# QUIA RESOURCES INC.

## Unaudited Interim Condensed Consolidated Financial Statements

**(Expressed in Canadian Dollars)**

**For the three and six month periods ended**
**June 30, 2015 and 2014**

**MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

The accompanying unaudited interim condensed consolidated financial statements of Quia Resources Inc., are the responsibility of the management and Board of Directors of the Company.

The unaudited interim condensed consolidated financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the consolidated financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the statement of financial position date. In the opinion of management, the consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Financial Reporting Standards using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

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 financial reporting process and the unaudited interim 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 unaudited interim 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.

*Yannis Banks*
_________________________, CEO
Yannis Banks

*Al Quong*
____________________, CFO
Al Quong

**NOTICE TO READER**

The accompanying unaudited interim condensed consolidated financial statements of the Company have been prepared by and are the responsibility of management. The unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2015 and 2014 have not been reviewed by the Company's auditors.

**Quia Resources Inc.**
Unaudited Interim Condensed Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

| As at, | | June 30, 2015 | | December 31, 2014 |
|---|---|---|---|---|
| **Assets** | | | | |
| Current Assets | | | | |
| Cash | $ | **41** | $ | 196 |
| Sales tax receivable | | **10,016** | | 3,580 |
| Prepaid expenses | | **1,014** | | 26,014 |
| | $ | **11,071** | $ | 29,790 |
| **Liabilities** | | | | |
| Current Liabilities | | | | |
| Trade and other payables | $ | **149,307** | $ | 116,708 |
| Due to related parties (Note 10) | | **172,267** | | 325,255 |
| Loans and interest payable (Note 10) | | **61,183** | | 254,398 |
| | | **382,757** | | 696,361 |
| Convertible debentures (Note 11) | | **-** | | 208,402 |
| | | **382,757** | | 904,763 |
| **Shareholders' Deficiency** | | | | |
| Share capital (Note 6 (b)) | | **14,011,456** | | 14,011,456 |
| Shares to be issued (Note 6 (b)) | | **1,001,158** | | - |
| Conversion component of convertible debentures (Note 11) | | **-** | | 84,995 |
| Reserve for warrants (Note 8) | | **5,021,814** | | 5,080,491 |
| Reserve for share based payments (Note 7) | | **1,500,250** | | 1,495,300 |
| Reserve for foreign exchange losses | | **(28,197)** | | (27,035) |
| Accumulated deficit | | **(21,878,167)** | | (21,520,180) |
| | | **(371,686)** | | (874,973) |
| | $ | **11,071** | $ | 29,790 |

Nature of Operations and Going Concern (Note 1)
Segmented Information (Note 9)

Approved on behalf of the Board of Directors on August 29, 2015:

"Yannis Banks" (signed)
*CEO and Director*

"Adam Szweras" (signed)
*Director*

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

**Quia Resources Inc.**

Unaudited Interim Condensed Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

| | **Three months ended June 30, 2015** | Three months ended June 30, 2014 | **Six months ended June 30, 2015** | Six months ended June 30, 2014 |
|---|---|---|---|---|
| **Expenses** | | | | |
| Exploration and evaluation expenses | $ - | $ 10,824 | $ - | $ 10,824 |
| Office and general | **58,043** | 37,515 | **102,446** | 56,485 |
| Management and consulting | **168,813** | 32,500 | **198,813** | 48,500 |
| Professional fees | **46,178** | 14,152 | **46,355** | 16,221 |
| Share based payments (Note 7) | **2,475** | - | **4,950** | - |
| Travel and promotion | **2,368** | - | **3,006** | - |
| Foreign exchange (gain) loss | **(1,890)** | (3,650) | **2,417** | (483) |
| | **(275,987)** | (91,341) | **(357,987)** | (131,547) |
| Gain on settlement of debt | **-** | 94,833 | **-** | 94,833 |
| **Income (loss) from continuing operations** | **(275,987)** | 3,492 | **(357,987)** | (36,714) |
| Loss from discontinued operations (Note 12) | **-** | (181,835) | **-** | (233,595) |
| **Net loss** | **(275,987)** | (178,343) | **(357,987)** | (270,309) |
| **Other comprehensive loss** | | | | |
| Items that will be reclassified subsequently to loss | | | | |
| Exchange differences on translating foreign operations | **(414)** | 9,679 | **(1,162)** | 5,101 |
| **Total comprehensive loss** | **(276,401)** | (168,664) | **(359,149)** | (265,208) |
| | | | | |
| **Loss per share-basic and diluted** | | | | |
| Loss per share - from continuing operations | $ **(0.012)** | $ 0.000 | $ **(0.016)** | $ (0.002) |
| Loss per share - from discontinued operations | **0.000** | $ (0.009) | $ **0.000** | $ (0.012) |
| Loss per share - net loss | **(0.012)** | $ (0.009) | $ **(0.016)** | $ (0.014) |
| | | | | |
| **Weighted average number of shares outstanding** | **22,908,807** | 19,261,380 | **22,908,807** | 18,717,288 |

