

# **Mezzotin Minerals Inc.**

## **Condensed Interim Consolidated Financial Statements For the Three and Nine Months Ended September 30, 2015 (Expressed in Canadian Dollars)**

**(Unaudited)**

### **NOTICE TO READER**

The accompanying unaudited condensed interim consolidated financial statements of Mezzotin Minerals Inc. (the "Company") for the three and nine months ended September 30, 2015 have been prepared by management and approved by the Board of Directors of the Company. These statements have not been audited, reviewed or verified by the Company's external auditors or any other accounting firm.

**Mezzotin Minerals Inc.****Unaudited Condensed Interim Consolidated Statement of Financial Position**  
(Expressed in Canadian Dollars)

	September 30, 2015 Unaudited	December 31, 2014 Audited
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 70,235	\$ 71,018
Amounts receivable and other assets	34,760	17,418
<b>Total Current Assets</b>	<b>104,995</b>	<b>88,436</b>
<b>Non-Current Assets</b>		
Property and equipment (note 5)	322,693	390,990
Exploration and evaluation assets (note 6)	558,087	476,917
<b>Total Assets</b>	<b>\$ 985,775</b>	<b>\$ 956,343</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Trade payables and accruals (note 7)	\$ 159,291	\$ 174,013
Due to related parties (note 8)	194	894
Loan payable (note 9)	187,795	-
Due to government agencies	5,789	374
	<b>353,069</b>	<b>175,281</b>
<b>Shareholders' Equity</b>		
Share Capital (note 10)	3,397,479	3,397,479
Other capital reserve	649,725	649,725
Foreign currency translation reserve	168,979	52,112
Deficit	(3,583,477)	(3,318,254)
<b>Total Shareholders' Equity</b>	<b>632,706</b>	<b>781,062</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 985,775</b>	<b>\$ 956,343</b>

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

**Mezzotin Minerals Inc.****Unaudited Condensed Interim Consolidated Statement of Loss and Comprehensive Loss****For the Three and Nine Months Ended September 30****(Expressed in Canadian Dollars)**

	<b>Three Months</b>		<b>Nine Months</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
<b>Operating Expenses</b>				
Consulting fees	\$ 10,500	\$ 10,500	\$ 28,500	\$ 39,979
Professional fees	19,627	12,184	39,068	46,093
Travel	-	-	-	251
Salaries and wages	12,312	44,021	23,171	92,364
Shareholder communication	2,946	2,786	12,141	14,707
General and administrative	16,737	26,329	57,489	70,914
Loss on disposal of assets	71,137	3,116	71,137	3,116
Depreciation	14,126	2,341	41,294	7,401
<b>Total operating expenses</b>	<b>147,385</b>	<b>101,277</b>	<b>272,800</b>	<b>274,825</b>
<b>Operating loss</b>	<b>(147,385)</b>	<b>(89,562)</b>	<b>(272,800)</b>	<b>(173,547)</b>
<b>Other Income and expenses</b>				
Rental income	(2,945)	(4,901)	(8,505)	(14,715)
Finance income	-	-	(6)	(116)
Interest expense	726	-	934	-
<b>Total other income</b>	<b>(2,219)</b>	<b>(4,901)</b>	<b>(7,577)</b>	<b>(14,831)</b>
<b>Net loss</b>	<b>(145,166)</b>	<b>(96,376)</b>	<b>(265,223)</b>	<b>(259,994)</b>
<b>Other Comprehensive Income</b>				
Foreign currency translation gain (loss)	54,443	51,465	116,867	47,778
<b>Comprehensive loss</b>	<b>\$ (90,723)</b>	<b>\$ (44,911)</b>	<b>\$ (148,356)</b>	<b>\$ (212,216)</b>
<b>Loss per share</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>
<b>Weighted average number of shares outstanding - basic and diluted</b>	<b>48,979,100</b>	<b>48,979,100</b>	<b>48,979,100</b>	<b>48,979,100</b>

