

**THE STREETWEAR CORPORATION**  
**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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## Management's Responsibility

To the Shareholders of The Streetwear Corporation (the "**Corporation**):

The accompanying financial statements of the Corporation are the responsibility of management.

These financial statements have been prepared by management in accordance with the accounting policies disclosed in the notes to the financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the date of the statement of financial position. In the opinion of management, these financial statements have been prepared within acceptable limits of materiality and are in accordance with International Financial Reporting Standards ("**IFRS**") appropriate in the circumstances.

Management has established processes, which are in place to provide it sufficient knowledge to support management representations that it has exercised reasonable diligence that (i) the 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 financial statements and (ii) the financial statements fairly present in all material respects the financial condition, financial performance and cash flows of the Corporation, as of the date of and for the periods presented by the financial statements.

The Board of Directors is responsible for reviewing and approving the financial statements together with other financial information of the Corporation 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 financial reporting process and the financial statements together with other financial information of the Corporation. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the financial statements together with other financial information of the Corporation for issuance to the shareholders.

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

August 25, 2015

          /s/ Peter Lukesch          

Peter Lukesch

Director, Chief Executive Officer

**THE STREETWEAR CORPORATION**  
**CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**(All Amounts are in Canadian Dollars)**

**As at** June 30, 2015 December 31, 2014

**ASSETS**

CURRENT

Cash	\$ 193	\$ 30,667
Sundry Receivables	8,330	19,907
Related Party Receivable (Note 13)	0	96,157
Prepaid Expenses and Deposits	<u>1,833</u>	<u>1,833</u>
	10,356	148,564
EVALUATION AND EXPLORATION PRPERTIES (Note 5)	0	82,042
RESTRICTED CASH (Note 6)	<u>0</u>	<u>0</u>
TOTAL	<u>\$ 10,356</u>	<u>230,606</u>

**LIABILITIES**

CURRENT

Accounts payable and accrued liabilities	\$ 109,115	\$ 72,707
Related Party Payable	20,000	0
Notes Payable (Note 6 & 7)	<u>0</u>	<u>1,300</u>
TOTAL	129,115	74,007

**SHAREHOLDERS EQUITY (DEFICIENCY)**

CAPITAL STOCK (Note 8)

Issued and Outstanding (2015 & 2014 – 74,021,098)	\$ 992,315	\$ 992,315
CONTRIBUTED SURPLUS (Note 9)	130,849	130,849
ACCUMULATED DEFICIT	(1,241,923)	(966,565)
	<u>(118,759)</u>	<u>156,599</u>
TOTAL	<u>\$ 10,356</u>	<u>\$ 230,606</u>

Nature of Organization (Note 1)  
 Commitments (Note 14)  
 Contingency (Note 15)

**APPROVED ON BEHALF OF THE BOARD:**

/s/ "Peter Lukesch"  
 Peter Lukesch, Director

/s/ "Franz Kozich"  
 Franz Kozich, Director

**THE STREETWEAR CORPORATION**

**CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**(All Amounts are in Canadian Dollars)**

	Number of Common Shares		Amount of Common Shares		Contributed Surplus (Note 9)		Deficit		Shareholders' Equity
Balance, January 1, 2014	68,984,244	\$	896,878	\$	125,549	\$	(786,060)	\$	236,367
Common Shares issued for debt									
Resettlements	3,536,854		70,737						70,737
Common share issuance for cash	1,500,000		24,700		5,300		0		30,000
Net loss for the period							(180,505)		(180,505)
<hr/>									
Balance, December 31, 2014	74,021,098	\$	992,315	\$	130,849	\$	(966,565)	\$	156,599
Net loss for the period							(275,358)		(275,358)
<hr/>									
Balance, June 30, 2015	74,021,098	\$	992,315	\$	130,849	\$	(1,241,923)	\$	(118,759)

**THE STREETWEAR CORPORATION**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS**  
**AND COMPREHENSIVE INCOME**  
(All Amounts are in Canadian Dollars)