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

**Quia Resources Inc.**

Unaudited Interim Condensed Consolidated Statements of Changes in Shareholders' Deficiency

(Expressed in Canadian Dollars)

| | Share Capital | | Reserves | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Number of shares | Amount | Share based payments | Warrants | Foreign Exchange | Conversion component of convertible Debentures | Shares to be issued | Deficit | Total |
| **Balance at December 31, 2013** | **18,167,151** | **$ 13,791,253** | **$ 1,485,400** | **$ 5,007,114** | **$ (6,610)** | **$ -** | **120,000** | **$ (21,528,058)** | **$ (1,130,901)** |
| Shares issued for settlement of debt | 4,741,656 | 237,083 | - | - | - | - | | | 237,083 |
| Fair value assigned to warrants | | (14,700) | - | 14,700 | - | - | | | - |
| Cost of issuance | | | | | | | | | - |
| Cash issue costs | | (2,180) | - | - | - | - | | | (2,180) |
| Funds transferred to convertible debentures issued | | - | - | - | - | - | (120,000) | | (120,000) |
| Fair value assigned to warrants issued on convertible debentures | | - | - | 58,677 | - | - | | | 58,677 |
| Conversion component of convertible debentures | | - | - | - | - | 7,769 | | | 7,769 |
| Commission on the issuance of convertible debentures | | - | - | - | - | (83) | | | (83) |
| Exchange gain on translating foreign operation | | - | - | - | 5,101 | - | | | 5,101 |
| Net loss for the period | | | | | | | | (270,309) | (270,309) |
| **Balance at June 30, 2014** | **22,908,807** | **$ 14,011,456** | **$ 1,485,400** | **$ 5,080,491** | **$ (1,509)** | **$ 7,686** | **-** | **$ (21,798,367)** | **$ (1,214,843)** |
| Fair value assigned to warrants issued on convertible debentures | - | - | - | - | - | - | - | - | - |
| Conversion component of convertible debentures | - | - | - | - | - | 77,309 | - | - | 77,309 |
| Share based payments | | | 9,900 | | | | | | 9,900 |
| Exchange gain on translating foreign operation | | | | | (25,526) | | | | (25,526) |
| Net income for the period | - | - | - | - | - | - | - | 278,187 | 278,187 |
| **Balance at December 31, 2014** | **22,908,807** | **$ 14,011,456** | **$ 1,495,300** | **$ 5,080,491** | **$ (27,035)** | **$ 84,995** | **-** | **$ (21,520,180)** | **$ (874,973)** |
| Share based payments | | | 4,950 | | | | | | 4,950 |
| Shares issued for settlement of debentures | | | | (58,677) | | (84,995) | 389,753 | | 246,081 |
| Shares to be issued for settlement of debt | | - | - | - | - | - | 611,405 | - | 611,405 |
| Exchange gain on translating foreign operation | | | | | (1,162) | | | | (1,162) |
| Net loss for the period | - | - | - | - | - | - | - | (357,987) | (357,987) |
| **Balance at June 30, 2015** | **22,908,807** | **$ 14,011,456** | **$ 1,500,250** | **$ 5,021,814** | **$ (28,197)** | **$ -** | **1,001,158** | **$ (21,878,167)** | **$ (371,686)** |