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

**Mezzotin Minerals Inc.**
**Unaudited Condensed Interim Consolidated Statements Changes in Shareholders' Equity**
**(Expressed in Canadian Dollars)**

	Share Capital		Reserves					
	Number	Amount	Warrant Reserve	Other Capital Reserve	Foreign Currency Translation Reserve	Deficit	Total	
Balance as at January 1, 2015	48,979,100	\$ 3,397,479	\$ -	\$ 649,725	\$ 52,112	\$ (3,318,254)	\$ 781,062	
Foreign currency translation differences					116,867		116,867	
Net loss						(265,223)	(265,223)	
Balance as at September 30, 2015	48,979,100	\$ 3,397,479	-	649,725	168,979	(3,583,477)	632,706	
Balance as at January 1, 2014	48,979,100	\$ 3,397,479	\$ 660,284	\$ (10,559)	\$ (21,890)	\$ (2,712,517)	\$ 1,312,797	
Expiry of warrants			\$ (660,284)	\$ 660,284				
Foreign currency translation differences					47,778		47,778	
Net loss						(259,994)	(259,994)	
Balance as at September 30, 2014	48,979,100	3,397,479	-	649,725	25,888	(2,972,511)	1,100,581	

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

**Mezzotin Minerals Inc.**
**Unaudited Condensed Interim Consolidated Statements of Cash Flows**
**For the Three and Nine Months Ended September 30**
**(Expressed in Canadian Dollars)**

	<b>Three Months</b>		<b>Nine Months</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
<b>Cash Flows from Operating Activities</b>				
Net loss	\$ (145,166)	\$ (96,376)	\$ (265,223)	\$ (260,618)
Adjustments for non-cash operating items				
Depreciation	14,126	2,341	41,294	7,430
Unrealized foreign exchange loss	2,125	-	2,125	-
Loss on disposal of property and equipment	71,137	3,116	71,137	3,116
	(57,778)	(90,919)	(150,667)	(250,072)
Changes in non-cash items operating activities				
Amounts receivable and other assets	(9,725)	(1,544)	(16,047)	8,286
Trade and other payables	(30,592)	(47,047)	(22,894)	(16,765)
Due to related parties	(8,677)	-	(306)	(116,155)
Due to government agencies	5,789	(3,898)	4,802	(27,338)
<b>Cash used in operating activities</b>	<b>(100,983)</b>	<b>(143,408)</b>	<b>(185,112)</b>	<b>(402,044)</b>
<b>Cash Flows from Investing Activities</b>				
Acquisition of property and equipment	-	-	-	(27,911)
Proceeds on disposal of property and equipment	10,471	6,534	10,471	6,534
Acquisition of exploration and evaluation assets	-	(270)	(8,731)	(8,713)
<b>Cash used in investing activities</b>	<b>10,471</b>	<b>6,264</b>	<b>1,740</b>	<b>(30,090)</b>
<b>Cash Flows from Financing Activities</b>				
Loan payable	76,146	-	181,844	-
<b>Cash used in financing activities</b>	<b>76,146</b>	<b>-</b>	<b>181,844</b>	<b>-</b>
<b>Net increase (decrease) in cash</b>	<b>(14,366)</b>	<b>(137,144)</b>	<b>(1,528)</b>	<b>(432,134)</b>
Effect of exchange rate changes on cash denominated in a foreign currency	614	1,263	745	(800)
<b>Cash, beginning of period</b>	<b>83,987</b>	<b>253,238</b>	<b>71,018</b>	<b>550,291</b>
<b>Cash, end of period</b>	<b>\$ 70,235</b>	<b>\$ 117,357</b>	<b>\$ 70,235</b>	<b>\$ 117,357</b>

## **Mezzotin Minerals Inc.**

### **Notes to the Unaudited Condensed Interim Consolidated Financial Statements**

**September 30, 2015**

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#### **1. Nature of Operations and Going Concern**

