment result in a full or partial write-down in the value of a cash-generating unit ("CGU"). During the year, the estimates of recoverable amounts for exploration properties were determined based on management's assessment of its recoverable fair value less costs to dispose using indications from a third-party and based on management's future plans related to the Kaoko property.

iii) Share based payments

The fair value of options and potential shares to be issued relating to milestone payments are estimated using an option pricing valuation model. This includes using assumptions related to the risk-free interest rate determined by the Government of Canada marketable three to five year average bond yields, the expected average option life based on management's assumptions of member enrollment, estimated forfeitures based on historical activity of the plan members and the estimated volatility of the Company's shares based on historical market prices. The fair value of restricted share units is recognized based on the market value of the Company's common shares on the date prior to the date of the grant.

3) Significant accounting policies

The Company's accounting policies have been consistently applied to all periods presented in these consolidated financial statements.

a) Basis of consolidation

The consolidated financial statements of INV Metals consolidate the results of the Company and its wholly owned subsidiaries: INV Condor Ltd., INV Minerales, INV São José Inc., INV Exploration Namibia (PTY) Ltd. and INV (Barbados) Ltd. A subsidiary is an entity controlled by the Company. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is obtained by the Company and are de-consolidated from the date that control ceases to exist. All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation.

b) Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of entities using the exchange rates prevailing at the dates of the transactions or an appropriate average exchange rate. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in currencies other than an operation's functional currency are recognized in the consolidated statement of comprehensive loss. Foreign currency gains and losses are reported on a net basis.

c) Cash

Cash consists of cash on-hand and deposits held with banks.

d) Financial assets

Financial assets are classified into one of four categories: fair value through profit and loss, held-to-maturity, available-for-sale and loans and receivables. The classification is determined at initial recognition and depends on the nature and the purpose of the financial asset. The Company does not have any financial assets classified as held-to-maturity or available-for-sale. Financial assets are recognized when the Company becomes a party to the contractual provisions of the instrument.

i) Loans and receivables

Loans and receivables are non-derivative financial assets that have fixed or determinable payments and that are not quoted in an active market. Loans and receivables are initially recognized at the fair value and subsequently carried at amortized cost less impairment losses. If collection of other receivables is expected in one year or less, they are classified as current assets. If not, they are classified as non-current assets. The Company has designated its cash and other receivables as loans and receivables.

3) Significant accounting policies (continued)

d) Financial assets (continued)

ii) Financial assets at fair value

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise, they are classified as non-current.

Financial assets at fair value through profit or loss are presented within operating activities in the statement of cash flows.

Changes in fair values of financial assets at fair value through profit or loss are recorded as a fair value gain or loss on investment in the consolidated statement of comprehensive loss.

Financial instruments carried at fair value are classified into three levels that have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

iii) Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting period end. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

The criteria used to determine if there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments; or
- it has become probable that the borrower will enter bankruptcy or financial reorganization.

If in a subsequent period, the amount of the impairment loss decreases and the decrease relates to an event occurring after an impairment loss is recognized, the previously recognized impairment loss is reversed through consolidated statement of comprehensive loss. On the date of the impairment reversal, the carrying amount of the financial asset cannot exceed its amortized cost had the impairment not been recognized.

3) Significant accounting policies (continued)

d) Financial assets (continued)

iv) Derecognition of financial assets

A financial asset is derecognized when the contractual right to the asset's cash flows expire or if the Company transfers the financial asset and substantially all risks and rewards of ownership to another entity.

e) Exploration properties

Exploration and evaluation costs are capitalized as exploration properties on a project-by-project basis pending determination of the technical feasibility and the commercial viability of the project. Capitalized costs include costs directly related to exploration and evaluation activities in the property's area of interest.

General and administrative costs are allocated to the exploration property to the extent that the costs are directly related to activities in the relevant area of interest. Costs incurred before the legal rights are obtained to explore an area and costs relating to a relinquished or abandoned license are recognized in the consolidated statement of comprehensive loss.

Upon the determination of the technical feasibility and commercial viability of a project, exploration properties attributable to those projects are reclassified from exploration properties to development properties. Exploration and evaluation assets shall be assessed for impairment and any impairment losses will be recognized before such reclassification.

Exploration properties are assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability of the project or facts and circumstances suggest that the carrying amount of the exploration properties exceeds the recoverable amount.

f) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as separate assets, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably.

The carrying amount of a replaced asset is derecognized when replaced. All other repairs and maintenance costs are charged to the consolidated statement of comprehensive loss during the period in which they are incurred.

The major categories of property, plant and equipment are depreciated on a straight-line basis or declining balance basis as follows:

Office equipment	10 years or 20%
Computer equipment	3 - 10 years or 30%
Vehicles	6 - 10 years
Field equipment	5 - 10 years

3) Significant accounting policies (continued)

f) Property, plant and equipment (continued)

The Company allocates the amount initially recognized in respect of an item of property, plant and equipment to its material significant parts and depreciates each separately. Residual values, method of depreciation and useful lives of the asset are reviewed annually and adjusted if appropriate.

Gains and losses on disposals of property, plant and equipment are determined by comparing the proceeds with the carrying value of the asset and are included as part of general and administration in the statement of comprehensive loss.

g) Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets or CGUs are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs on disposal. In assessing value in use, the estimated future cash flows, if any, are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For the purposes of impairment testing, assets are tested individually.

An impairment loss is recognized if the carrying amount of a CGU exceeds its estimated recoverable amount. Impairment losses are recognized in the consolidated statement of comprehensive loss.

Impairment losses recognized in prior periods are assessed at each reporting period for any indications that the loss decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is only reversed to the extent that the CGU's carrying value amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

h) Financial liabilities

Financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest rate method, with interest expense recognized on an effective yield basis. The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expenses over the corresponding period.

