

**Consolidated Financial Statements of**

**American CuMo Mining  
Corporation**

June 30, 2015

## INDEPENDENT AUDITORS' REPORT

### To the Shareholders of American CuMo Mining Corporation

We have audited the accompanying consolidated financial statements of American CuMo Mining Corporation and its subsidiaries, which comprise the consolidated statements of financial position as at June 30, 2015 and 2014 and the consolidated statements of loss and comprehensive loss, cash flows, and changes in equity for the years then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Consolidated Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement.

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

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

### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of American CuMo Mining Corporation and its subsidiaries as at June 30, 2015 and 2014 and their financial performance and their cash flows for the years ended June 30, 2015 and 2014 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

### Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about the ability of American CuMo Mining Corporation to continue as a going concern.

### CHARTERED PROFESSIONAL ACCOUNTANTS



Vancouver, Canada  
October 28, 2015

<p style="text-align: center;">American CuMo Mining Corporation Consolidated statements of financial position (Expressed in Canadian dollars)</p>			
		<b>June 30,</b>	<b>June 30,</b>
<b>ASSETS</b>	Note	<b>2015</b>	<b>2014</b>
<b>Current</b>		\$	\$
Cash and cash equivalents		169,243	42,652
Trade and other receivables	5	6,454	7,070
Prepaid expenses and deposits		4,000	72,160
Investments	4	31,363	87,584
		211,060	209,466
<b>Non-current assets</b>			
Reclamation bonds	11	425,272	348,159
Property, plant and equipment	7	4,743	6,776
Unproven mineral right interests	8	20,063,033	19,751,979
		20,704,108	20,316,380
<b>LIABILITIES</b>			
<b>Current</b>			
Trade and other payables	6	943,073	1,299,173
Convertible notes	9	219,121	201,533
Promissory notes	10	311,850	-
		1,474,044	1,500,706
<b>Non-current liabilities</b>			
Convertible notes	9	2,678,620	2,324,326
Promissory notes	10	623,700	-
Reclamation provision	11	425,272	348,159
Deferred income tax liability	14	295,183	-
		5,496,819	4,173,191
<b>EQUITY</b>			
Equity component of convertible notes	9	294,147	294,147
Share capital	13	51,095,199	50,545,199
Equity reserve		11,014,129	10,753,735
Deficit		(46,895,224)	(45,906,761)
Accumulated other comprehensive income (loss)		(300,962)	456,869
		15,207,289	16,143,189
		20,704,108	20,316,380
Nature of Operations	1		
Commitments	17		
Contingencies	18		
Subsequent events	20		
Approved on Behalf of the board Of directors		Trevor Burns	Joseph Baird

See accompanying notes to the consolidated financial statements.

American CuMo Mining Corporation			
Consolidated statements of loss and comprehensive loss			
(Expressed in Canadian dollars)			
		Years Ended June 30	
	Note	2015	2014
<b>Expenses</b>		\$	\$
Interest expense and bank charges		37,606	5,205
Convertible note expense	9	570,489	218,144
Depreciation		2,033	1,967
Foreign exchange loss		2,070	17,746
Salaries and management fees	12	118,091	582,291
Office and miscellaneous		151,938	104,876
Consulting and professional fees		28,208	694,737
Rent		64,045	57,536
Shareholder communications and regulatory		289,080	251,568
Share-based expense	13	260,394	60,305
Travel and business development		10,948	27,398
Loss before other items		(1,534,902)	(2,021,773)
<b>Other items</b>			
Gain on sale of unproven mineral right interests	8	16,790	69,249
Gain on dissolution of subsidiary		151,913	-
Transfer of AOCI from dissolved subsidiary		690,111	-
Impairment of unproven mineral right interests	8	-	(10,841)
Loss on sale of investments	4	(17,242)	(1,478,077)
Write off reclamation bond		-	(21,877)
Other income		50	1,160
Net loss from continuing operations		(693,280)	(3,462,159)
Discontinued operations, net of tax		-	(314,048)
Net loss		(693,280)	(3,776,207)
Deferred income tax expense	14	(295,183)	-
<b>Net loss after tax</b>		(988,463)	(3,776,207)
<b>Other comprehensive loss, net of tax</b>			
Unrealized loss on investments	4	(13,093)	(85,211)
Transfer of AOCI on sale of investments		-	1,503,370
Transfer of AOCI on dissolution of subsidiary		(690,111)	-
Cumulative translation adjustment		(54,627)	265,996
		(757,831)	1,684,155
<b>Comprehensive loss</b>		(1,746,294)	(2,092,052)
Loss per common share: Basic and diluted		(0.01)	(0.05)
Weighted average number of common shares outstanding		90,218,610	82,262,446

See accompanying notes to the consolidated financial statements.