**Quia Resources Inc.**
Unaudited Interim Condensed Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

| **For the six month period ended June 30,** | **2015** | 2014 |
|---|---|---|
| **Operating Activities** | | |
| Net loss | $ **(357,987)** | $ (270,309) |
| Adjustments to reconcile net loss to cash flow from operating activities: | | |
| Share based payments (Note 7) | **4,950** | - |
| Amortization | - | 4,000 |
| Interest | **46,145** | - |
| Unrealized foreign exchange loss | **1,328** | 5,101 |
| Gain on settlement of debt | - | (94,833) |
| Net change in non-cash working capital items: | | |
| Prepaid expenses | **25,000** | (59,395) |
| Sales tax receivable | **(6,436)** | (24,120) |
| Trade and other payables | **204,178** | 149,338 |
| **Cash flow used in operating activities** | **(82,822)** | (290,218) |
| **Financing Activities** | | |
| Convertible debentures issued, net of issue costs | - | 217,283 |
| Amounts received from (paid to) related parties | **76,767** | (78,888) |
| Loans received (paid) | **5,900** | (5,668) |
| **Cash flow provided from financing activities** | **82,667** | 132,727 |
| **Cash flow provided from discontinued operations** | - | 167,264 |
| **Net increase (decrease) in cash** | **(155)** | 9,773 |
| **Cash, beginning of period** | **196** | 9,172 |
| **Cash, end of period** | $ **41** | $ 18,945 |

## 1. NATURE OF OPERATIONS AND GOING CONCERN

Quia Resources Inc. (the "Company" or "Quia") was incorporated under the laws of the Province of Ontario, Canada by Articles of Incorporation dated October 26, 2007. The Company is engaged in the acquisition, exploration and development of properties for the mining of agricultural minerals in North America and was up until the sale of the San Lucas property engaged in exploration for precious metals in Colombia. To the extent the Company retains exposure to Colombia; operations in Colombia are affected by Colombia's political and economic environment. Although the environment has been relatively stable in recent years, there is the risk that this situation could deteriorate and adversely affect the Company's operations. The address of the Company's registered office is Suite 2905 – 77 King Street West Toronto, Ontario, M5K 1H1.

The Company is in the process of exploring its exploration properties for mineral resources and has not determined whether the properties contain economically recoverable reserves. The Company's principal project is the Murdock Mountain project in Nevada, USA. Ownership in mineral properties involves certain risks due to the difficulties in determining the validity of certain claims as well as potential for problems arising from frequently ambiguous conveyancing history characteristic of many mineral interests. The Company has investigated the ownership of its mineral properties and, to the best of its knowledge, ownership of its interests are in good standing.

The Company has no revenues and the ability of the Company to ensure continuing operations is dependent on the Company maintaining its mineral property interest, raising sufficient funds to finance exploration activities, identifying a commercial ore body, developing such mineral property interests, and upon the future profitable production or proceeds from the disposition of the mineral property interest. These financial statements have been prepared using accounting principles applicable to a going concern and do not reflect adjustments, which could be material, to the carrying values of the assets and liabilities. These circumstances may cast substantial doubt as to the Company's ability to continue as a going concern and ultimately the appropriateness of the use of accounting principles applicable to a going concern

As at June 30, 2015, the Company has a working capital deficiency of $371,686 (December 31, 2014 - $666,571, has an accumulated deficit of $21,878,167 (December 31, 2014 - $21,520,180) and has incurred losses of $357,987 for the six month period ended June 30, 2015 (2014 - $270,309).

## 2. BASIS OF PRESENTATION

### 2.1 Statement of compliance

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standards ("IAS") 34 'Interim Financial Reporting' ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These audited consolidated financial statements were authorized by the Board of Directors of the Company on August 24, 2015.

### 2.2 Basis of presentation

These unaudited interim condensed consolidated financial statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company's December 31, 2014 annual financial statements.