Mezzotin Minerals Inc. ("Mezzotin" or the "Company") was incorporated as Zoolander Corporation on October 27, 2005 by Certificate of Incorporation issued under the Business Corporations Act (Ontario). The Company was a capital pool corporation, as defined pursuant to Policy 2.4 of the TSX Venture Exchange (the "TSX-V") and on May 10, 2011, completed its Qualifying Transaction (the "QT") as that term is defined. The Company acquired all of the issued and outstanding shares of Adsani Exploration (Proprietary) Limited ("Adsani"), a private company incorporated on February 24, 2000 under the laws of the Republic of South Africa, which included its wholly-owned subsidiary Mezzotin Investments (Private) Limited ("Mezzotin ZIM"), a private company incorporated on January 10, 2000 under the laws of Zimbabwe in exchange for the issuance of 20,000,000 common shares of the Company (the "Acquisition"). The Acquisition has been accounted for as a reverse acquisition. On August 22, 2013, the shareholders of the Company approved the name change from Zoolander Corporation to Mezzotin Minerals Inc. The name change was effected by articles of amendment dated September 10, 2013.

Mezzotin's common shares are listed on the TSX-V under the symbol "MEZZ". The Company's registered office and the principal place of business is located at 150 York Street, Suite 1600, Toronto, Ontario, M5H 3S5.

The Company is a Canadian-based mineral exploration company focused on the exploration for and development of mineral deposits in Africa. The Company is considered to be in the early stages and has not yet determined whether its properties contain mineral reserves that are economically recoverable. The recoverability of exploration and evaluation assets is dependent upon securing and maintaining title and beneficial interest in the property and the underlying mining claims, obtaining the necessary regulatory approvals and permits, the ability of the Company to obtain the necessary financing to complete the development of the mineral interests, and achieving future profitable production, or alternatively, upon the Company's ability to dispose of its interests on a profitable basis. As the Company's assets are located outside of Canada, they are subject to the risk of foreign laws and regulations, including increases in taxes and royalties, foreign currency exchange rate fluctuations, ownership interests and political uncertainty.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. The Company has incurred losses of \$145,166 in the three months ended September 30, 2015 and losses of \$3,583,477 from inception and does not currently have any revenue from its operations. The Company's ability to continue as a going concern is dependent upon its ability in the future to locate economically recoverable mineral reserves, achieve profitable operations or obtaining the necessary financing to fulfill its obligations as they arise and repay its liabilities when they become due. External financing, predominantly by the issuance of equity or debt, may be sought to finance the operations of the Company. There is no assurance that the Company will be successful at these initiatives. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern. These consolidated financial statements do not reflect any adjustments to the carrying values of assets and liabilities that would be necessary if the Company were unable to achieve profitable operations or obtain adequate financing.

#### **2. Statement of Compliance**

These unaudited condensed interim consolidated financial statements (the "Interim Statements") have been prepared in accordance International Financial Reporting Standard 34, *'Interim Financial Reporting'* ("IAS 34") as issued by the International Accounting Standards Review Board ("IASB").

These Interim Statements should be read in conjunction with the audited consolidated financial statements of Mezzotin Minerals Inc. for the years ended December 31, 2014 and 2013.

These Interim Statements were authorized for issuance by the Board of Directors of the Company on November 27, 2015.

**3. Significant Accounting Policies**

**Basis of preparation**

These consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are accounted for at fair value.

**Principles of consolidation**

These consolidated financial statements include the accounts of the Company and entities over which it has control including its wholly-owned legal subsidiary, Adsani and Adsani's wholly-owned subsidiary Mezzotin ZIM. All material intercompany transactions and related balances are eliminated on consolidation.

On April 30, 2011, the Company acquired all the issued and outstanding shares of Adsani. The transaction was accounted for as a reverse acquisition. As a result, these consolidated financial statements reflect the financial position, financial performance and cash flows of the legal subsidiary, Adsani, as at September 30, 2015 and for the three and nine months ended September 30, 2015. The number of common shares outstanding are that of the Company, the legal parent.