The effective interest rate is the rate that exactly discounts estimated future cash payments over the expected life of the financial liability, or where appropriate, a shorter period, to the net carrying amount on initial recognition.

3) Significant accounting policies (continued)

h) Financial liabilities (continued)

The Company classifies other payables as financial liabilities. If payment of other financial liabilities is expected in one year or less, they are classified as current liabilities. If not, they are classified as non-current liabilities.

The Company derecognizes financial liabilities when the Company's obligations are discharged, cancelled or they expire.

i) Share-based payment transactions

The Company has share-based equity settled compensation plans. The Company recognizes as an expense the cost of share-based compensation based on the estimated fair value of new share options and restricted share units granted to employees, consultants, officers and directors. The fair value of each share-based payment granted is estimated on the date of the grant using the Black-Scholes and other option-pricing models and is expensed over the vesting period. Generally, share options vest over two years and expire after five years.

Each tranche of a share award is considered a separate award with its own vesting period and grant date fair value. Compensation expense is recognized over the tranche's vesting period based on the number of awards expected to vest, by increasing contributed surplus. The fair value of each restricted share unit or share option granted is calculated on the date of the grant using the closing market share price on the date prior to the grant and is expensed over the vesting period, unless the optionee's compensation has been capitalized to exploration properties, if so, the fair value of the units are capitalized to exploration properties. Forfeitures of stock options and restricted share units are estimated based on the history of forfeited options or restricted share units and are factored into the fair value calculation.

j) Income taxes

Income tax expense is comprised of current and deferred tax. Current and deferred tax are recognized in the consolidated statement of comprehensive loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive loss.

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

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and differences relating to investments in subsidiaries and jointly controlled entities to the extent that the parent or venturer is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the

3) Significant accounting policies (continued)

j) Income taxes (continued)

foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

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

k) Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

l) Lease payments

Leases where the lessor retains substantially all of the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are recognized in the consolidated statement of comprehensive loss over the lease period. Lease incentives received are recognized as part of the total lease expense over the term of the lease.

m) Basic and diluted loss per share

The Company presents basic and diluted earnings per share (“EPS”) data for its common shares. Basic earnings per share is calculated by dividing the total loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period.

Diluted EPS is calculated by adjusting the weighted average number of common shares outstanding for potential dilutive instruments. The number of shares with respect to options, warrants and restricted shares is computed using the treasury stock method.

The Company incurred net losses for each of the years ended December 31, 2014 and 2013, therefore all outstanding stock options, warrants, and restricted share units have been excluded from the calculation of diluted loss per share since the effect would be anti-dilutive.

3) Significant accounting policies (continued)

n) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by the Company's best estimate of the present obligation at the date of the reporting period. Refer to note 10.

o) Finance income and finance costs

Finance income comprises interest income on funds earned on the cash balance of the Company. Interest income is recognized as it accrues in comprehensive loss. Finance costs are comprised of interest charges on the Company's bank balances.

4) Changes in IFRS effective for the first time and future accounting pronouncements

a) Changes in IFRS effective for the first time

The following standards and interpretation are effective for annual periods beginning on or after January 1, 2014. The Company has assessed the standards and interpretation and determined that there is no material impact other than impairment of assets noted below on the accounting and presentation of the condensed interim consolidated financial statements.

i) IAS 36, Impairment of Assets

IAS 36, Impairment of Assets was amended in May 2013. The effect of the amendment is to reduce the circumstances in which the recoverable amount of assets or CGUs is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique.

ii) IFRIC 21, Levies

IFRIC 21, Levies was issued in May 2013 and sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when a liability should be recognised.

b) Future accounting pronouncements

The following revised standards are effective for annual periods as noted below. The Company has not fully assessed the standards and amendments, but does not expect them to have a material impact on the Company's accounting or disclosures.

i) IFRS 9, Financial Instruments: Classification and Measurement

IFRS 9, Financial Instruments: Classification and Measurement ("IFRS 9") was issued in November 2009 and finalized in July 2014. It addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt

4) Changes in IFRS effective for the first time and future accounting pronouncements (continued)

b) Future accounting pronouncements (continued)

i) IFRS 9, Financial Instruments: Classification and Measurement (continued)

instruments with a new mixed measurement model having only two categories: amortized cost and fair value though profit and 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 fair value through other comprehensive income or loss.

Requirements for financial liabilities were added to IFRS 9 in October 2010 and they largely carried forward existing requirements in IAS 39, Financial Instruments – Recognition and Measurement, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss are generally recorded in other comprehensive income or loss. This standard becomes effective for annual periods beginning on or after January 1, 2018, and management does not currently anticipate the early adoption of the standard.

ii) IFRS 11, Joint Arrangements

IFRS 11, Joint Arrangements ("IFRS 11") was amended in May 2014 adding new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions. This amendment becomes effective for annual periods beginning on or after January 1, 2016 and management does not anticipate early adoption of the standard.

iii) IFRS 15, Revenue from Contracts with Customers

IFRS 15, Revenue from Contracts with Customers (“IFRS 15”) was issued in May 2014 and specifies the principles that an entity will apply to determine the measurement of revenue and timing of when it is recognized. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The standard provides a single five step model to be applied to all contracts with customers. This standard becomes effective for annual periods beginning on or after January 1, 2017, and management does not currently anticipate the early adoption of the standard.