For the Period from January 1 to June 30,	2015	2014
REVENUES	\$ <u>0</u>	\$ <u>0</u>
EXPENSES		
Administrative (Note 9)	116,522	12,491
Business development expense (Note 10)	30,305	1,980
Professional fees	46,490	35,500
Amortization of exploration properties	82,042	0
	<u>275,358</u>	<u>49,971</u>
NET LOSS AND COMPREHENSIVE LOSS	<u>\$ (275,358.)</u>	<u>\$ (49,971.)</u>
NET INCOME PER COMMON SHARE - Basic and diluted	<u>\$ 0.00</u>	<u>\$ 0.00</u>
WEIGHTED AVERAGE COMMON SHARES - Basic and diluted	<u>74,021,098</u>	<u>74,021,098</u>

**THE STREETWEAR CORPORATION**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(All Amounts are in Canadian Dollars)**

<b>For the Period from January 1 to June 30,</b>	<b>2015</b>	<b>2014</b>
<b>CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>		
Net income (loss) for the year	\$ (275,358)	\$ (49,971)
Change in non-cash working capital items:		
Related Party receivable waiver	60,000	0
Amortization of exploration properties	36,157	0
Sundry receivables	82,042	0
Prepaid Expenses and Deposits	11,577	(6,920)
Accounts payable and accrued liabilities	0	(6,850)
	35,108	5,706
<b>CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b><u>(50,475)</u></b>	<b><u>(58,035)</u></b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
(Increase) Decrease in restricted cash	0	0
Related Party	20,000	(3,500)
Issuance (Decrease) of notes payable	0	(28,491)
Issuance of share capital (net of costs)	0	0
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	<b><u>20,000</u></b>	<b><u>(31,991)</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b><u>0</u></b>	<b><u>0</u></b>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(30,475)</b>	<b>(90,026)</b>
<b>CASH AND CASH EQUIVALENTS</b>		
Cash Balance January 1	30,667	108,979
Cash Balance June 30	<u>192</u>	<u>18,953</u>

**SUPPLEMENTAL INFORMATION**

Interest received	\$ 0	\$ 0
Interest paid	0	0
Income taxes paid	0	0

## 1. Nature of Organization

### *Description of the Business*

The Streetwear Corporation (the "Corporation") is incorporated under the laws of the Province of Ontario and is governed by the Business Corporation Act (Ontario). The Corporation's principal offices are located at 133 Richmond Street West, Suite 403, Toronto, Ontario.

The Corporation was created by the amalgamation of The Streetwear Corporation and Conquest Capital Corp. continuing under the name of The Streetwear Corporation. The amalgamation was consummated on January 21, 1999. Effective December 30, 2013, the Corporation completed a transaction with ARC Exploration Inc. ("ARC"), an entity incorporated under the Business Corporations Act (Ontario). This transaction was accounted for as a reverse takeover as the control of the Corporation was acquired by the former shareholders of ARC.

The business of the Corporation is that of an exploration company with mineral evaluation and exploration property in Canada. However, the Corporation is, as of the date of these interim statements, in the process of changing the scope of its business to become a high-tech issuer. The shareholders of the Corporation have approved the change of business on June 26, 2015, however, the final approval by the Canadian Securities Exchange ("CSE") is still outstanding pending the successful completion of a financing of minimum \$250,000 and there is no certainty that the Corporation will raise the funds required.

These condensed interim consolidated financial statements of the Corporation were authorized for issue in accordance with a resolution of the directors on August 18, 2015.

### *Basis of Operations and Going Concern*

These condensed interim consolidated financial statements have been prepared in accordance with IFRS applied on a going concern basis, which assumes that the Corporation will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. As at June 30, 2015 the Corporation had no sources of operating cash flows. The Corporation will therefore require additional funding which, if not raised, would result in the curtailment of activities and project delays. The Corporation had a negative working capital of \$ 118,759 as at June 30, 2015, and has incurred losses since inception, resulting in an accumulated deficit of \$ 1,241,923 as at June 30, 2015. The Corporation's ability to continue as a going concern is uncertain and is dependent upon its ability to continue to raise adequate financing. There can be no assurances that the Corporation will be successful in this regard, and therefore, there is doubt regarding the Corporation's ability to continue as a going concern, and accordingly, the use of accounting principles applicable to a going concern. These financial statements do not reflect adjustments that would be necessary if the "going concern" assumption were not appropriate. If the "going concern" assumption were not appropriate for these financial statements, then adjustments to the carrying values of the assets and liabilities, the expenses and the balance sheet classifications, which could be material, would be necessary.

