PACIFIC IMPERIAL MINES INC.

Financial Statements

For the Years Ended June 30, 2015 and 2014

(Expressed in Canadian Dollars)

MANNING ELLIOTT
ACCOUNTANTS & BUSINESS ADVISORS

11th floor, 1050 West Pender Street, Vancouver, BC, Canada V6E 3S7
Tel: 604. 714. 3600 Fax: 604. 714. 3669 Web: manningelliott.com

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Pacific Imperial Mines Inc.

We have audited the accompanying financial statements of Pacific Imperial Mines Inc. which comprise the statements of financial position as at June 30, 2015 and 2014, and the statements of comprehensive loss, changes in equity and cash flows for the years then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information.

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

Auditors' Responsibility
Our responsibility is to express an opinion on these 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Pacific Imperial Mines Inc. as at June 30, 2015 and 2014, and its financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 1 in the financial statements which indicates the existence of a material uncertainty that may cast significant doubt on the ability of Pacific Imperial Mines Inc. to continue as a going concern.

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, British Columbia
October 26, 2015

PACIFIC IMPERIAL MINES INC.

Statements of Financial Position

(Expressed in Canadian Dollars)

	Note		June 30, 2015		June 30, 2014
ASSETS					
Current assets					
Cash		$	135,169	$	269,796
GST receivable			3,971		6,177
Prepaid expenses			1,138		38,846
			140,278		314,819
Reclamation deposit	*3*		7,484		37,058
Equipment	*4*		1,440		637
Total assets		$	149,202	$	352,514
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities		$	2,210	$	24,997
Due to related parties	*6*		245		4,114
Total liabilities			2,455		29,111
EQUITY					
Share capital	*7*		3,505,311		3,505,311
Contributed surplus			2,316,594		2,301,094
Deficit			(5,675,158)		(5,483,002)
Total equity			146,747		323,403
Total liabilities and equity		$	149,202	$	352,514

Nature of business and continuance of operation (Note 1)

These financial statements are approved and authorized for issue on behalf of the Board on October 26, 2015. They are signed on the Company's behalf by:

"Roman Shklanka"	*"Leo King"*
Roman Shklanka, Director	Leo King, Director

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

PACIFIC IMPERIAL MINES INC.

Statements of Comprehensive Loss

For the Years Ended June 30, 2015 and 2014

(Expressed in Canadian Dollars)

	2015	2014
EXPLORATION COSTS	$ 94,343	$ 337,971
GENERAL AND ADMINISTRATIVE EXPENSES		
Accounting and audit	45,890	55,186
Depreciation	367	273
Legal	5,992	24,825
Office and miscellaneous	27,961	38,969
Promotion	5,708	9,942
Property investigation and travel	-	17,812
Share -based payment	15,500	-
Transfer agent fees	3,699	4,456
LOSS BEFORE OTHER ITEMS	199,460	489,434
OTHER ITEMS		
Foreign exchange (gain) loss	(6,791)	7,902
Interest income	(513)	(2,423)
Loss on disposal of subsidiary	-	15,087
NET LOSS AND COMPREHENSIVE LOSS	$ 192,156	$ 510,000
LOSS PER SHARE – BASIC AND DILUTED	$ (0.00)	$ (0.02)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	41,541,968	20,608,391

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

PACIFIC IMPERIAL MINES INC.
Statements of Changes in Equity
For the Years Ended June 30, 2015 and 2014
(Expressed in Canadian Dollars)

	Share Capital		Share Subscriptions			
	Shares	Amount	Received	Deficit	Contributed Surplus	Total Equity
Balance, June 30, 2013	27,841,968	$ 2,852,673	-	$ (4,973,002)	$ 2,296,194	$ 175,865
Net loss for the year	-	-	-	(510,000)	-	(510,000)
Shares issued for cash						
Private Placement	12,500,000	625,000	(625,000)	-	-	-
Share subscription received	-	-	625,000	-	-	625,000
Shares issuance cost	-	(8,362)	-	-	-	(8,362)
Shares issued for non-cash transaction						
Issued for property (Note 5)	1,000,000	30,000	-	-	-	30,000
Issued for finder's fee (Note 5)	200,000	6,000	-	-	4,900	10,900
Balance, June 30, 2014	41,541,968	$ 3,505,311	$ -	$ (5,483,002)	$ 2,301,094	$ 323,403
Net loss for the year	-	-	-	(192,156)	-	(192,156)
Fair value of stock options granted	-	-	-	-	15,500	15,500
Balance, June 30, 2015	41,541,968	$ 3,505,311	$ -	$ (5,675,158)	$ 2,316,594	$ 146,747

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

PACIFIC IMPERIAL MINES INC.