(IN CANADIAN DOLLARS)

5) Other receivables

The following table summarizes information regarding the Company's other receivables as at December 31, 2014 and December 31, 2013:

As at	**December 31, 2014**	December 31, 2013
Current receivables:		
Interest receivable	**$ 15,048**	$ 20,385
HST recoverable	**20,114**	70,545
VAT recoverable	**27,794**	25,352
Advances	**67,656**	582,072
Prepaid expense	**14,521**	13,228
Deposits	**12,955**	8,827
Tax installments receivable in Ecuador	**140,000**	-
Deferred payments relating to INV Mineração disposal	**809,496**	-
	1,107,584	720,409
Long-term receivables:		
Tax installments receivable in Ecuador	**25,206**	220,922
Deferred payments relating to INV Mineração disposal	**388,689**	-
	413,895	220,922
	$ 1,521,479	$ 941,331

a) Advances

In December 2013, the Company paid advances of $550,000 to engage third-party consultants to perform a pre-feasibility study ("PFS") on the Loma Larga Property.

b) Tax installments receivable in Ecuador

In April 2012, the Internal Revenue Service of Ecuador granted the appeal made by INV Minerales, noting that the INV Minerales has no obligation to pay advances for income tax while it is not generating taxable income. On the basis of the indications by the tax authority, INV Minerales filed a claim to recover the advances paid during 2008, 2010 and 2011. The advances for years 2008, 2010 and 2011 were issued to INV Minerales as credits to be depleted against new advances.

c) Receivable on sale of INV Mineração and contingent receivable

As part of consideration for the sale of INV Mineração Ltda. ("IML"), the Company is entitled to future cash payments consisting of an initial payment of US$800,000 payable by June 25, 2015 and 50% of any tax losses recovered by IML (both subject to adjustment based upon a due diligence review) measured using an estimated probability weighted present value of the tax payments. Refer to note 8.

(IN CANADIAN DOLLARS)

6) Investments

The following table summarizes information regarding the Company's assets that are measured at fair value as at December 31, 2014 and December 31, 2013:

December 31, 2014	**Level 1**	**Level 2**	**Level 3**	**Total**
Recurring Measurements				
Shares of Gungnir Resources Inc.	**$ 23,575**	**$ -**	**$ -**	**$ 23,575**
Shares of Northern Superior Resources Inc.	**16,875**	**-**	**-**	**16,875**
Term deposit	**-**	**279,087**	**-**	**279,087**
	$ 40,450	**$ 279,087**	**$ -**	**$ 319,537**

December 31, 2013	Level 1	Level 2	Level 3	Total
Recurring Measurements				
Shares of Gungnir Resources Inc.	$ 88,408	$ -	$ -	$ 88,408
Shares of Northern Superior Resources Inc.	22,500	-	-	22,500
Shares of KWG Resources Inc.	120,000	-	-	120,000
Warrants issued by KWG Resources Inc.	-	622	-	622
Term deposit	-	241,820	-	241,820
	$ 230,908	$ 242,442	$ -	$ 473,350

On June 30, 2011 INV Metals acquired 11,787,775 shares of Anglo Swiss Resources Inc. ("Anglo Swiss") in exchange for a 100% interest in the Lansdowne House property. On June 19, 2014 Anglo Swiss changed its name to Gungnir Resources Inc. and completed a 5 for 1 stock consolidation, resulting in INV Metals holding 2,357,555 shares. The fair market value of the shares based on the closing stock price on the Toronto Stock Exchange ("TSX") as at December 31, 2014 was $23,575, resulting in a fair value loss of $64,833 for the year then ended.

On November 17, 2011 INV Metals acquired 750,000 shares of Northern Superior Resources Inc. ("Northern Superior") in exchange for the Company's 50% interest in the Thorne Lake, Ontario property. On June 5, 2014 INV Metals sold 75,000 shares of Northern Superior, and proceeds on the sale were $3,325. The fair market value of the shares held at December 31, 2014 based on the closing price on the TSX was $16,875, resulting in a fair value loss of $2,300 for the year then ended.

On March 1, 2012 INV Metals acquired 3,000,000 shares of KWG Resources Inc. ("KWG") and 3,000,000 warrants in exchange for the Company's 100% interest in the Fishtrap, Ontario property. On June 2, 2014 INV Metals sold 3,000,000 shares of KWG Resources Inc. Proceeds from the sale were $190,525, resulting in a gain of $70,525 during 2014. The fair market value of warrants as of close on December 31, 2014 was $nil, resulting in a fair value loss of $622 for the year then ended.

6) Investments (continued)

INV Minerales holds a term deposit related to its environmental management plan for ongoing expenditures related to environmental matters, the value of which is based on the quoted value of the term deposit from an Ecuadorian bank.

(IN CANADIAN DOLLARS)

7) Property, plant and equipment

December 31, 2014

Class	Cost: Opening Balance	Cost: Additions	Cost: Disposals	Cost: Exchange Differences	Cost: Closing Balance	Accumulated Depreciation: Opening Balance	Accumulated Depreciation: Depreciation Expense	Accumulated Depreciation: Disposals	Accumulated Depreciation: Exchange Differences	Accumulated Depreciation: Closing Balance	Net Book Value
Vehicles	**$ 74,419**	**$ -**	**$ (74,419)**	**$ -**	**$ -**	**$ 52,551**	**$ 17,053**	**$ (69,604)**	**$ -**	**$ -**	**$ -**
Computer equipment	**106,394**	**2,471**	**-**	**3,368**	**112,233**	**79,664**	**7,768**	**-**	**2,653**	**90,085**	**22,148**
Office equipment	**31,351**	**-**	**(4,087)**	**-**	**27,264**	**16,817**	**3,132**	**(3,166)**	**-**	**16,783**	**10,481**
Field equipment	**9,293**	**-**	**(9,293)**	**-**	**-**	**5,584**	**1,949**	**(7,533)**	**-**	**-**	**-**
Land	**280,977**	**-**	**-**	**24,514**	**305,491**	**-**	**-**	**-**	**-**	**-**	**305,491**
	$ 502,434	**$ 2,471**	**$ (87,799)**	**$ 27,882**	**$ 444,988**	**$ 154,616**	**$ 29,902**	**$ (80,303)**	**$ 2,653**	**$ 106,868**	**$ 338,120**