The Corporation has no source of revenue, and has significant cash requirements to meet its costs and administrative overhead. Therefore, the Corporation will have to rely on its ability to raise additional funds by way of share issuances from its treasury and short term advances of capital from its directors and officers.



## 2. Summary of Significant Accounting Policies

### *Statement of Compliance*

These unaudited condensed interim consolidated financial statements have been prepared by management in accordance International Accounting Standards (“IAS”) 34 - Interim Financial Reporting under IFRS as issued by the International Accounting Standards Board (“IASB”). Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by the IASB and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). These financial statements have not been reviewed by the Corporation’s external auditors.

These unaudited condensed interim consolidated financial statements of the Corporation were authorized for issue in accordance with a resolution of the Board of Directors on August 18, 2015.

These financial statements have been prepared on a historical cost basis except for certain financial assets, which are recorded at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

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

### *Basis of Measurement*

These financial statements have been prepared on an accrual basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

### *Use of Estimates and Judgments*

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management’s best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. Areas where estimates are significant to the financial statements are disclosed in note 3.

### *Functional and presentation currency*

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

### *Cash and Cash Equivalents*

Cash and cash equivalents include demand deposits with banks, money market accounts, and other short-term investments with original maturities of 90 days or less.

### *Transactional Costs*

The costs incurred relating to transactional costs are expensed as incurred.

### *Income Taxes*

Income tax expense comprises current and deferred tax. Income tax is recognized in the statements of operations and comprehensive loss except to the extent it relates to items recognized in other comprehensive income or directly in equity.

#### *Current Income Tax*

Current tax is based on the results for the period as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and tax laws that were enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

#### *Deferred Tax*

Deferred tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the statement of financial position. Deferred tax is calculated using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period, and which are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax liabilities:

- are generally recognized for all taxable temporary differences; and
- are recognized for taxable temporary differences arising on investments in subsidiaries except where the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future.

Deferred tax assets:

- are recognized to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilized; and
- are reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are not recognized in respect of temporary differences that arise upon initial recognition of goodwill or arise on initial recognition of assets and liabilities acquired other than in a business combination where at the time of transaction effects neither accounting profit or taxable income (tax loss).

### *Earnings (Loss) Per Share*

Earnings (loss) per share is calculated by dividing the net loss applicable to common shares by the weighted average number of shares outstanding during the period. Diluted earnings (loss) per share is computed by dividing the net loss applicable to common shares by the diluted weighted average number of shares which assumes that all outstanding stock options granted with an exercise price below the average market value are exercised during the period. The difference between the number of shares assumed and the number of shares assumed purchased is then included in the denominator of the diluted earnings per share computation.

### *Non-derivative Financial Instruments*

Non-derivative financial instruments are recognized when the Corporation becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Corporation has substantially transferred all risks and rewards of ownership. Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs.

Financial assets are classified into the following categories: financial assets 'at fair value through profit or loss' ("FVTPL"), 'held-to-maturity investments', 'available-for-sale' financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Subsequent to initial recognition, non-derivative financial instruments are measured as described below:

#### *Fair Value Through Profit or Loss*

A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term. Derivatives are also included in this category unless they are designated as hedges.

Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the statement of operations. Gains and losses arising from changes in fair value are presented in the statement of operations within other gains and losses in the period in which they arise.

Financial assets and liabilities at fair value through profit or loss are classified as current except for the portion expected to be realized or paid beyond twelve months of the balance sheet date, which is classified as non-current.

#### *Loans and Receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. Loans and receivables are initially recognized at fair value plus transaction costs and subsequently carried at amortized cost using the effective interest method.

#### *Other Financial Liabilities*

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

#### *Impairment of financial assets*

Financial assets are assessed at each reporting date in order to determine whether objective evidence exists that the assets are impaired as a result of one or more events which have had a negative effect on the estimated future cash flows of the asset.