Statements of Cash Flows
For the Years Ended June 30, 2015 and 2014
(Expressed in Canadian Dollars)

	2015	2014
Cash flows from operating activities		
Net loss for the year	$ (192,156)	$ (510,000)
Adjustment for items not involving cash:		
Depreciation	367	273
Foreign exchange	-	5,841
Loss on disposal of subsidiary	-	15,087
Reclamation Provision	-	2,000
Share-based payment	15,500	-
Shares issued for mineral property	-	30,000
Shares issued for finder's fee	-	6,000
Warrants issued as finder's fee	-	4,900
	(176,289)	(445,899)
Changes in operating assets and liabilities		
Accounts payable and accrued liabilities	(22,787)	(147,395)
Advances and sundry receivable	2,206	2,845
Prepaid expenses	37,708	(38,432)
Net cash used in operating activities	(159,162)	(628,881)
Cash flows provided by (used in) investing activities		
Cash loss on disposal of subsidiary	-	(14,378)
Purchase of equipment	(1,170)	-
Redemtion (Purchase) of reclamation bond	29,575	(38,180)
Net cash provided by (used in) investing activities	28,405	(52,558)
Cash flows provided by (used in) financing activities		
Advances to related parties	(3,870)	(44)
Cash received from shares issued	-	625,000
Share issuance costs	-	(8,362)
Net cash provided by (used in) financing activities	(3,870)	616,594
Decrease in cash	(134,627)	(64,845)
Cash, beginning of Year	269,796	334,641
Cash, end of Year	$ 135,169	$ 269,796

	2015	2014
Supplemental non-cash transactions during the year:		
Interest paid in cash	$ -	$ -
Income tax paid in cash	$ -	$ -
Significant non-cash transactions during the year:		
Shares issued as finders' fee	$ -	$ 6,000
Shares issued for mineral property	$ -	$ 30,000
Warrants issued as finders' fee	$ -	$ 4,900

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

1. Nature of Business and Going Concern

Pacific Imperial Mines Inc. ("the Company") was incorporated under the British Columbia Business Corporations Act since September 18, 1987. The Company's shares are listed on the TSX Venture Exchange. The Company's principal office is located at Suite 550, 800 West Pender Street, Vancouver, BC V6C 1G8. The principal business of the Company is the identification, evaluation and acquisition of mineral properties, as well as exploration of mineral properties once acquired.

These financial statements of the Company have been prepared on a going-concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business.

The Company has experienced losses since its inception amounting to $5,675,158 as of June 30, 2015 (2014 - $5,483,002). The ability of the Company to meet its commitments as they become payable is dependent on the ability of the Company to acquire assets or a business or an interest therein, obtain the necessary financing, and develop assets or operations which will generate cash flows, either as a result of their disposal or from ongoing operations. The Company does not currently have assets or a business capable of generating ongoing cash flows. Although the Company has sufficient cash to meet its current administrative costs, there is no assurance that the Company will be successful in making an acquisition or in raising the necessary financing to do so. These conditions along with other matters indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. While the financial statements have been prepared on the basis of accounting principles applicable to a going concern, adverse conditions may cast significant doubt upon the validity of this assumption.

In the event the Company is unable to arrange appropriate financing, the carrying value of the Company's assets could be subject to material adjustment. Furthermore, certain market conditions may cast significant doubt upon the validity of the going concern assumption.

These financial statements do not give effect to adjustments, if any, 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 in other than the normal course of business and at amounts which may differ from those shown in the financial statements.

2. Summary of Significant Accounting Policies

(a) Basis of presentation and statement of compliance with International Financial Reporting Standards

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

The financial statements have been prepared on the historical cost basis, except for certain financial instruments which are recorded at fair value as described in Note 2(m). In addition, these financial statements have been prepared using the accrual method of accounting except for cash flow information.