American CuMo Mining Corporation Consolidated statements of cash flows (Expressed in Canadian dollars)			
		Years ended June 2015	
		2015	2014
		\$	\$
<b>OPERATING ACTIVITIES</b>			
Items not involving cash:			
Net loss after tax		(988,463)	(3,462,159)
Depreciation		2,033	1,967
Share-based expense		260,394	60,305
Gain on sale of unproven mineral right interests		(16,790)	(69,249)
Loss on sale of investments		17,242	1,478,077
Convertible note expense		570,489	218,144
Gain on dissolution of subsidiary		(151,913)	-
Gain on AOCI transfer due to dissolution of subsidiary		(690,111)	-
Deferred tax expense		295,183	-
Loss on sale of available for sale assets		-	21,598
Impairment of unproven mineral right interests		-	10,841
Changes in non-cash working capital items:			
Decrease in trade and other receivables		616	83,916
(Increase) decrease in prepaid expenses		68,160	(21,905)
Increase (decrease) in trade and other payables		(8,910)	155,677
		(642,070)	(1,522,788)
<b>INVESTING ACTIVITIES</b>			
Expenditures on unproven mineral right interests		(302,406)	(527,948)
Proceeds from sale of unproven mineral right interests		-	413,658
Proceeds from sale of investment		42,676	136,293
		(259,730)	22,003
<b>FINANCING ACTIVITIES</b>			
Payment of interest on convertible notes		(198,607)	(201,883)
Proceeds from issuance of promissory notes		935,550	-
Proceeds from issuance of common shares		346,075	-
		1,083,018	(201,883)
Net change in cash and cash equivalents from continuing operations		181,218	(1,702,668)
Net change in cash and cash equivalents from discontinued operations		-	1,007,379
Effect of exchange rate changes on cash		(54,627)	265,996
Cash and cash equivalents, beginning of the period		42,652	471,945
Cash and cash equivalents, end of the period		169,243	42,652
Supplemental cash flow information (Note 19)			

See accompanying notes to the consolidated financial statements.

American CuMo Mining Corporation  
Consolidated statement of changes in equity  
(Expressed in Canadian dollars)

						Component of			Other
		Share Capital			Convertible	Equity		Comprehensive	Total
	note	Number of shares		Amount	Notes	Reserve	Deficit	(Loss) Income	Equity
				\$		\$	\$	\$	\$
Balance on July 1, 2013		82,262,446		50,545,199	294,147	10,693,430	(42,130,554)	(1,227,286)	18,174,936
Net loss				-	-	-	(3,776,207)	-	(3,776,207)
Share-based expense	13			-	-	60,305	-	-	60,305
Unrealized loss on investments	4			-	-	-	-	(85,211)	(85,211)
Transfer of AOCI on sale of investments				-	-	-	-	1,503,370	1,503,370
Cumulative translation adjustment				-	-	-	-	265,996	265,996
Balance on June 30 2014		82,262,446		50,545,199	294,147	10,753,735	(45,906,761)	456,869	16,143,189
Balance on July 1 2014		82,262,446		50,545,199	294,147	10,753,735	(45,906,761)	456,869	16,143,189
Net loss after tax					-	-	(988,463)	-	(988,463)
Private placements	13	11,000,000		550,000	-	-	-	-	550,000
Share-based expense	13			-	-	260,394	-	-	260,394
Unrealized loss on investments	4			-	-	-	-	(13,093)	(13,093)
Transfer of AOCI on dissolution of subsidiary				-	-	-	-	(690,111)	(690,111)
Cumulative translation adjustment				-	-	-	-	(54,627)	(54,627)
Balance on June 30 2015		93,262,446		51,095,199	294,147	11,014,129	(46,895,224)	(300,962)	15,207,289

See accompanying notes to the consolidated financial statements.