If there is objective evidence that a financial asset has become impaired, the amount of the impairment loss is calculated as the difference between its carrying amount and the present value of the estimated future cash flows from the asset discounted at its original effective interest rate. Impairment losses are recorded in earnings. If the amount of the impairment loss decreases in a subsequent period and the decrease can be objectively related to an event occurring after the impairment was recognized, the impairment loss is reversed up to the original carrying value of the asset. Any reversal is recognized in earnings.

The following is a summary of significant categories of financial instruments outstanding at June 30, 2015:

Cash and cash equivalents	Fair value through profit and loss
Sundry receivables	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities
Notes payables	Other financial liabilities

Carrying value and fair value of financial assets and liabilities are summarized as follows:

Classification	Carrying Value	Fair value
Fair value through profit and loss	\$ 193	\$ 193
Sundry receivables	8,330	8,330
Accounts payable and accrued liabilities	109,115	109,115
Related party payable	20,000	20,000

#### *Fair Value Hierarchy*

The Corporation classifies financial instruments recognized at fair value in accordance with a fair value hierarchy that prioritizes the inputs to valuation technique used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability; and

Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

As of June 30, 2015 and December 31, 2014 cash and cash equivalents are measured at fair value and are classified within Level 1 of the fair value hierarchy.

#### *Impairment of non-financial assets*

The Corporation's assets are reviewed for indications of impairment at each statement of financial position's date. If indication of impairment exists, the asset's recoverable amount is estimated.

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

### *Share-based Payments*

Stock options issued by the Corporation are accounted for in accordance with the fair value based method. The fair value of options issued to directors, officers, employees of and consultants to the Corporation is charged to earnings over the vesting period of each tranche (graded vesting) with the offsetting amount recorded to contributed surplus. The historical forfeiture rate is also factored in to the calculations. When options are exercised, the amount received together with the amount previously recorded in contributed surplus, are added to capital stock. The fair value of warrants issued to agents in conjunction with a public offering is charged to share issue costs with an offsetting amount recorded to contributed surplus. Fair value is measured using the Black-Scholes option pricing model.

### *Equity Instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Corporation are recorded at the proceeds received, net of direct issue costs.

### *Warrants*

The Corporation measures the fair value of warrants issued using the Black-Scholes option pricing model. The fair value of each warrant is estimated based on their respective issuance dates taking into account volatility, expected life, the dividend rate, and the risk free interest rate. The fair value of warrants issued in conjunction with an offering is charged to share issue costs with an offsetting amount recorded to contributed surplus. The fair value of warrants exercised is recorded as share capital, and the fair value of any expired warrants is recorded as contributed surplus general account.

### *Recent Accounting Pronouncements*

Unless otherwise noted, the following new and revised standards and amendments are effective for the annual periods beginning on or after January 1, 2015. Management is evaluating the impact the adoption of these standards and amendments will have on the financial position of the Corporation.

IFRS 9, Financial Instruments is effective for annual periods beginning after January 1, 2018. The standard is the first part of a multi-phase project to replace IAS 39, Financial Instruments: Recognition and Measurement. The Company is currently assessing the impact, if any, adoption of this standard will have on the financial statements.

## **3. Summary of Accounting Estimates and Assumptions**

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

### *Fair Value of Financial Instruments*

The estimated fair value of financial assets and liabilities, by their very nature, are subject to measurement uncertainty.

### *Share-Based Payment Transactions*

The Corporation measures the cost of share-based payment transactions with employees by reference to the fair value of the equity instruments. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant.

This estimate also requires determining and making assumptions about the most appropriate inputs to the valuation model including the expected life, volatility, dividend yield and forfeiture rate of the share option. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 8.

## *Income Taxes*

Provisions for income taxes are made using the best estimate of the amount that is expected to be paid based on a qualitative assessment of all relevant factors. The Corporation reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determinations are made.

## **4. Reverse Take-Over of the Corporation**

As a result of the proposed acquisition of MezzaCap GmbH ("MezzaCap") by the Corporation the shareholders of MezzaCap will own approximately 70% of the outstanding shares of the Corporation once the financing of a minimum of \$250,000 will be in place. In accordance with IFRS 3, the substance of this transaction is a reverse take-over in combination with a change of business.