2. Summary of Significant Accounting Policies (continued)

(b) Disposal of subsidiary

The Company disposed of its wholly-owned subsidiary Pacific Imperial Mineração do Brasil Ltda. ("Pacific Imperial Brazil") on January 15, 2014. The statements of comprehensive loss include the operation result of its former wholly owned subsidiary, Pacific Imperial Brazil for the period from July 1, 2013 to date of disposal on January 15, 2014. The Company's statement of financial position as at June 30, 2015 and 2014 does not include the assets and liabilities of Pacific Imperial Brazil.

(c) Use of estimates and judgments

Estimates

The preparation of these financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the amounts reported in the financial statements and the related notes to the financial statements during the reporting period.

Significant areas requiring the use of management estimates include the decommissioning liabilities on mineral interests, recoverability and measurement of deferred tax assets and liabilities and the assumptions used in valuing options and warrants in share-based payment calculations. By their nature, these estimates are subject to measurement uncertainty and actual results could differ from those estimates.

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

Critical judgements

Critical accounting judgements are accounting policies that have been identified as being complex or involving subjective judgements or assessments with a significant risk of material adjustment in the next year. Critical accounting judgements are going concern and determination of functional currency.

(d) Cash equivalents

Cash equivalents consist of highly liquid investments which are readily convertible into known amounts of cash that have original maturities of three months or less when purchased.

(e) Equipment

Equipment is recorded at cost and amortized at the following rates per annum using the declining balance method:

Computer equipment and software - 30%

Additions during the period are amortized at one-half the normal rate in the period of acquisition.

2. Summary of Significant Accounting Policies (continued)

(f) Impairment

Non-financial assets with finite lives are tested for impairment at the end of each reporting period. In addition, long-lived assets that are not amortized are subject to an annual impairment assessment. Any impairment loss is recognized in earnings or the results of discontinued operations, as appropriate, for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell or its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows ("cash-generating units" or "CGUs"). The Company evaluates impairment losses other than goodwill impairment, for potential reversals, when events or changes in circumstances warrant such consideration.

(g) Mineral interests

The Company follows the method of accounting for its mineral interests whereby costs for acquisition of mineral interest or rights to explore and costs related to exploration and evaluation of a property are expensed as they are incurred until such time as the technical feasibility and commercial viability of the project is demonstrable. Development costs incurred are capitalized after the technical feasibility and commercial viability of a project is demonstrated and a development decision has been made. The capitalized costs of the related property are depreciated using the units of production method on commencement of commercial production. If it is determined that capitalized costs are not recoverable, or management has determined an impairment in value, the property is written down to its recoverable amount. Mineral properties capitalized are reviewed for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount.

(h) Decommissioning liabilities

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities and may from time to time incur decommissioning liabilities and the associated retirement costs related to site reclamation and abandonment. The fair value of the liability for an asset retirement obligation is recorded when it is incurred and the corresponding expense is recorded to net loss in the period that it is recognized. The liability is increased over time to reflect an accretion element considered in the initial measurement at fair value. As at June 30, 2015, the Company had accrued $2,000 in decommissioning liabilities related to the exploration and development of its mineral interests.

(i) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

2. Summary of Significant Accounting Policies (continued)

(j) Income taxes

Income tax expense comprises current and deferred income tax. Tax is recognized in the income statement except to the extent that it relates to items recognized directly into equity, in which case the related tax effect is recognized in equity.

Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current tax expense is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period.

Deferred tax is accounted for using a temporary difference approach and is the tax expected to be payable or recoverable on temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and the corresponding tax bases used in the computation of taxable income. Deferred tax is calculated based on the expected manner in which temporary differences related to the carrying amounts of assets and liabilities, using tax rates that are expected to apply to the year of realization or settlement using tax rates and laws enacted or substantively enacted at the end of the reporting period.

Deferred tax assets and liabilities are not recognized in respect of temporary differences that arise on initial recognition of assets and liabilities acquired other than in a business combination and which do not affect accounting or taxable profit or loss at the time of the transaction. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

(k) Basic and diluted loss per share

Loss per share is computed by dividing net loss available to common shareholders by the weighted average number of common shares outstanding during the period. The Company applies the treasury stock method in calculating diluted earnings (loss) per share. Diluted loss per share excludes all dilutive potential common shares if their effect is anti-dilutive.