December 31, 2013

Class	Cost: Opening Balance	Cost: Additions	Cost: Disposals	Cost: Exchange Differences	Cost: Closing Balance	Accumulated Depreciation: Opening Balance	Accumulated Depreciation: Depreciation Expense	Accumulated Depreciation: Disposals	Accumulated Depreciation: Exchange Differences	Accumulated Depreciation: Closing Balance	Net Book Value
Vehicles	$ 167,460	$ -	$ (112,986)	$ 19,945	$ 74,419	$ 41,466	$ 35,221	$ (41,466)	$ 17,330	$ 52,551	$ 21,868
Computer equipment	99,084	10,027	(5,033)	2,316	106,394	72,366	7,232	(1,765)	1,831	79,664	26,730
Office equipment	27,787	6,704	(4,194)	1,054	31,351	13,955	3,255	(1,283)	890	16,817	14,534
Field equipment	101,708	2,689	(96,913)	1,809	9,293	37,725	6,184	(39,814)	1,489	5,584	3,709
Land	261,849	-	-	19,128	280,977	-	-	-	-	-	280,977
	$ 657,888	$ 19,420	$ (219,126)	$ 44,252	$ 502,434	$ 165,512	$ 51,892	$ (84,328)	$ 21,540	$ 154,616	$ 347,818

(IN CANADIAN DOLLARS)

8) Exploration properties

December 31, 2014	January 1, 2014	Additions	Disposals	Write down	Exchange Differences	December 31, 2014
Ecuador property						
Loma Larga (Quimsacocha)	**$ 29,666,879**	**$ 3,235,705**	**$ -**	**$ -**	**$ 2,732,005**	**$ 35,634,589**
Brazil property						
Rio Novo (note 15)	**4,078,747**	**-**	**(4,078,747)**	**-**	**-**	**-**
Namibia property						
Kaoko	**8,503,626**	**-**	**-**	**(6,249,689)**	**-**	**2,253,937**
	$ 42,249,252	**$ 3,235,705**	**$ (4,078,747)**	**$ (6,249,689)**	**$ 2,732,005**	**$ 37,888,526**

December 31, 2013	January 1, 2013	Additions	Disposals	Write down	Exchange Differences	December 31, 2013
Ecuador property						
Loma Larga (Quimsacocha)	$ 23,287,047	$ 4,522,972	$ -	$ -	$ 1,856,860	$ 29,666,879
Brazil properties						
Itaporã	1,429,893	33,304	-	(1,463,197)	-	-
Rio Novo (note 15)	9,611,864	75,828	(5,608,945)	-	-	4,078,747
Namibia property						
Kaoko	8,507,798	320	(4,492)	-	-	8,503,626
	$ 42,836,602	$ 4,632,424	$ (5,613,437)	$ (1,463,197)	$ 1,856,860	$ 42,249,252

a) Brazilian properties

i) Rio Novo property

On October 27, 2014 the Company and its subsidiary, completed a transaction with a Private Brazilian Company ("Purchaser") whereby the Purchaser acquired 100% of the issued and outstanding quotas in the capital of INV Mineração Ltda. ("IML"). IML held the Company's 50% indirect interest in the Rio Novo property ("Rio Novo"), located in the Carajás mining district of Brazil.

Consideration for the sale included:

- an initial cash payment of US$1 million;
- future cash payments equal to 50% of any tax losses recovered by IML, which payments are currently estimated to be up to R$5,824,687, with an initial payment of US$800,000 payable by June 25, 2015 (both subject to adjustment based upon a due diligence review);
- an aggregate royalty of 0.375% on gross sales of iron ore on Rio Novo (subject to the right of the Purchaser to buy back such royalty by making a cash payment in the amount of US$1,250,000); and
- an aggregate net smelter return royalty of 0.75% on all base and precious metals on Rio Novo.

Total consideration relating to the sale of IML of $2,277,993 includes cash received, net of transaction costs, of CAD$1,079,808, a short-term tax loss receivable of $809,496 and a long-

(IN CANADIAN DOLLARS)

8) Exploration properties (continued)

a) Brazilian properties (continued)

i) Rio Novo property (continued)

term tax loss receivable of $388,689. The tax loss receivables were valued using an estimated probability weighted present value using a discount rate of 10.57% based on historical rates of the Central Banco do Brasil. Due to the uncertainty of the amounts and timing of potential future royalty payments, no value has been ascribed to either of the royalties. A loss from discontinued operations of $1,806,587 is recognized in the total loss as at December 31, 2014. See note 15 for further details.

ii) Itaporã property

During the year ended December 31, 2013, exploration expenditures relating to the Itaporã property of $1,463,197 were written off and recognized in the total loss based on management's assessment of their value in use as the Company did not renew the claims.

b) Namibian property

i) Kaoko property

As at December 31, 2014 exploration expenditures relating to the Kaoko property of $6,249,689 were written off and recognized in the total loss based on management's assessment of its recoverable fair value less costs to dispose using indications from a third-party as substantive expenditure on further exploration activities are neither budgeted nor planned.