### 2.3 Adoption of new and revised standards and interpretations

***Standards and interpretations adopted***
The IASB issued a number of new and revised International Accounting Standards, International Financial Reporting Standards, amendments and related interpretations which are effective for the Company's financial year beginning on or after January 1, 2015. For the purpose of preparing and presenting the Financial Information for the relevant periods, the Company has consistently adopted all these new standards for the relevant reporting periods.

**New standards and interpretations not yet effective**

At the date of authorization of these Financial Statements, the IASB and the IFRS Interpretations Committee ("IFRIC") have issued the following new and revised Standards and Interpretations which are not yet effective and which the Company has not early adopted. However the Company is currently assessing what impact the application of these standards or amendments will have on the interim unaudited consolidated financial statements of the Company.

- IFRS 9 *'Financial Instruments: Classification and Measurement'* – as issued in 2010, reflects the first phase of the IASB's work on the replacement of International Accounting Standard 39, Financial Instruments: Recognition and Measurement ("IAS 39") and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. In subsequent phases, the IASB is addressing impairment of financial assets. In November 2013, IFRS 9 was amended to include new requirements for hedge accounting. The effective date is for annual periods beginning or after January 1, 2018. Entities may still choose to apply IFRS 9 immediately, but are not required to do so.

## 3. CAPITAL RISK MANAGEMENT

The Company considers its capital structure to consist of share capital, shares to be issued, reserve for warrants and reserve for share based payments. When managing capital, the Company's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management adjusts the capital structure as necessary in order to support the exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital

## 3. CAPITAL RISK MANAGEMENT

criteria for management, but rather relies on the expertise of the Company's management team to sustain the 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 the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed.

Management has chosen to mitigate the risk and uncertainty associated with raising additional capital within current economic conditions by:

i) minimizing discretionary disbursements;
ii) reducing or eliminating exploration expenditures which are of limited strategic value;
iii) exploring alternate sources of liquidity.

In light of the above, the Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient potential and if it has adequate financial resources to do so.

As at June 30, 2015, the Company's capital consists of share capital, shares to be issued, reserve for warrants, reserve for share based payments, reserve for foreign exchange gains (losses) and deficit in the amount of $(371,686) (December 31, 2014 - $(874,973)).

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the six month period ended June 30, 2015. The Company is not subject to externally imposed capital requirements.

## 4. FINANCIAL AND OTHER RISK FACTORS

### Fair Value

The carrying amount of due to related parties and trade and other payables approximate fair value due to the relatively short term maturity of these financial instruments. The carrying value of loans and interest payable approximate the fair value based on discounted cash flows. Fair value represents the amount that would be exchanged in an arm's length transaction between willing parties and is best evidenced by a quoted market price if one exists.

### Credit Risk

Credit risk is the risk of loss associated with a counterparty’s inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash. The Company has no significant concentration of credit risk arising from operations. Cash is held with reputable Canadian and United States chartered banks which are closely monitored by management. Management believes that the credit risk concentration with respect to financial instruments included in cash is minimal.

### Liquidity Risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company’s liquidity and operating results may be adversely affected if the

**4. FINANCIAL AND OTHER RISK FACTORS (continued)**

Company's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company. The Company generates cash flow primarily from its financing activities. As at June 30, 2015, the Company had a cash balance of $41 (December 31, 2014 - $196) to settle current liabilities of $382,757 (December 31, 2014 - $904,763).

All of the Company's financial liabilities have contractual maturities of less than 365 days and are subject to normal trade terms. The Company cannot ensure there is sufficient capital in order to meet short term business requirements, after taking into account cash flows from operations and the Company's holding cash. The Company is currently seeking sources of funding to meet short term liabilities, and short term cash requirements (see note 1).

**Market Risks**

**a) Interest Rate Risk**
The Company has cash balances and no variable interest bearing debt. The Company has fixed rates on its debt; changes in interest rates could result in fair value risk on the Company's fixed rate debt.

**b) Foreign Currency Risk**
The Company operates in Canada and the United States, giving rise to market risks from changes in foreign exchange rates. The Company believes that its results of operations and cash flows would be affected by a sudden change in foreign exchange rates, but would not impair or enhance its ability to pay its U.S. dollar denominated obligations.