(l) Share-based payment

The Company has a share-based payment plan as disclosed in Note 7, whereby stock options are granted in accordance with the policies of regulatory authorities. The Company uses a fair value based method of accounting for stock options to directors and employees. Stock options granted to non-employees are valued based on the fair value of the goods or services received or when fair value cannot be estimated reliably, the Company uses a fair value based method of accounting determined using the Black-Scholes option pricing model with assumptions for risk-free interest rate, volatility, expected forfeiture and life of the options or warrants. For directors and employees, the fair value of the options is measured at the date of grant. For non-employees, the fair value of the options is measured on the earlier of the date at which the counterparty performance is complete or the date the performance commitment is reached or the date at which the equity instruments are granted if they are fully vested and non-forfeitable. Stock options with graded vesting schedules are accounted for as separate grants with different vesting periods and fair values. The cost is recognized over the applicable vesting period as an increase in share-based payment expense, with the offset credit to contributed surplus. Upon exercise of share purchase options, the consideration paid by the option holder, together with the amount previously recognized in contributed surplus, is recorded as an increase to share capital.

2. Summary of Significant Accounting Policies (continued)

(m) Financial instruments

Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or financial assets at fair value through profit or loss (“FVTPL”).

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through earnings. The Company’s cash is classified as financial asset at FVTPL.

Financial assets classified as loans and receivables and held to maturity assets are measured at amortized cost. Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income and loss except for losses in value that are considered other than temporary which are recognized in earnings. The Company does not have any assets classified as loans and receivables, held to maturity or available for sale financial assets at this time.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as financial liabilities at FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized costs using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company’s accounts payable and due to related parties are classified as other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held for trading and recognized at fair value with changes in fair value recognized in earnings unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in earnings. The Company is not exposed to any derivative instruments and foreign exchange hedges in place at this time.

2. Summary of Significant Accounting Policies (continued)

(n) Foreign exchange

These financial statements are presented in Canadian dollars, which is the Company's functional currency.

The accounts recorded in foreign currencies have been translated into Canadian dollars on the following basis:

(1) monetary assets and liabilities at the rate of exchange in effect at the financial statement date;
(2) non-monetary assets and liabilities at the rates of exchange in effect on the respective dates of transactions; and
(3) revenue and expenses at the exchange rates prevailing as of the date of the transaction.

(o) Adoption of accounting standards

The mandatory adoption of the following new and revised accounting standards on July 1, 2014 had no significant impact on the Company's financial statements:

IAS 32 Financial Instruments: Presentation – In December 2011, the IASB issued an amendment to clarify the meaning of the offsetting criterion and the principle behind net settlement, including identifying when some gross settlement systems may be considered equivalent to net settlement.

IAS 36 Impairment of Assets – In May 2013, the IASB issued an amendment to address the disclosure of information about the recoverable amount of impaired assets or a CGU for periods in which an impairment loss has been recognized or reversed. The amendments also address disclosure requirements applicable when and asset's or a CGU's recoverable amount is based on fair value less costs of disposal.

IFRIC 21 Levies – In May 2013, the IASB issued IFRIC 21, an interpretation of IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, on the accounting for levies imposed by governments. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event ("obligating event"). IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

(p) Accounting standard issued but not yet applied

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB that are mandatory for future accounting periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below. The Company intends to adopt these standards when they become effective.

Standard effective for annual periods beginning on or after January 1, 2018

IFRS 9 Financial Instruments - This is a finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39. The standard contains requirements in the following areas:

(Expressed in Canadian Dollars)

2. Summary of Significant Accounting Policies (continued)

(p) Accounting standard issued by not yet applied (continued)

- *Classification and measurement*. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.

- *Impairment*. The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized.

- *Hedge accounting*. Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.

- *Derecognition*. The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

The extent of the impact of adoption of these above standards on the financial statements of the Company has not yet been determined.

3. Reclamation Deposit

The Company has posted a deposit with the Department of Natrual Resources of the State of Utah ("DNR") as security towards future site restoration work. The deposit was posted in relation to the Keg Mountain Property in Utah (Note 5). During the year ended June 30, 2015, the Company received a refund of US$28,712 from the DNR and the remaining balance will be fully returned to the Company after site inspection is completed.