9) Other payables

The following table summarizes information regarding the Company's other payables as at December 31, 2014 and December 31, 2013:

As at		**December 31, 2014**		December 31, 2013
Accounts payable	**$**	**69,596**	$	199,628
Accrued liabilities		**288,378**		305,770
	$	**357,974**	$	505,398

10) Provisions

The following table summarizes information regarding the Company's provisions as at December 31, 2014 and December 31, 2013:

(IN CANADIAN DOLLARS)

10) Provisions (continued)

As at	**December 31, 2014**	December 31, 2013
Beginning balance	**$ 228,587**	$ 244,677
Change in estimate	**28,188**	(33,779)
Exchange differences	**19,943**	17,689
	$ 276,718	$ 228,587

Post-retirement benefits

INV Minerales provides post retirement benefit supplements as well as severance indemnities to employees. Under Ecuadorian Labour Law, the Company must provide statutorily mandated retirement and severance benefits to its employees terminated under certain circumstances. Such benefits consist of a pension for all employees with 25 years of service and severance indemnities for involuntary termination without cause. Upon involuntary termination, a one-time payment of the employee's last full remuneration multiplied by the number of full years of service, which should be a minimum of three months' remuneration to a maximum of 25 months' remuneration wages for each year of service, is payable to the employee. The Company accrues this benefit based on an annual actuarial study performed by an independent actuary.

Key assumptions used in the above estimate include an annual discount rate of 6.5%, an annual salary increase rate of 3%, pension increase rate of 2.5%, turnover index of 11.80%, Tabla de Mortalidad de Instituto Ecuatoriano de Seguridad Social 2002 ("TM IESS 2002") mortality and disability index and average remaining working life of 8.5 years.

11) Share capital

The authorized capital of INV Metals consists of an unlimited number of no par value common shares. The holders of common shares are entitled to one vote per share at shareholder meetings of the Company. All shares rank equally with regard to the Company's residual assets.

	Common Shares
Balance, January 1, 2013	49,173,533
Exercise of restricted share units	200,000
Balance, December 31, 2013	49,373,533
Exercise of restricted share units	**47,442**
Balance, December 31, 2014	**49,420,975**

On February 10, 2014 a total of 47,442 common shares valued at $1.20 per share were issued from treasury to an officer of the Company who exercised restricted share units.

On June 27, 2014 the Company completed a share consolidation of the issued and outstanding common shares on the basis of one post-consolidated common share for every ten pre-

(IN CANADIAN DOLLARS)

11) Share capital (continued)

consolidated common share issued and outstanding. The Company's number of outstanding options, restricted share units and warrants were consolidated on the same basis.

The number of shares and options presented in these condensed interim consolidated financial statements have been adjusted to include the effect of the share consolidation.

Loss per share

The basic loss per share for the years ended December 31, 2014 and December 31, 2013 was calculated using a weighted average number of common shares outstanding as follows:

	December 31, 2014	December 31, 2013
Common shares outstanding	**49,373,533**	49,173,533
Issuance of shares	**42,229**	160,440
	49,415,762	49,333,973

Diluted earnings per share

The calculation of fully diluted loss per share has not been detailed in the note, as the effect of the conversion of outstanding stock options, warrants and restricted share units would be anti-dilutive.

12) Share based payments

Share option plan (equity-settled)

The Company established a stock option plan (the "Option Plan") on June 5, 2007, updated on September 14, 2012, for directors, officers, employees and certain individuals that provide ongoing services to INV Metals. Under the Option Plan, options are typically granted for a five-year period and in such numbers as reflects the level of responsibility of the particular optionee and his or her contribution to the business and activities of INV Metals. Stock options granted under the Option Plan vest at the discretion of the board of directors from the date of grant. Except in specified circumstances, stock options are not assignable and vested options terminate 90 days after the optionee ceases to be employed by or associated with INV Metals.

The terms of the Option Plan further provide that the price at which common shares may be issued under the Option Plan cannot be less than the market price of the common shares when the relevant stock options are granted.

Restricted share unit plan (equity-settled)

The Company under its restricted share unit plan (the "RSU Plan") may grant common shares to employees, officers, directors and consultants through the issuance of restricted share units.

(IN CANADIAN DOLLARS)

12) Share based payments (continued)

Restricted share unit plan (equity-settled) (continued)

Each restricted share unit gives the holder the right to receive, after the restricted period, if applicable, one common share of the Company. The fair market value of each restricted share unit granted is calculated on the date of grant using the closing stock price on the date prior to the grant. The restricted period is subject to the discretion of the Board of Directors.

The aggregate number of common shares issuable to an insider of the Company pursuant to all security based compensation, shall not exceed 10% of the total number of common shares outstanding. The aggregate number of common shares reserved for issuance to any one person shall not exceed 5% of the total number of common shares then outstanding.

Details of share options (equity-settled)

The following table summarizes the stock option transactions for the period year December 31, 2014 as follows:

	Number of Stock Options		Weighted-Average Exercise Price
Outstanding, January 1, 2013	455,500	$	8.77
Expired	(174,500)		9.93
Granted	3,495,000		1.00
Outstanding, December 31, 2013	**3,776,000**	**$**	**1.52**
Expired	**(82,500)**		**4.56**
Forfeited	**(25,000)**		**11.50**
Granted	**174,500**		**0.35**
Outstanding, December 31, 2014	**3,843,000**	**$**	**1.34**

The following table summarizes information regarding the Company's outstanding and exercisable stock options as at December 31, 2014:

Exercise Price Range	Number of Stock Options Outstanding	Weighted-Average Remaining Years of Contractual Life		Weighted Average Exercise Price	Number of Stock Options Exercisable		Weighted Average Exercisable Price
$0.35-$0.99	224,500	4.0	$	0.46	137,250	$	0.53
1.00	3,445,000	3.2		1.00	3,445,000		1.00
1.01-11.50	173,500	0.7		9.21	173,500		9.21
$0.35-$11.50	3,843,000	3.1	$	1.34	3,755,750	$	1.36

(IN CANADIAN DOLLARS)

12) Share based payments (continued)

Details of share options (equity-settled) (continued)

The table that follows summarizes information regarding the stock options granted by the Company for the years ended December 31, 2014 and December 31, 2013 as follows:

	2014	2013
Fair value at grant date	**$0.26**	$0.21 - $0.55
Share price at grant date	**$0.35**	$0.40 - $0.85
Exercise price	**$0.35**	$0.85 - $1.00
Weighted average grant date fair value	**$0.35**	$0.21
Expected volatility	**163%**	131% - 139%
Expected dividend yield	**0%**	0%
Option life (expected weighted average life)	**2 year**	2 year
Forfeiture rate	**0.26%**	2.12% - 2.26%
Risk-free interest rate (based on government bonds)	**1.02%**	1.02% - 1.17%

The expected volatility used in the Black-Scholes option pricing model is based on the historical volatility of the Company's common shares.