**Other Risk Factors**

**a) Political Risk**
The Company has mining and exploration operations in the US and such operations are exposed to various levels of political, economic, and other risks and uncertainties. These risks and uncertainties include, but are not limited to: terrorism; hostage taking; fluctuations in currency exchange rates; high rates of inflation; labour unrest; the risks of civil unrest; expropriation and nationalization; renegotiation or nullification of existing concessions, licenses, permits and contracts; illegal mining; changes to policies and regulations impacting the mining sector; restrictions on foreign exchange and repatriation; and changing political conditions, currency controls, and governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction.

Future political and economic conditions in the US may result in its government adopting different policies with respect to foreign investment, and development and ownership of mineral resources. Any changes in such policies may result in changes in laws affecting ownership of assets, foreign investment, mining exploration and development, taxation, currency exchange rates, gold sales, environmental protection, labour relations, price controls, repatriation of income, and return of capital, which may affect both the ability of Quia to undertake exploration and development activities in respect of future properties in the manner currently contemplated, as well as its ability to continue to explore, develop, and operate those properties to which it has rights relating to exploration, development, and operation.

**b) Property Risk**
The Company's significant mineral property is the Murdock Mountain property as described in Note 5. Unless the Company acquires or develops additional material properties, the Company will be mainly dependent upon its existing property interests. If no additional major properties are acquired by the Company, any adverse development affecting the Company's property would have a materially adverse effect on the Company's

(Expressed in Canadian Dollars)

## 4. FINANCIAL AND OTHER RISK FACTORS (continued)

financial condition and results of operations.

**c) Commodity Price Risk**
Commodity price risk could adversely affect the Company. In particular, the Company's future profitability and viability of development depends upon the world market price of precious metals. These metal prices have fluctuated significantly in recent years. There is no assurance that, even if commercial quantities of these minerals may be produced in the future, a profitable market will exist for them. As of June 30, 2015, the Company was not a producing entity. As a result, commodity price risk may affect the completion of future equity transactions such as equity offerings and the exercise of stock options and warrants. This may also affect the Company's liquidity and its ability to meet its ongoing obligations.

## 5. INTEREST IN MINERAL PROPERTIES

**Murdock Mountain Property:**

On November 11, 2013 the Company acquired 2243734 Ontario Limited ("2243734") which holds an option to earn a 65% interest in the Murdock Mountain phosphate project in Nevada.

Under the terms of the option agreement and subject to closing the acquisition, Quia will have the right to earn a 65% interest by investing an aggregate of $1,000,000 into the development of the project. As an initial step, Quia has earned 10% by funding $102,000, which has been paid towards technical and environmental studies which are already in process, creditable against the $1,000,000 work commitment, and then earn an additional 55%, for a total of 65%, by funding the balance of the $1,000,000. Quia shall have 2 years from the date of the option agreement to complete the earn-in and can obtain two extensions to the earn-in period of 6 months each, for a total of 3 years, by paying $30,000 for each extension. The option agreement has been further amended on October 9, 2014 to extend the earn-in time by 6 months and provides for further automatic extensions based upon the timelines for the Bureau of Land Management to conclude their sage grouse study being conducted for the State of Nevada, and Northeastern California, which encompasses the Murdock Mountain area.

## 6. SHARE CAPITAL

### (a) Authorized

Unlimited number of common shares without par value

### (b) Issued

| | Number of Shares | Stated Value |
|---|---|---|
| **COMMON SHARES** | | |
| **Balance, January 1, 2014** | **18,167,151** | **13,791,253** |
| Shares issued for debt | 4,741,656 | 237,083 |
| Cost of issuance | | |
| Cash issue costs | - | (2,180) |
| Fair market value assigned to broker warrants | - | (14,700) |
| **Balance, December 31, 2014 and June 30, 2015** | **22,908,807** | **14,011,456** |

(Expressed in Canadian Dollars)

## 6. SHARE CAPITAL (continued)

Under the requirement of the TSX Venture exchange, 2,444,944 common shares held by directors and officers were held in escrow. 10% of these shares were released from escrow on the date of the exchange bulletin and the remainder in allotments of 366,741 in 6, 12, 18, 24, 30 and 36 months following the date of the exchange bulletin. As at June 30, 2015, all 2,444,944 (December 31, 2014 – 2,444,944) shares have been released.