4. Equipment

	Cost	Accumulated Amortization	Net Book Value
June 30, 2015			
Computer and software	$ 6,434	$ 4,994	$ 1,440
June 30, 2014			
Computer and software	$ 5,264	$ 4,627	$ 637

(Expressed in Canadian Dollars)

5. Mineral Interests

(a) Keg Mountain Property, Utah

By an Option Agreement with Inland Explorations Ltd. ("Inland") dated March 26, 2014, the Company acquired an option to purchase up to an undivided 65% interest in the Keg Mountain Property located 100 kilometers south of Salt Lake City, Utah, by agreeing to pay an aggregate of $375,000 in cash, issue 6,500,000 common shares of the Company and expend US$15,000,000.
In connection with the acquisition of the Keg Mountain Property, the Company has agreed to issue a total of 500,000 Units to a finder.

The Company also issued 1,000,000 common shares to Inland and 200,000 Units to a finder during the year ended June 30, 2014. The Units issued to the finder have the same terms and conditions as the Units issued in connection with the private placement completed on May 12, 2014 (See Note 7(b)).

The fair value of the 1,000,000 common shares issued to Inland was $30,000. The fair value of the Units issued to the finder was $10,900, comprising the fair value of the common shares of $6,000 and the fair value of the warrants of $4,900, determined using the Black Scholes Option Pricing model with the following weighted average assumptions:

	2014
Share price on grant date ($)	$ 0.03
Risk-free interest rate (%)	1.58%
Expected dividend yield (%)	0%
Expected option life (Years)	5
Expected stock price volatility (%)	143%

On October 30, 2014, the Company decided to terminate the Option Agreement with Inland as the initial drilling result were not of sufficient interest to continue with the project. On June 30, 2015, the Company decided to abandon the Keg Mountain Property.

As at June 30, 2015, the Company has no further obligations with the Keg Mountain Property.

(b) Marcionilio Property, Brazil

On January 17, 2013, the Company, through its wholly owned subsidiary Pacific Imperial Brazil entered into an agreement with Companhia Baiana de Pesquisa Mineral (CBPM), a state-owned mineral exploration company in Brazil, whereby the Company acquired an option to earn a 100% interest in the Marcionilio nickel-copper property, subject to a 3% net smelter return royalty retained by CBPM. In accordance with the agreement, the Company is committed to expend R$500,000 (approximately Cdn$238,100) during the first year and, if the Company elects to continue, an additional R$500,000 during the second year for a total of R$1,000,000 (approximately Cdn$476,200). The Company may terminate the agreement within 12 months from the date of the agreement. If the Company does not expend at least R$500,000 within the first 12 months, the Company is required to pay CBPM for the deficiency in cash. After 12 months from the date of the agreement, the Company is committed to expend a total of R$1,000,000 on the property or pay CBPM for the deficiency in cash. The Property is about 10,090 hectares in size, and is located in east-central Bahia State.

(Expressed in Canadian Dollars)

5. Mineral Interests (continued)

(b) Marcionilio Property, Brazil (continued)

On September 19, 2013, the Company entered into a binding letter of intent to sell its interest in the Marcionilio property through the selling of its wholly owned Brazilian subsidiary. In consideration for the sale, the Company will receive a 2% net smelter royalty on any future production. On January 15, 2014, the Company completed this transaction and recorded a loss on disposal of subsidiary in the amount of $15,087 with details as follows:

Net assets (liabilities) disposed:		
Cash	$	14,378
Prepaid expenses and deposit		3,325
Liabilities		(2,616)
Loss on disposal	$	15,087

Licurgo Albuquerque (the "Buyer") acquired control of the subsidiary's management and operations effective on January 15, 2014. As at June 30, 2015, the legal process for registration of the Buyer as the new sole shareholder has not been completed.