Details of restricted share units

The following table summarizes the restricted share unit transactions for the years ended December 31, 2014 and December 31, 2013:

	Number of Restricted Shares		**Weighted Average Fair Value of Restricted Shares**
Outstanding, January 1, 2013	-	$	-
Granted	573,452		0.64
Exercised	(200,000)		0.40
Outstanding, December 31, 2013	373,452	$	0.77
Granted	**651,664**		**0.35**
Exercised	**(47,442)**		**1.20**
Outstanding, December 31, 2014	**977,674**	**$**	**0.47**

The Company granted 651,664 restricted share units to officers and directors in 2014 valued at $228,083. An amount of $56,931 was transferred to share capital on exercise of the 47,442 restricted share units.

The fair value of the rights granted through the restricted rights plan is measured using the closing stock market price on the date of the grant.

(IN CANADIAN DOLLARS)

12) Share based payments (continued)

Details of restricted share units (continued)

The following table summarizes information regarding the restricted share units granted by the Company for the years ended December 31, 2014 and December 31, 2013:

	December 31, 2014		December 31, 2013	
	Fair Value at Grant Date	**Share Price at Grant Date**	Fair Value at Grant Date	Share Price at Grant Date
January 21, 2013	**$ -**	**$ -**	$ 1.20	$ 1.20
March 14, 2013	**-**	**-**	$ 0.40	$ 0.40
March 11, 2014	**$ 0.35**	**$ 0.35**	-	-

Details of warrants

The following table summarizes the warrants granted as at December 31, 2014 and December 31, 2013:

	Number of Warrants
Balance, January 1 and December 31, 2013	**1,141,828**
Warrants expired	**(1,141,828)**
Balance, December 31, 2014	**-**

As consideration for its services from the sale of shares in November 2012, the Company issued 1,141,828 compensation warrants, exercisable for 1,141,828 common shares of INV Metals at a price of $1.00 per share. The value ascribed to the warrants was $910,151 determined using the Black-Scholes pricing model and they expired on November 14, 2014.

No warrants were granted in the year ended December 31, 2014.

13) Capital management

The Company manages its capital structure and makes adjustment 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 a quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The 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. In order to carry out planned exploration and pay for administrative costs, the Company will spend its working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it is deemed there is sufficient geological or economic potential and if adequate financial resources are available.

13) Capital Management (continued)

Management reviews its capital management approach on an ongoing basis and believes this approach, given the size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the year ended December 31, 2014. Neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

14) Financial instruments

The Company has designated its investments at fair value through profit and loss. Cash and other receivables are designated as loans and receivables and are measured at amortized cost. Other payables are classified as other financial liabilities, which are measured at amortized cost. As at December 31, 2014 the carrying value approximates fair value of the Company's financial instruments due to the short-term nature of the amounts.

Financial risk factors

The Company's activities expose it to a variety of financial risks, including credit risk, liquidity risk, commodity price risk, interest rate risk, other price risk and foreign exchange risk. The Company's exposure to these risks and it methods of managing the risks remain consistent. There have been no changes in the risks from the previous year.

a) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet contractual obligations and arises principally from the Company's other receivables. The carrying value of the financial assets represents the maximum credit exposure. Financial instruments included in other receivables consist of receivables from unrelated companies.

The Company has concentration of credit risk as the majority of its cash is held at one banking institution. This risk is mitigated in that the Company holds its primary cash in deposit form in a major Chartered Canadian bank. The Company's subsidiaries' cash is held in deposit form in internationally recognized banks. The maximum exposure to credit risk for deposits approximates the amount recognized on the statement of financial position.

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis and its expansionary plans. Currently, the Company has no ability to raise funds through operations, however, the Company ensures that there are sufficient funds to meet its short-term requirements, taking into account its cash holdings.

As at December 31, 2014, the Company had a cash balance of $16,154,571 (December 31, 2013 – $19,104,520) to settle current liabilities of $357,974 (December 31, 2013 – $505,398). The majority of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company has various commitments detailed in note 18.

14) Financial instruments (continued)

Financial risk factors (continued)

c) Commodity price risk

Commodity price risk arises from the possible adverse effect on the ability of the Company to develop its properties and the future profitability of the Company is directly related to these prices. The Company does not enter into any derivative financial instruments to manage exposures to price fluctuations. The Company is exposed to the risk that decreases in commodity prices could materially and adversely affect the economic viability of its properties and therefore the financial condition of the Company.

The Company has not included a sensitivity analysis of commodity price risk during the period ended December 31, 2014 as presenting such an analysis would not be informative since the company is not in commercial production.

d) Market risk

i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company monitors its exposure to interest rates and has not entered into any derivative financial instruments to manage this risk.

The Company has a cash balance and no interest-bearing debt. The Company is sensitive to changes in the interest rates through interest income earned on its cash balance.

ii) Other price risk

The Company is exposed to equity securities price risk on the investments held by the Company. Fluctuations in the investments in equity securities may, consequently, have an impact upon the reported total loss of the Company and may affect the value of the Company's assets.

iii) Foreign exchange risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company's presentation currency is the Canadian dollar and major purchases are transacted in Canadian dollars and US dollars. The Company funds certain operations, exploration and administrative expenses on a cash call basis using Canadian dollar currency converted from its Canadian dollar bank accounts. The Company currently does not enter into financial instruments to manage foreign exchange risk. Fluctuations in the exchange rates may, consequently, have an impact upon the reported operations of the Company and may affect the value of the Company's assets and liabilities.