Accordingly, the take-over of The Streetwear Corporation is accounted for under IFRS 2 at the fair value of the equity instruments of the Company granted to the shareholders of MezzaCap.. The difference between the net assets acquired and the fair value of the consideration granted has been classified as a share listing and transaction cost expense on the consolidated statement of income (loss) and comprehensive income (loss).

The fair value of the consideration is determined based on the percentage of ownership of The Streetwear Corporation have in the combined entity after the reverse take-over. This represents the fair value of the shares the MezzaCap would have issued for the ratio of ownership interest in the combined entity to be the same, if the transaction had taken the legal form of MezzaCap acquiring 100% of the shares of the Corporation.

## **5. Notes Payable**

The notes payable are comprised of the cash advanced by third parties that are due on demand and as non-interest bearing loans.

As at June 30, 2015, there were nil (December 31, 2014 - \$1,300) in notes payable.

## **6. Capital Stock**

The Corporation is authorized to issue an unlimited number of common shares.

On September 22, 2014, the Corporation listed its common shares on the Canadian Stock Exchange ("CSE"), and in accordance with CSE policies the common shares held by insiders were placed in escrow, being 19,485,617 common shares. As of June 30, 2015, 11,691,372 common shares remained in escrow and will be released as follows:

Date	Quantity
September 22, 2015	2,922,843
March 13, 2016	2,922,843
September 22, 2016	2,922,843
March 13, 2016	2,912,843

In November 2014 the Corporation issued 3,536,854 common shares at a deemed value of \$ 0.02 per common share or \$70,737 in total, to settle debt with arms-length individuals.

In December 2014, the Corporation closed a non-brokered private placement of \$30,000 by issuing 1,500,000 units at a value of \$0.02 per unit. Each unit consisted of one common share and one share purchase warrant to purchase a further common share at a price of \$0.10 per share expiring on December 31, 2016.

## 7. Contributed Surplus

The Corporation's contributed surplus consists of the following: .

	General	Stock Option	Warrants	Total
Balance, December 31, 2014 and June 30, 2015	\$ ---	\$ ---	\$ 130,849	\$ 130,849

## 8. Warrants

The fair value of the warrants issued was based on the Black Scholes option-pricing model. The following assumptions were used to value them:

	Fiscal 2013
Number of warrants	7,897,509
Exercise price	\$ 0.10
Average Expected life	2.60 years
Weighted average risk-free interest rate	1.72%
Weighted average expected volatility	100%
Dividend yield	0.0%
Forfeiture rate	0.0%
Average Fair value	\$ 0.007
	Fiscal 2014
Number of warrants	1,500,000
Exercise price	\$ 0.10
Average Expected life	2.00 years
Weighted average risk-free interest rate	1.72%
Weighted average expected volatility	100%
Dividend yield	0.0%
Forfeiture rate	0.0%
Average Fair value	\$ 0.004

The warrants activity is summarized below:

Balance January 1, 2013	6,686,581 at 10 cents
Issued	7,897,509 at 10 cents
Exercised	Nil
Expired	Nil
Forfeited	Nil
Balance June 30, 2015	16,084,090

## 9. General and Administrative Expenses

January 1 – June 30	2015	2014
Bank charges	\$ 270	\$ 172
General	409	0
Management fees	60,000	0
Related party receivable waiver	35,137	0
Regulatory and filing fees	20,706	12,319
	<u>\$ 116,522</u>	<u>\$ 12,491</u>

## 10. Business Development Expenses

	2015	2014
Shareholders Meeting	\$ 28,337	
Travel & Meals	1,968	1,980
	<u>\$ 30,305</u>	<u>\$ 1,980</u>

## 11. Related Party Transactions

Amounts due from and to the related parties, are a result of transactions with entities controlled by shareholders, officers or directors of the Corporation. These amounts are non-interest bearing, unsecured and not subject to specific terms of repayment unless stated.