6. Related Party Balances and Transactions

Transactions with key management personnel and entities over which they have control or significant influence were as follows:

Personnel	Transaction		2015		2014
Albert Wu & Associates Ltd., controlled by	Accounting fees	$	12,015	$	19,899
Albert Wu, Chief Financial Officer	Share-based payment		1,860		-
Chelsia Cheam, Corporate Secretary	Bookkeeping and secretary		16,875		13,790
	Share-based payment		1,240		-
Leo King, President and Chief Executive Officer ("CEO")	Share-based payment		3,100		-
Roman Shklanka, Director	Share-based payment		3,100		-
Geir Liland, former Director	Share-based payment		3,100		-
Chris McLeod, Director	Share-based payment		3,100		-
Total		$	44,390	$	33,689

(Expressed in Canadian Dollars)

6. Related Party Balances and Transactions (continued)

Amounts due to related parties as of June 30, 2015 and 2014 were as follows:

Personnel		2015		2014
Leo King, President and CEO	$	-	$	47
Roman Shklanka, Director		-		1,903
Chelsia Cheam, Director		245		-
Chris McLeod, Director		-		2,164

The amounts due to related parties are unsecured, have no specific terms of repayment and are non-interest bearing.

7. Share Capital

(a) Authorized: unlimited common shares with no par value

(b) Issued and outstanding:

During the year ended June 30, 2015

The Company did not issue any common shares during the year.

During the year ended June 30, 2014:

On May 12, 2014, the Company completed a private placement of 12,500,000 units ("Units") at a price of $0.05 per Unit. Each Unit is comprised of one common share and one non-transferrable share purchase warrant of the Company. Each share purchase warrant entitles the holder to purchase one additional common share of the Company at a price of $0.10 per share until May 13, 2019.

The Company has also issued 1,000,000 common shares to Inland Explorations Ltd. as a part of the Keg Mountain option agreement described in Note 5 and 200,000 Units as a finder fee in connection with this agreement.

(c) Options

The Company has adopted a stock option plan whereby the Company can grant stock options to directors, officers, employees and consultants to acquire up to 10% of the issued and outstanding share capital of the Company from time to time.

(Expressed in Canadian Dollars)

7. Share Capital (continued)

(c) Options (continued)

During the year ended June 30, 2015, the Company granted 1,250,000 (2014 – Nil) options to directors and officers of the Company with an exercise price of $0.05 per share expiring October 10, 2019. The Company charged share-based payments of $15,500 (2014 – $Nil) to operations. The Company used the Black-Scholes option pricing model with the following weighted average assumptions to value the options granted:

	2015
Share price on grant date ($)	$0.05
Risk-free interest rate (%)	1.48%
Expected dividend yield (%)	0%
Expected forefeiture rate (%)	0%
Expected option life (Years)	5
Expected stock price volatility (%)	146%

The changes in options during the year ended June 30, 2015 and 2014 were as follows:

	Number of Options	Average Exercise price
Balance, June 30, 2013	1,700,000	$0.10
Cancelled	(150,000)	$0.12
Balance, June 30, 2014	1,550,000	$0.10
Granted	1,250,000	$0.05
Forfeited	(600,000)	$0.08
Balance, June 30, 2015	2,200,000	$0.08

During the year ended June 30, 2015, 600,000 (2014 – Nil) options were forfeited due to a resignation of a director. During the year ended June 30, 2014, the Company cancelled 150,000 options. The cancelled and forfeited options were fully vested at the cancellation and forfeiture date.

Options outstanding and exercisable at June 30, 2015 were as follows:

Expiry Date	Number of Options	Exercise Price
October 25, 2015	325,000	$0.10
June 12, 2017	875,000	$0.10
October 10, 2019	1,000,000	$0.05
	2,200,000	$0.08

The weighted average life of the options outstanding and exercisable at June 30, 2015 is 2.77 years (2014 – 2.50 years).

(Expressed in Canadian Dollars)

7. Share Capital (continued)

(d) Share purchase warrants

The changes in warrants during the year ended June 30, 2015 and 2014 were as follows:

	2015		2014	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Warrants outstanding, beginning of period	12,700,000	$ 0.10	7,210,000	$ 0.10
Warrants granted	-	-	12,500,000	0.10
Finders' warrants granted	-	-	200,000	0.10
Warrants expired	-	-	(7,210,000)	0.10
Outstanding and exercisable	12,700,000	$ 0.10	12,700,000	$ 0.10

The weighted average life of the warrants outstanding and exercisable at June 30, 2015 is 3.87 years (2014 – 4.87 years)

8. Management of Capital

The Company's objectives when managing capital are to identify, pursue and complete the exploration and development of mineral properties, to maintain financial strength, to protect its ability to meet its on-going liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. The Company does not have any externally imposed capital requirements to which it is subject. Capital of the Company comprises equity.