The Canadian dollar decreased relative to the US dollar during the year ended December 31, 2014 as the average rate was C$1.1041/US$ compared to C$1.0298/US$ in 2013.

14) Financial instruments (continued)

Financial risk factors (continued)

e) Sensitivity analysis

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over the year ended December 31, 2014.

Cash is subject to floating interest rates. As at December 31, 2014 if interest rates had decreased by 0.25% or increased by 0.25%, respectively, with all other variables held constant, the comprehensive loss for the year would have been approximately $41,500 higher/lower, as a result of lower/higher interest income from cash deposits. Similarly, as at December 31, 2014 shareholders' equity would have been approximately $41,500 lower/higher as a result of lower/higher interest income from cash due to a 0.25% decrease or a 0.25% increase in interest rates.

Financial instruments denominated in US dollars are subject to foreign currency risk. As at December 31, 2014 had the US dollar weakened/strengthened by 10% against the Canadian dollar, with all other variables held constant, the Company's other total loss for the year ended December 31, 2014 would have been approximately $35,000 higher/lower as a result of foreign exchange losses/gains on translation of non-Canadian dollar denominated financial instruments. Similarly, as at December 31, 2014 shareholders' equity would have been approximately $35,000 higher/lower had the US dollar weakened/strengthened by 10% as a result of foreign exchange losses/gains on translation of non-Canadian dollar denominated financial instruments.

Equity securities are subject to fluctuations in market prices. As at December 31, 2014 if the market value of securities held by the Company had increased/decreased by 5%, the comprehensive loss for the year would have decreased/increased by approximately $2,000. Similarly, as at December 31, 2014 shareholders' equity would have been approximately $2,000 higher/lower if the market value securities held by the Company had increased/decreased by 5%.

15) Discontinued operations

See note 8 for specific details of the sale of IML. The items below have been restated in the comparative consolidated statement of total comprehensive loss to show the discontinued operation separately from continuing operations.

a) Effect of discontinued operations on Company financial position

Cash	$	**4,891**
Exploration properties		**4,078,747**
Other net assets		**942**
Total net assets	**$**	**4,084,580**

(IN CANADIAN DOLLARS)

15) Discontinued operations (continued)

a) Effect of the discontinued operations on Company financial position (continued)

Consideration received, satisfied in cash		**1,120,000**
Transaction costs		**(40,192)**
Net cash inflow	**$**	**1,079,808**
Consideration receivable, current		**809,496**
Consideration receivable, non-current		**388,689**
Total consideration received and receivable	**$**	**2,277,993**
Loss on discontinued operation	**$**	**1,806,587**

b) Result of discontinued operations

		December 31, 2014		December 31, 2013
General and administration	**$**	**20,317**	$	29,413
Professional fees		**44,701**		58,402
Loss on sale of exploration properties		**1,806,587**		5,608,945
Write down of exploration properties		**-**		1,463,197
Foreign exchange loss		**4,203**		4,129
Operating loss from discontinued operations	**$**	**1,875,808**	$	7,164,086
Basic and diluted loss per share from discontinued operations	**$**	**0.04**	$	0.15

c) Cash flows used in discontinued operations

		December 31, 2014		December 31, 2013
Net cash used in operating activities	**$**	**(73,975)**	$	(87,018)
Net cash used in investing activities		**1,079,808**		-
Net cash flow for the year	**$**	**1,005,833**	$	(87,018)

(IN CANADIAN DOLLARS)

16) Expenses

The following table summarizes information regarding the Company's expenses from operations for the years ended December 31, 2014 and December 31, 2013:

		December 31, 2014		December 31, 2013
General and administration				
Shareholder and regulatory	**$**	**79,308**	$	77,397
Travel		**17,161**		22,403
(Gain)/loss on disposal of property, plant and equipment		**(24,582)**		10,899
Office		**247,923**		201,000
	$	**319,810**	$	311,699
Compensation				
Compensation	**$**	**1,239,645**	$	1,264,129
Stock-based compensation		**269,714**		951,335
	$	**1,509,359**	$	2,215,464

17) Related party transactions

Balances and transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Disclosed below are details of the transactions between the Company and other related parties, including transactions with the Company's officers and directors.

The Company's related parties include the following officers and directors as follows:

• Robert Bell	Officer and Director
• Jay Goldman	Corporate Secretary
• James Clucas	Director
• Parviz Farsangi	Director
• Eric Klein	Director
• Candace MacGibbon	Officer
• Terry MacGibbon	Director
• Robert Pollock	Director
• IAMGOLD Corporation ("IAMGOLD") and its subsidiaries	Associated Company

The Company had no material transactions with IAMGOLD and its subsidiaries in 2014.

The remuneration of directors and officers during the years ended December 31, 2014 and December 31, 2013 was as follows:

(IN CANADIAN DOLLARS)

17) Related party transactions (continued)

	December 31, 2014	December 31, 2013
Salaries of key management	**$ 628,300**	$ 515,000
Director fees	**229,906**	220,149
Stock-based compensation*	**267,251**	943,605
	$ 1,125,457	$ 1,678,754

*Officers and directors also participate in the Company's stock-option and restricted share unit programs.