As at June 30, 2015, the Corporation owed \$20,000 (2014 - \$1,300) to an entity with common directors.

In addition, the Corporation had a receivable as of April 1, 2015 from entities with common directors of \$96,157 (2014 – \$ 156,157). During the quarter ended June 30,2015 the Corporation incurred management expenses in the amount of \$ 60,000 (2014: Nil), which were charged against the above stated amounts receivables. In addition the remaining accounts receivable from entities amounting to \$ 36,157 was waived as of June 30, 2015. Included in accounts payable and accrued liabilities is \$13,368 owing to Peter Lukesch, the President and CEO of the Company.

These transactions are in the normal course of operations and have been measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.



## **12. Commitment**

The Corporation has not entered in to any contract that requires a minimum payment.

## **13. Contingencies**

From time to time, the Corporation may be exposed to claims and legal actions in the normal course of business, some of which may be initiated by the Corporation. As of June 30, 2015, no material claims were outstanding.

## **14. Financial Instruments and Risk Management**

### **Risk Management**

In the normal course of business, the Corporation is exposed to financial risk that arises from its indebtedness, including fluctuations in interest rates and in the credit quality of its customers. Management's involvement in operations helps identify risks and variations from expectations.

The Corporation does not manage risk through the use of hedging transactions. As a part of the overall operation of the Corporation, management takes steps to avoid undue concentrations of risk. The Corporation manages the risks, as follows:

The Corporation manages its common shares, stock options and warrants as capital. The Corporation's objectives when managing capital is to safeguard the Corporation's ability to continue and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Corporation 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 Corporation may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash.

In order to facilitate the management of its capital requirements, the Corporation may prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

### **Liquidity Risk**

Liquidity risk is the risk that the Corporation cannot meet its financial obligations associated with financial liabilities in full. The primary source of liquidity is net operating income, which is used to finance working capital and capital expenditure requirements, and to meet the Corporation's financial obligations associated with financial liabilities. Additional sources of liquidity are debt and equity financing, which is used to fund additional operating and other expenses and retire debt obligations at their maturity.

### **Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates may have an effect on the cash flows associated with some financial instruments, known as interest rate cash flow risk, or on the fair value of other financial instruments, known as interest rate price risk. Obtaining long-term debt with fixed interest rates minimizes interest rate cash flow risk. The Corporation does not trade in financial instruments and is not exposed to and significant interest rate pricerisk.

**Market Risk**

Market risk is the risk that changes in market price, such as foreign exchange rates, commodity prices, and interest rates will affect the Corporation's net income or the value of financial instruments. These risks are generally outside the control of the Corporation. The objectives of the Corporation are to mitigate market risk exposure within acceptable limits, while maximizing returns.

**Credit Risk**

Credit risk related to accounts receivable arises from the possibility that debtors may be unable to fulfill their commitments. For a financial asset, this is typically the gross carrying amount, net of any amounts offset and any impairment losses. The Corporation mitigates this risk by regularly monitoring the financial health and aging of any amounts due from its debtors. As of the date of these financial statements the Corporation's only debtors are the government of Canada for the harmonized goods and services ("HST") receivable and therefore the Corporation does not believe it is currently exposed to any significant credit risk and related party balances.

**Commodity Risk**

The nature of the Corporation's operations results in exposure to fluctuations in commodity prices. As at June 30, 2015, the Corporation did not have any significant exposure to derivative financial instrument agreements or fixed physical contracts. The Corporation is particularly exposed to the risk of movements in the price of base metals. Declining market prices for base metals could have a material effect on the Corporation's future profitability and ability to raise capital if and when required, and the Corporation's current policy is not to materially hedge its exposure to base metals in order to provide a more direct exposure for shareholders.

**Currency Risk**

Currency risk is the risk that changes in foreign exchange rates may have an effect on future cash flows associated with financial instruments. At June 30, 2015 and 2014, the Corporation did not have any foreign denominated currencies.

**Other Price Risk**

Other price risk is the risk that changes in market prices, including commodity or equity prices, will have an effect on future cash flows associated with financial instruments. The cash flows associated with financial instruments of the Corporation are not exposed to other price risk.