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

The Company's investment policy is to invest its cash in financial instruments with financial institutions with terms to maturity selected to match expected timing of expenditures from continuing operations.

9. Financial Instruments

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgement, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The Company's financial instruments consist of cash, accounts payable and amount due to related parties.

(Expressed in Canadian Dollars)

9. **Financial Instruments** (continued)

The following table summarizes information regarding the carrying values of the Company's financial instruments:

	2015	2014
Assets as FVTPL (i)	$ 135,169	$ 269,796
Other financial liabilities (ii)	456	16,617

(i) Cash
(ii) Accounts payable and amounts due to related parties

Fair Value

The estimated fair values of cash, accounts payable and amounts due to related parties approximate their respective carrying values due to their short periods to maturity. For fair value estimates, the Company classifies its fair value measurements within a fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1 – Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets.
Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3 – Significant unobservable inputs which are supported by little or no market activity.

The following table sets forth the Company's financial assets measured at fair value by level on a recurring basis within the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
June 30, 2015				
Cash	$ 135,169	$ -	$ -	$ 135,169
June 30, 2014				
Cash	$ 269,796	$ -	$ -	$ 269,796

The Company's risk exposures and the related potential impact on the Company's financial instruments are summarized below:

Credit Risk

The Company is not exposed to significant credit risk. The Company limits exposure to credit risk by maintaining its cash with financial institutions.

9. Financial Instruments (continued)

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 manages liquidity risk through the management of its capital structure and financial leverage as outlined above.

The Company monitors its ability to meet its short-term administrative expenditures by raising additional funds through share issuances when required. All of the Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms. The Company does not have investments in any asset backed commercial paper.

Foreign Exchange Risk

As the Company disposed of its wholly owned subsidiary on January 15, 2014, the Company is no longer exposed to currency fluctuations related to cash balances, amounts receivables and accounts payable held in Brazilian Real.

The Company is primarily exposed to currency fluctuations related to loans and receivables and accounts payable held in USD. As at June 30, 2015, the Company has financial assets of $7,484 denominated in USD. An increase or decrease of 5% in the exchange rate between CAD and USD would result in an increase or decrease of $375 in the net loss of the Company. The Company does not actively manage this risk.

Interest Rate Risk

The Company is not exposed to significant interest rate risk.

10. Income Taxes

The following table reconciles the amount of income tax recoverable on application of the combined statutory Canadian federal and provincial income tax rates:

	2015	2014
Canadian combined statutory rates	26.00%	26.00%
Income taxes (recovery) at combined tax rates	$ (50,000)	$ (132,600)
Non-deductible and other items	(53,000)	22,000
Expiry of tax losses	21,000	86,900
Difference in foreign tax rates	-	1,900
Deferred tax assets not recognized	82,000	21,800
Deferred income tax recovery	$ -	$ -

(Expressed in Canadian Dollars)

10. Income Taxes (continued)

As June 30, 2015 and 2014, the amount of deductible temporary differences for which no deferred tax assets is recognized in the statements of financial position is as follows:

	2015		2014	
	Temporary Difference	Tax Effect	Temporary Difference	Tax Effect
Non-capital losses	$ 2,420,000	$ 629,000	$ 2,316,000	$ 602,000
Capital losses	749,000	195,000	607,000	158,000
Mineral properties and other assets	699,000	182,000	624,000	162,000
Share issuance costs	17,000	4,000	25,000	6,000
	$ 3,885,000	$ 1,010,000	$ 3,572,000	$ 928,000
Unrecognized deferred tax assets	(3,885,000)	(1,010,000)	(3,572,000)	(928,000)
Net deferred tax assets not recognized	$ -	$ -	$ -	$ -

The Company has non-capital losses for income tax purposes of approximately $2,420,000 (2014 - $2,316,000) which may be carried forward and offset against future taxable income. These losses expire from 2025 to 2035.