**Functional and presentation currency**

Items included in the financial statements of the Company's subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company's subsidiaries is the United States Dollar. The consolidated financial statements are presented in Canadian Dollars, which is also the Company's functional currency.

The assets and liabilities of the subsidiaries that have a functional currency different from that of the Company are translated into Canadian dollars at the closing rate at the date of the statement of financial position, and income and expenses are translated at the average rate for the year, which represents a reasonable approximation of the exchange rates at the date of the transactions. Foreign exchange gain or losses resulting from the translation are recognized in other comprehensive income and included in the foreign currency translation reserve in the shareholders' equity.

Transactions in currencies which are not the Company's functional currency are translated to the functional currency at exchange rates at the date of the transaction. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position, non-monetary items are measured at historical rates of exchange.

**Property and equipment**

Property and equipment are recorded at acquisition cost less depreciation and accumulated impairment losses.

Where an item of property and equipment comprises significant components with different useful lives, the components are accounted for as separate items (major components) of plant and equipment.

Depreciation is provided at rates calculated to write-off the cost of these assets commencing when available for use, less the estimated residual value, over their estimated useful lives, for the following classes of assets:

	<b>Method</b>	<b>Rate</b>
• Mining equipment	Declining balance	20%
• Vehicles	Declining balance	20%

**3. Significant Accounting Policies (cont'd)**

**Exploration and evaluation assets**

The Company is in the exploration stage with respect to its investment in mineral properties and accordingly follows the practice of capitalizing all costs relating to the acquisition of, exploration for and development of mineral claims. Such costs include, but not exclusive to, materials used, surveying costs, geological and geophysical studies, exploratory drilling and sampling, and payments made to contractors during the exploration phase. Costs not directly attributable to exploration and evaluation, including general and administrative overhead costs, are expensed in the period in which they occur. Capitalization of costs commences once the Company has obtained legal rights to explore a specific area. The aggregate costs related to abandoned mineral claims are charged to operations at the time of any abandonment or when it has been determined that there are other circumstances indicating evidence of impairment.

When technical feasibility and commercial viability of a property is established and the Company determines that it will proceed with development, all exploration and evaluation costs to that property are reclassified as mining assets within property and equipment or as intangible assets depending on the nature of the expenditure. If economically recoverable ore deposits are developed, the capitalized costs of the related property will be amortized using the unit-of-production method following the commencement of production.

**4. New Accounting Standards and Interpretations**

The International Accounting Standards Board has issued new and amended standards and interpretations with various implementation and effective dates. The following is a brief summary of the new standards adopted in the current year and under review for future years.

***New accounting standards adopted in year:***

**IAS 32, Financial Instruments: Presentation**

The IASB published amendments to IAS 32 to provide clarifications on the requirements for offsetting financial assets and financial liabilities on the statement of financial position. The amendments are effective for annual periods beginning on or after January 1, 2014 and were applied retrospectively. The adoption of the amendments did not have a significant impact on the Company's consolidated financial statements.

**IAS 36, Impairment of Assets**

On May 29, 2013, the IASB made amendments to the disclosure requirements of IAS 36 requiring disclosure, in certain instances, of the recoverable amount of an asset or cash generating unit, and the basis for the determination of fair value less costs of disposal, when an impairment loss is recognized or when an impairment loss is subsequently reversed. The amendments to IAS 36 are effective for annual periods beginning on or after January 1, 2014 and were applied prospectively. The adoption of the amendments did not have a significant impact on the Company's consolidated financial statements.

**IAS 39, Financial Instruments: Recognition and Measurement**

In June 2013, the IASB amended IAS 39-Financial Instruments: Recognition and Measurement, providing guidance on novation of over-the counter derivatives and continued designation for hedge accounting. This amendment did not have a significant impact on the Company's consolidated financial statements.