**Fair Values**

Financial instruments include cash, sundry receivable, and accounts payable and accruals. The carrying values of these financial instruments approximate fair value due to the short term nature of financial instruments.

## 15. Capital Management and Liquidity

The Corporation manages its cash, common shares, stock options and warrants as capital. The Corporation's objectives when managing capital are to safeguard the Corporation's ability to continue as a going concern in order to pursue the exploration of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Corporation 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 Corporation may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash.

In order to facilitate the management of its capital requirements, the Corporation prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

In order to maximize ongoing exploration efforts, the Corporation does not pay out dividends. The Corporation's investment policy, in general, is to invest its short-term excess cash in highly liquid short-term interest-bearing investments with maturities of 365 days or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations. The nature of the industry in which the Corporation operates is very capital intensive. As a result, the Corporation prepares annual capital expenditure budgets and utilizes authorizations for expenditures for projects to manage capital expenditures.

The Corporation's strategy is to satisfy its liquidity needs using cash on hand, cash flows generated from operating activities and through its revolving advances facility. Revenue, available cash balances, draws on the revolving advances credit facility and financing of indebtedness are the Corporation's principal sources of capital used to pay operating expenses and recurring capital and leasing costs in its business.

The principal liquidity needs for periods beyond the next twelve months are for non-recurring capital expenditures, development costs and potential mining expansion. The Corporation's strategy is to meet these needs with one or more of the following:

- Cash flows from operations;
- Common share and warrants offering;
- Proceeds from sales of assets; and
- Revolving advances facility.

The following table presents the contractual maturities of the Corporation's financial liabilities as at June 30, 2015:

	Total	< 1 Year	1 - 3 Years	4 - 5 Years	After 5 Years
Accounts payable and accrued liabilities	\$ 109,115	\$ 109,115			
Related party payable	20,000				

## 16. Financial Instruments

The Corporation's operations expose the Corporation to market risk, credit risk, and liquidity risk. The Corporation manages its exposure to these risks by operating in a manner that minimizes these risks. Senior management employs risk management strategies and policies to ensure that any exposure to risk is in compliance with the Corporation's business objectives and risk tolerance levels. The Board of Directors has overall responsibility for the establishment and oversight of the Corporation's risk management framework. The Board has established policies in setting risk limits and controls and monitors these risks in relation to market conditions.

### Fair Value of Non-Derivative Financial Instruments

Fair value is the amount that willing parties would accept to exchange a financial instrument based on the current market for instruments with the same risk, principal and remaining maturity. The fair value of interest bearing financial assets and liabilities is determined by discounting the contractual principal and interest payments at estimated current market interest rates for the instrument. Current market rates are determined by reference to current benchmark rates for a similar term and current credit spreads for debt with similar terms and risk. The carrying value and fair value of financial instruments being of equal value are as follows:

	June 30, 2015	December 31, 2014
Financial assets		
Cash and cash equivalents	\$ 193	\$ 30,667
Sundry receivables	10,163	19,987
Related party receivables	0	96,157
Financial liabilities		
Accounts payable and accrued liabilities	109,115	72,707
Notes payable	20,000	1,300

### (b) Fair Value Hierarchy

The Corporation values instruments carried at fair value using quoted market prices, where available. Quoted market prices represent a Level 1 valuation. When quoted market prices are not available, the Corporation maximizes the use of observable inputs within valuation models. When all significant inputs are observable, the valuation is classified as Level 2. Valuations that require the significant use of unobservable inputs are considered Level 3.

The following table outlines financial assets and liabilities measured at fair value in the consolidated financial statements and the level of the inputs used to determine those fair values in the context of the hierarchy as defined above:

	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	\$ 193	\$ 0	\$ 0	\$ 193
Sundry receivables	0	10,163	0	10,163
Related party receivables	0	0	0	\$ 0
Total Assets	\$ 193	\$ 10,163	\$ 0	\$ 10,356

	Level 1	Level 2	Level 3	Total
<b>Liabilities</b>				
Accounts payable and accrued Liabilities	\$ 109,115	\$ 0	\$ 0	\$ 109,115
Related party payables	20,000			20,000