On June 30, 2015, the Company entered into debt settlement agreements to convert $611,405 of debt and $389,754 of convertible debentures into 50,950,437 and 23,609,362 common shares respectively. The settlement cannot close prior to the completion of the proposed share consolidation and is subject to applicable Exchange approval at that time.

## 7. SHARE BASED PAYMENTS

Quia established a stock option plan to provide additional incentive to its officers, directors, employees and consultants in their effort on behalf of the Company in the conduct of its affairs. Options vest immediately, unless otherwise stated, and expire on the fifth anniversary from the date of issue unless otherwise specified.

A summary of stock options issued and outstanding is as follows:

| | **June 30, 2015** | | December 31, 2014 | |
|---|---|---|---|---|
| | **Weighted Average Exercise Price** | **Number of Options** | Weighted Average Exercise Price | Number of Options |
| Outstanding at beginning of period/year | **$ 0.48** | **1,645,950** | $ 5.46 | 315,950 |
| Transaction during the period/year: | | | | |
| Consolidation 10:1 | **-** | **-** | - | - |
| **Post consolidation** | **$ 0.48** | **1,645,950** | 5.46 | 315,950 |
| Granted | **-** | **-** | 0.10 | 1,525,000 |
| Expired | **(0.28)** | **(200,950)** | 6.00 | (195,000) |
| Outstanding at end of year | **0.50** | **1,445,000** | 0.48 | 1,645,950 |
| Exercisable at end of year | **$ 0.50** | **1,445,000** | $ 0.48 | 1,645,950 |

The following table provides additional information about outstanding stock options at June 30, 2015:

| | **No. of Options Outstanding** | **Weighted Average Remaining Life (Years)** | **Weighted Average Exercise Price** | **No. of Options Currently Exercisable** | **Weighted Average Exercise Price – Exercisable Options** |
|---|---|---|---|---|---|
| **$ 0.10** | **1,350,000** | **4.08** | **$ 0.10** | **1,350,000** | **$ 0.10** |
| **$ 6.00 – 6.50** | **95,000** | **0.65** | **$ 6.26** | **95,000** | **$ 6.26** |
| **$ 1.50 - $6.50** | **1,445,000** | **3.85** | **$ 0.50** | **1,445,000** | **$ 0.50** |

***Share based payments***

During the six month period ended June 30, 2015, $4,950 of share based payments expense was recognized in relation to the vesting of the options issued on July 17, 2014.

(Expressed in Canadian Dollars)

## 8. WARRANTS

| Month of Expiry | No. of Warrants | Exercise Price |
|---|---|---|
| | | ($) |
| September 23, 2015 | 294,720 | 0.50 |
| September 26, 2015 | 36,000 | 0.50 |
| June 10, 2016 | 818,166 | 0.10 |
| June 17, 2017 | 2,268,689 | 0.15 |
| | 3,417,575 | |

The following table summarizes the assumptions used with the Black-Scholes valuation model during the year ended December 31, 2014:

| Grant date | June 10, 2014 | June 17, 2014 | Totals |
|---|---|---|---|
| No. of warrants | 818,166 | 2,268,689 | 3,086,855 |
| Exercise price | $ 0.10 | $ 0.15 | |
| Share/unit price | $ 0.05 | $ 0.06 | |
| Expected life in years | 2 | 3 | |
| Volatility | 100% | 100% | |
| Risk-free interest rate | 1.08% | 1.20% | |
| Dividend yield | - | - | |

Volatility on the above warrant valuations were based on the volatility of similar companies.

## 9. SEGMENTED INFORMATION

### Operating Segments

Quia is in the business of mineral exploration in the United States of America. As such, management has organized the Company's reportable segments by geographic area. The Colombia segment is responsible for that country's mineral exploration and production activities while the Canadian segment manages corporate head office activities. On July 18, 2014, the Company sold its wholly-owned subsidiary, San Lucas Gold Corp. ("San Lucas"), which holds 100% of Quia's Colombia-based mining interests (note 12).