**4. New Accounting Standards and Interpretations (cont'd)**

***Pronouncements for future adoption:***

**IFRS 9, Financial Instruments**

In July 2014, the IASB issued the final version of IFRS 9, setting out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. IFRS 9 replaces IAS 39 - Financial Instruments: Recognition and Measurement. The new standard establishes a single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. It also provides guidance on an entity's own credit risk relating to financial liabilities and has modified the hedge accounting model to better link the economics of risk management with its accounting treatment. Additional disclosures will also be required under the new standard. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently evaluating the impact of IFRS 9 on the Company's consolidated financial statements.

**IAS 16, Property, Plant and Equipment, and  
IAS 38, Intangible Assets**

In May 2014, the IASB amended IAS 16 and IAS 38 to clarify that a revenue-based approach to calculate depreciation and amortization generally is not appropriate as it does not reflect the consumption of the economic benefits embodied in the related asset. These amendments must be applied prospectively for annual periods beginning on or after January 1, 2016. The Company is currently evaluating the impact of amendments to IAS 16 and IAS 38 on the Company's consolidated financial statements.

**IFRS 11, Joint Arrangements**

In May 2014, the IASB amended IFRS 11 to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business, as defined in IFRS 3 - Business Combinations. The amended standard requires the acquirer to apply all of the principles on accounting for business combinations in IFRS 3 and other IFRSs except for any principles that conflict with IFRS 11. These amendments must be applied prospectively for those acquisitions occurring in annual periods beginning on or after January 1, 2016. The amendments to IFRS 11 are not expected to have a significant impact on the Company's consolidated financial statements.

**IFRS 15, Revenue from Contracts with Customers**

In May 2014, the IASB issued IFRS 15 to establish principles to record revenues from contracts for the sale of goods or services, unless the contracts are in the scope of IAS 17 - Leases or other IFRSs. Under IFRS 15, revenue is recognized at an amount that reflects the expected consideration receivable in exchange for transferring goods or services to a customer, applying the following a five step methodology. The new standard also provides guidance relating to contract costs and for the measurement and recognition of gains and losses on the sale of certain nonfinancial assets such as property and equipment. Additional disclosures will also be required under the new standard. IFRS 15 must be adopted for annual periods beginning on or after January 1, 2017 using either a full retrospective approach for all periods presented in the period of adoption or a modified retrospective approach. The Company is currently evaluating the impact of IFRS 9 on the Company's consolidated financial statements.

**Mezzotin Minerals Inc.**  
**Notes to the Unaudited Condensed Interim Consolidated Financial Statements**  
**September 30, 2015**

**5. Property and Equipment**

	<b>Mining Equipment</b>	<b>Vehicles</b>	<b>Total</b>
<b>Cost</b>			
Balance - January 1, 2015	\$ 263,082	\$ 140,890	\$ 403,972
Additions in period	-	-	-
Foreign currency translation	24,151	12,934	37,085
Balance - March 31, 2015	287,233	153,824	441,057
Foreign currency translation	(3,991)	(2,138)	(6,129)
Balance - June 30, 2015	283,242	151,686	434,928
Disposal in period	(81,973)	-	(81,973)
Foreign currency translation	13,829	10,333	24,162
<b>Balance - September 30, 2015</b>	<b>\$ 215,098</b>	<b>\$ 162,019</b>	<b>\$ 377,117</b>
<b>Accumulated Depreciation</b>			
Balance - January 1, 2015	\$ -	\$ 12,982	\$ 12,982
Depreciation in period	-	1,525	1,525
Foreign currency translation	-	1,223	1,223
Balance March 31, 2015	-	15,730	15,730
Depreciation in period	17,612	8,031	25,643
Foreign currency translation	78	106	184
Balance - June 30, 2015	17,690	23,867	41,557
Disposal in period	(4,099)	-	(4,099)
Depreciation in period	9,185	4,941	14,126
Foreign currency translation	1,320	1,520	2,840
<b>Balance - September 30, 2015</b>	<b>\$ 24,096</b>	<b>\$ 30,328</b>	<b>\$ 54,424</b>
<b>Net Book Value</b>			
As at December 31, 2014	\$ 263,082	\$ 127,908	\$ 390,990
<b>As at September 30, 2015</b>	<b>\$ 191,002</b>	<b>\$ 131,691</b>	<b>\$ 322,693</b>