Significant subsidiaries

	Country of incorporation	**December 31, 2014**	December 31, 2013
INV Condor Inc.	Ontario	**100%**	100%
INV Minerales Ecuador S.A.	Ecuador	**100%**	100%
INV São Jose Inc.	Ontario	**100%**	100%
INV Mineração Ltda.	Brazil	**-**	100%
INV (Barbados) Ltd.	Barbados	**100%**	100%
INV Exploration Namibia (Pty) Ltd.	Namibia	**100%**	100%

18) Commitments

	Total	**Less than One Year**	**Between 1 - 5 Years**	**More than 5 Years**
Exploration expenditures at Loma Larga property	$ 5,528,508	$ -	$ 5,528,508	$ -
Office, houses and office equipment leases	310,408	192,581	117,827	-
Environmental management plan	$ 252,267	$ 252,267	$ -	$ -

As a condition to the Company's acquisition of Loma Larga, the Company guaranteed expenditures on the Loma Larga property of $15 million. As at December 31, 2014, INV Metals had an outstanding expenditure commitment of approximately $5.5 million. On March 6, 2014 the Company and IAMGOLD amended the share purchase agreement pursuant to which the Company acquired Loma Larga to extend the deadline to meet the expenditure commitment to the earlier of March 6, 2016 or the completion and filing of a bankable feasibility study.

INV Metals renewed its lease arrangement to lease office space effective December 31, 2012. The lease will remain in effect to December 31, 2017. During the year ended December 31, 2014 an amount of $310,049 was recognized in total loss in respect of operating leases.

(IN CANADIAN DOLLARS)

18) Commitments (continued)

INV Minerales holds a term deposit relating to its environmental management plan for ongoing expenditures related to environmental matters.

19) Income Taxes

The reconciliation of the combined Canadian federal and provincial statutory income tax rate to the effective tax rate is as follows:

For the years ended		**December 31, 2014**		December 31, 2013
Expected income tax recovery at statutory tax rates	**$**	**(3,154,481)**	$	(3,065,222)
Changes in substantively enacted income tax rates		**-**		-
Expenses not deductible for tax purposes		**71,693**		252,514
Benefit of losses not recognized in the period and others		**2,836,293**		2,971,721
Income tax (recovery)/expense	**$**	**(246,495)**	$	159,013

Effective January 1, 2014, the Canadian federal corporate tax rate was 15% and the Ontario provincial tax rate was 11.5%. The overall tax rates for the Company's statutory tax rate calculations is 26.5%.

The tax effect of temporary differences of the Corporation that give rise to significant portions of deferred income tax assets and deferred income tax liabilities are presented in the table that follows.

		December 31, 2014		December 31, 2013
Deferred income tax assets				
Non-capital loss carry forwards	**$**	**-**	$	1,304,001
Total deferred income tax assets	**$**	**-**	$	1,304,001
Deferred income tax liabilities				
Mineral properties		**-**		(1,550,496)
Net deferred income tax liabilities	**$**	**-**	$	(246,495)

The deferred tax liability increases or decreases each reporting period due to temporary differences on translation of non-monetary assets in the Namibian legal entity.

Deferred income tax assets are recognized to the extent that the realization of the related tax benefit through future taxable profits is probable. The total temporary differences for which a benefit has not been recognized is $47,157,654.

Accumulated tax losses expire as per the amount and the years noted in the table that follows. Deferred tax assets have not been recognized in respect of items where the company is unable to control the timing of when future taxable profit will be available against which the Company can utilize the benefit of the losses.

(IN CANADIAN DOLLARS)

19) Income taxes (continued)

The following table summarizes the Company's Canadian non-capital and capital losses (not recognized) that can be applied against future taxable profit:

Years generated	Expiry Date		Amount
2005	2015	$	252,574
2006	2026	$	1,402,178
2007	2027	$	1,786,000
2008	2028	$	2,594,428
2009	2029	$	2,991,025
2010	2030	$	3,259,951
2011	2031	$	1,578,363
2012	2032	$	1,817,183
2013	2033	$	2,069,143
2014	2034	$	2,097,943
Non-capital losses		$	19,848,788

Years generated	Expiry Date		Amount
2009	Indefinitely	$	6,081,888
2014	Indefinitely		10,505,510
Net-capital losses		$	16,587,398

The Canadian entity also has unrecognized deductible temporary differences related to $670,912 of share issue costs, which do not expire.

The Namibian subsidiary has unrecognized deductible temporary differences relating to mineral properties of $5,039,058 and loss carry-forwards of approximately $1,474,893, which can be carried forward indefinitely against the same type of business income.

The Ecuadorian subsidiary has unrecognized deductible temporary differences relating to loss carry-forwards of approximately $343,485, which can be carried forward for five years against the same type of business income.

20) Segmented information

Segmented information is provided on the basis of geographical segments as the Company manages its business and exploration activities through geographical regions – Canada, Ecuador, Namibia and Barbados. The business segments presented reflect the management structure of the Company and the way in which the Company's executive officers review business performance on a quarterly basis.

The Company evaluates performance of its operating and reportable segments as noted in the following table:

(IN CANADIAN DOLLARS)

20) Segmented information (continued)

For the year ended December 31, 2014		**Assets**		**Liabilities**		**Total Comprehensive Loss**
Canada*	**$**	**17,308,256**	**$**	**277,918**	**$**	**4,677,486**
Ecuador		**36,585,630**		**327,518**		**(2,777,225)**
Namibia		**2,326,228**		**10,628**		**5,063,712**
Brazil		**-**		**-**		**-**
Barbados		**2,119**		**18,628**		**(32,111)**
	$	**56,222,233**	**$**	**634,692**	**$**	**6,931,862**

For the year ended December 31, 2013		Assets		Liabilities		Total Comprehensive Loss
Canada*	$	19,880,020	$	544,715	$	3,999,744
Ecuador		30,547,894		392,204		(1,812,964)
Namibia		8,602,814		12,872		95,928
Brazil		4,080,934		9,633		5,919,806
Barbados		4,609		21,056		38,402
	$	63,116,271	$	980,480	$	8,240,916

*All amounts listed in Canadian operating segment relate to Canadian corporate assets and liabilities and exploration properties less related impairment losses.