Information concerning Quia's reportable segments is as follows:

(Expressed in Canadian Dollars)

## 9. SEGMENTED INFORMATION (continued)

| | June 30, 2015 | December 31, 2014 |
|---|---|---|
| | | $ |
| **Consolidated net (income) loss** | | |
| Canada | **357,987** | 274,999 |
| United States of America | **-** | 36,208 |
| Colombia | **-** | (319,085) |
| | **357,987** | (7,878) |
| **Significant non-cash items** | | |
| Share based payments | | |
| Canada | **4,950** | 9,900 |
| | **4,950** | 9,900 |

| *As at,* | June 30, 2015 | December 31, 2014 |
|---|---|---|
| **Total assets** | | |
| Canada | **11,071** | 29,790 |
| Colombia | **-** | - |
| | **11,071** | 29,790 |

## 10. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

Related party transactions and key management compensation are as follows:

During the six month period ended June 30, 2015, $8,100 (2014 - $8,100) was incurred for rent to FMI Capital Advisory Inc. (formerly Foundation Opportunities Inc.) (“FMICAI”), a company in which the Secretary and Director and CEO and Director of the Company are directors and have an indirect, through a family trust for the benefit of the minor children of the director, and direct interest respectively. The Company and FMICAI also entered into a consulting agreement on May 15, 2015. In consideration for services, the Company agreed to pay a monthly fee of $11,000. For the six month period ended June 30, 2015, $16,500 was incurred. At June 30, 2015, included in due to related parties is $20,170 (December 31, 2014 - $28,442) payable to FMICAI.

During the six month period ended June 30, 2015, $nil (2014 - $8,000) was paid for consulting fees to Cavalry Corporate Solutions Inc. (“Cavalry”) for CFO, book keeping and administrative services, a company in which the Secretary and Director of the Company has an indirect, through a family trust for the benefit of the minor children of the director, interest and in which the CEO and Director is a director and has an indirect interest. As of February 2014, the agreement has been terminated. At June 30, 2015, included due to related parties is $nil (December 31, 2014 - $22,600) payable to Cavalry.

During the six month period ended June 30, 2015, $37,605 (2014 - $15,136) was incurred for legal fees to a company in which the Secretary and Director of the Company is a partner. At June 30, 2015, included in due to related parties is $nil (December 31, 2014 - $54,583) payable to this company.

During the six month period ended June 30, 2015, $nil (2014 - $nil) was paid to the Vice-President, Business Development and a Director for exploration related costs. As at June 30, 2015, due to related parties included $nil (December 31, 2014 - $7,431) payable to this individual.

## 10. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION (continued)

During the six month period ended June 30, 2015, $30,000 (2014 - $30,000) was paid for services to the chief executive officer. As at June 30, 2015, $129,400 (December 31, 2014, $95,500) is payable to the CEO and is included in due to related parties.

During the six month period ended June 30, 2015, $nil (2014 - $nil) was paid for services to the former chief financial officer. As at June 30, 2015, $nil (December 31, 2014 - $60,200) is included in due to related parties is payable to the former chief financial officer.

The Company and Branson Corporate Services ("Branson") entered into a management services agreement which includes the services of the Company's Chief Financial Officer. Branson is an entity in which FMI owns 49% of the shares. During the six month period ended June 30, 2015, $30,000 (2014 - $20,000) in management, accounting and administrative services were provided by Branson. As at June 30, 2015, $5,650 (December 31, 2014 - $56,500) is included in due to related parties.

In 2012, the Company received non-secured loans of $35,000 from the former CFO at the rate of 10% per annum payable at the closing of a financing. As at June 30, 2015, $38,956 (December 31, 2014 - $37,500) is included in loans and interest payable relating to principal. The loan is currently in default.

As of June 30, 2015, $10,000 and $1,727 respectively (December 31, 2014 - $46,000 and $4,600) is outstanding as loans and interest due to various directors. The loans are non-secured, bear interest at the rate of 10% per annum and are payable at the closing of financing.