In the year ended December 31, 2014, the Company took an impairment charge to adjust the carrying value of equipment and vehicles to their appraised value. In the quarter ended June 30, 2015, the Company began to charge depreciation on its equipment and vehicles to reflect the depreciating nature of this type of asset.

In the three months ended September 30, 2015, the Company sold a piece of heavy mining equipment. The Company recorded an accounting loss of \$71,137 on the disposal.

**Mezzotin Minerals Inc.****Notes to the Unaudited Condensed Interim Consolidated Financial Statements****September 30, 2015****6. Exploration and Evaluation Assets****Sabi Star Property**

The Company owns a 100% interest in the Sabi Star Property held by Adsani, through its wholly-owned subsidiary, Mezzotin ZIM. The property is comprised of 30 rare earth exploration permits covering a total of 2,348 hectares located in Eastern Zimbabwe, approximately 180 kilometers from Harare, the capital of Zimbabwe, approximately 250 kilometers from the border of South Africa. The property is located on the Odzi Gold Belt, a known mineralization belt having historically produced gold, copper, tin, tantalum, niobium and diamonds.

	<b>Mineral Rights</b>	<b>Exploration and Evaluation</b>	<b>Total</b>
<b>Cost</b>			
Balance - January 1, 2015	\$ 4,953	\$ 471,964	\$ 476,917
Additions in period	-		-
Foreign currency translation	455	43,327	43,782
Balance - March 31, 2015	5,408	515,291	520,699
Additions in period	-	8,868	8,868
Foreign currency translation	(74)	(7,162)	(7,236)
Balance - June 30, 2015	5,334	516,997	522,331
Foreign currency translation	365	35,391	35,756
<b>Balance - September 30, 2015</b>	<b>\$ 5,699</b>	<b>\$ 552,388</b>	<b>\$ 558,087</b>

**Accumulated Depreciation**

Balance - January 1, 2015	\$ -	\$ -	\$ -
Balance - March 31, 2015	-	-	-
Balance - June 30, 2015	-	-	-
<b>Balance - September 30, 2015</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**Net Book Value**

As at December 31, 2014	\$ 4,953	\$ 471,964	\$ 476,917
<b>As at September 30, 2015</b>	<b>\$ 5,699</b>	<b>\$ 552,388</b>	<b>\$ 558,087</b>

**7. Trade Payables and Accruals**

	<b>September 30, 2015</b>	<b>December 31, 2014</b>
Falling due within the year:		
Trade payables	\$ 137,503	\$ 127,232
Accrued liabilities	21,788	46,781
	<b>\$ 159,291</b>	<b>\$ 174,013</b>

**Mezzotin Minerals Inc.****Notes to the Unaudited Condensed Interim Consolidated Financial Statements****September 30, 2015****8. Due to Related Parties**

Included in amounts due to related parties is a balance of \$194 (December 31, 2014 - \$894) representing the net balance of transactions between a subsidiary of the Company and a company where a Director of the subsidiary is an officer.

**9. Loan Payable**

The Loan Payable is an unsecured credit facility which bears interest at LIBOR and has no fixed terms for repayment.