Over the course of 2012 to 2014, the Company received loans of $269,200 from the CEO. The loans are non-secured and bear interest at the rate of 10% per annum payable at the closing of a financing. As at June 30, 2015, $10,000 (December 31, 2014 - $165,800) is included in loans and interest payable relating to principal.

During 2014, the company issued $340,286 in convertible debentures. Of this amount, $79,000 in debentures was purchased by directors of the Company. $75,000 was purchased by a company in which one of the director's is the chief executive officer; and, $80,000 in debentures was issued to an individual who is related to a director. The terms of these debentures can be found in note 11.

All key management compensation has been included above.

Pursuant to the debt settlement agreement as described in Note 6, $699,730 of the debt owing to related parties has been converted to common shares and warrants.

## 11. CONVERTIBLE DEBENTURES

On June 17, 2014, the Company closed its non-brokered private placement of secured convertible debentures (the "Debentures") for total gross proceeds of $340,286. These debentures were issued at face value and are convertible, at the option of the holder, at any time prior to the maturity date, into common shares of the Company at a conversion price equal to $0.10 per common share. The debentures mature 3 years from the closing date. The debentures are secured by the shares currently owned by the Company in the capital stock of 2243734 Ontario Ltd which owns the Company's interest in the Murdock Mountain property.

(Expressed in Canadian Dollars)

## 11. CONVERTIBLE DEBENTURES (continued)

The rate of interest on the Debentures is 14% per annum, payable semi-annually in common shares of the Company on December 31, and June 30, of each year beginning on December 31, 2014.

As an incentive for purchasing Debentures, the Company issued to subscribers 6,667 bonus warrants for every $1,000 of Debentures purchased, which resulted in the issuance 2,268,689 bonus warrants. Each bonus warrant is exercisable into shares at a price of $0.15 per Share (post-Consolidation), for a period of 3 years from the closing date and had a value of $58,678 (see note 8 for estimates used in the valuation of warrants). The warrant value of $58,678 has been recognized in equity for the year ended December 31, 2014.

The debentures are classified as a liability, with the exception of the portion relating to the conversion feature, resulting in the carrying value of the debenture being less than face value. The discount is being amortized over the term of the debenture utilizing the effective interest rate method at a 39.4% per annum discount rate.

On June 30, 2015, the Company entered into debt settlement agreements to convert the convertible debentures into 23,609,362 common shares and 2,956,694 warrants. The settlement cannot close prior to the completion of the proposed share consolidation and is subject to applicable Exchange approval at that time.

## 12. DISCONTINUED OPERATIONS

On June 19, 2014, the Company entered into an agreement to sell its wholly-owned subsidiary, San Lucas Gold Corp. ("San Lucas"), to Enneract Corporation ("Enneract"), a private Panamanian company. San Lucas Gold Corp holds 100% of Quia's Colombia-based mining interests. The transaction closed on July 18, 2014.

The operating results for six month periods ended June 30, 2015 and 2014 related to San Lucas have been presented separately as the loss from discontinued operations in the consolidated statements of income and comprehensive loss. The breakdown of the loss for the six month periods ended June 30, 2015 and 2014 from discontinued operations is as follows:

| | **Three month period ended June 30, 2015** | **Three month period ended June 30, 2014** | **Six month period ended June 30, 2015** | Six month period ended June 30, 2014 |
|---|---|---|---|---|
| | **$** | **$** | **$** | $ |
| Exploration and evaluation | - | (94,961) | - | (105,964) |
| Office and general | - | (32,181) | - | (57,343) |
| Management and consulting | - | (3,505) | - | (10,153) |
| Salaries and benefits | - | (19,445) | - | (26,047) |
| Foreign exchange | - | (31,743) | | (34,088) |
| **Net loss from discontinued operations** | - | (181,835) | - | (233,595) |

**13. SUBSEQUENT EVENT**

On August 14, 2015, the Company closed a non-brokered private placement consisting of 32,000,000 units for aggregate proceeds of $320,000. Each unit is comprised of one common share and one-half share purchase warrant, with each warrant exercisable into one common share at a price of $0.02 per share for a period of 24 months after the closing date.