**10. Share Capital****Authorized share capital**

Unlimited number of common shares

**Issued and outstanding share capital**

Issued share capital at September 30, 2015 is as follows:

	<b>Number of Shares</b>	<b>Amount</b>
Balance at January 1, 2015	48,979,100	\$ 3,397,479
<b>Balance at September 30, 2015</b>	<b>48,979,100</b>	<b>\$ 3,397,479</b>

**Warrant reserve**

A summary of warrants is as follows:

	<b>Number of Warrants</b>	<b>Amount</b>	<b>Weighted Average Exercise Price</b>	<b>Expiry Date</b>
Balance at January 1, 2015	-	\$ -	\$ -	0
<b>Balance at September 30, 2015</b>	<b>-</b>	<b>\$ -</b>	<b>\$ -</b>	<b>0</b>

**10. Share Capital (cont'd)**

**Share-based payment reserve**

On August 20, 2015 the shareholders of the Company approved a stock option plan for its directors, officers and technical consultants under which the Company may grant options to acquire a maximum number of common shares equal to 10% of the total issued and outstanding common shares of the Company. The option price of the shares shall be fixed by the Board but must not be less than the closing sale price of the shares on the Exchange on the day immediately preceding grant.

In the three and nine months ended September 30, 2015, the Company did not issue any stock options and as of September 30, 2015 the Company had no stock options outstanding.

**11. Capital Management**

The Company's objectives when managing its liquidity and capital are as follows:

- a) to safeguard the Company's ability to continue as a going concern such that it can continue in its exploration activities to provide returns to shareholders and benefits to other stakeholders.
- b) to secure sufficient cash and cash equivalents to fund the Company's business plans, including the exploration activities required for the development of its mineral property interests.

The Company considers the items included in shareholders' equity in the definition of capital.

The Company's primary uses of capital are to finance the exploration and property development activities required on its mineral properties, market and investor development, capital expenditures and operating losses.

Management reviews its capital management approach on an ongoing basis. There were no material changes to this approach during the three and nine months ended September 30, 2015. As at September 30, 2015 the Company is not subject to any externally imposed capital requirements.

**12. Related Party Transactions**

Related parties include the Board of Directors and officers of the Company and its subsidiaries including close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions. In addition to Amounts Due to Related Parties (see Note 8), the following is a summary of the related party transactions for the three and nine months ended September 30, 2015 and the corresponding amount in the prior year's periods:

- a) The Company recorded rental income of \$2,945 and \$8,505 (2014 - \$4,901 and \$14,715) respectively, related the leasing of vehicles to a company where a director of the Company's subsidiary was a senior officer.
- b) Included in General Administration expenses is \$(2,945) and \$8,174 (2014 - \$4,901 and \$14,715) respectively, related office rent paid to a company where a Mezzotin ZIM Director was a senior officer. In the three months ended September 30, 2015, the Company recorded a rental expense reduction retroactive to January 1, 2015.
- c) Included in Consulting Fees is \$10,500 and \$28,500 (2014 - \$10,500 and \$43,250) respectively, for executive and management services to a company controlled by an officer of the Company.

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

**13. Contingencies**

- a. The Zimbabwe Investment Authority ("ZIA"), through what management of the Company believes to be an unauthorized and administrative error, has served notice that it has cancelled Mezzotin ZIM's investment License. As a result of this action, the Company has been assessed for tax credits previously granted in the amount of US\$37,100. This amount was accrued as a liability at December 31, 2014. As at September 30, 2015, the balance remaining unpaid on the assessment was US\$32,500 and is included in accounts payable translated at the period end rate of exchange.

The cancellation of an Investment License, in general terms, may have other consequences such as the inability to repatriate invested funds and the development of production properties.

It is the opinion of management that the cancellation of the Investment License will be rectified and has commenced the legal process for its reinstatement.

- b. The Company may be subject to certain fines and penalties for late remittances to a government agency in 2013. The amount of any fines and penalties, should they be imposed, are indeterminable at this time but are not expected to exceed \$30,000. If the Company is assessed, it will expense the amount at that time. As of September 30, 2015 there has been no indication of an assessment of fines or penalties being levied against the Company.