# American CuMo Mining Corporation

## Notes to the consolidated financial statements

June 30, 2015

(Expressed in Canadian dollars)

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### 1. Nature of operations

American CuMo Mining Corporation ("CuMoCo") is an exploration and development company with mineral right interests in the United States of America and Canada. CuMoCo was incorporated under the laws of British Columbia in 1971.

These consolidated financial statements include the accounts of CuMoCo and its wholly-owned subsidiaries (collectively, the "Company"): Idaho CuMo Mining Corp. ("Idaho CuMo", formerly Mosquito Mining Corp.), MSQ Operations Inc. (inactive) and 1156207 Ontario Ltd.

In recent years the Company also conducted operations as an operator of drilling rigs. These operations were discontinued in the fiscal year ended June 30, 2013.

The Company is in the process of exploring its mineral right interests in the United States and at the date of these consolidated interim financial statements, has not yet determined whether any of its mineral properties contain economically recoverable mineral reserves. Accordingly, the carrying amount of mineral right interests represents cumulative expenditures incurred to date and does not necessarily reflect present or future values. The recovery of these costs is dependent upon the discovery of economically recoverable mineral reserves and the ability of CuMoCo to obtain the necessary financing to complete their exploration and development and to resolve any environmental, regulatory, or other constraints. Uncertainty also exists with respect to the recoverability of the carrying value of certain mineral right interests. The ability of the Company to realize on its investment in resource properties is contingent upon resolution of the uncertainties and confirmation of the Company's title to the mineral properties.

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assume that the Company will continue operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due. The Company does not generate material cash flows from operations and accordingly, CuMoCo will need to raise additional funds through future issuance of securities. Although CuMoCo has been successful in raising funds in the past, there can be no assurance CuMoCo will be able to raise sufficient funds in the future, in which case the Company may be unable to meet its obligations as they come due in the normal course of business. The Company has not determined whether any of its properties contain mineral reserves that are economically recoverable. It is not possible to predict whether financing efforts will be successful or if the Company will attain a profitable level of operations. Since inception, the Company has incurred cumulative losses of \$46,895,224 as of June 30, 2015 (June 30, 2014: \$45,906,761) and at June 30, 2015, had a working capital deficiency of \$1,262,984 (June 30, 2014: working capital deficiency of \$1,291,240), which may cast significant doubt regarding CuMoCo's ability to continue as a going concern. Should CuMoCo be unable to realize its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts on the statement of financial position.

CuMoCo's common shares are listed on the TSX Venture Exchange ("TSX-V") and on the OTCQX stock exchange in the United States, under the trading symbols "MLY" and "MLYCF", respectively. CuMoCo's share options and warrants are not listed.

The head office and principal address of the Company is 638 Millbank, Vancouver, British Columbia, Canada V5Z 4B7.

These consolidated financial statements were authorized for issue by the Board of Directors on October 28, 2015 and have been prepared in accordance with and in full compliance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

# American CuMo Mining Corporation

## Notes to the consolidated financial statements

June 30, 2015

(Expressed in Canadian dollars)

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### 2. Basis of presentation.

#### a) Basis of presentation

The consolidated financial statements of the Company have been prepared in accordance with IFRS and on an historical cost basis, except for financial instruments which have been measured at fair value. The consolidated financial statements are presented in Canadian dollars and all values are rounded to the nearest dollar except where otherwise indicated.

#### b) Adoption of new and revised standards and interpretations

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2014, including IFRS 10, IFRS 12, IAS 27. IFRS 10 is amended to define an "investment entity" and introduce an exception from consolidation for investment entities. IFRS 12 and IAS 27 are amended to introduce disclosures that an investment entity needs to make.

IAS 32, Financial Instruments: Presentation. Amended to clarify aspects because of diversity in application of the requirements on offsetting, focused on four main areas:

- the meaning of 'currently has a legally enforceable right of set-off;
- the application of simultaneous realization and settlement;
- the offsetting of collateral amounts; and
- the unit of account for applying the offsetting requirements.

The Company has adopted these policies and none of them had a significant effect on the financial statements. The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its financial statements.

Effective for annual periods beginning on or after January 1, 2015:

IFRS 7, Financial Instruments – Disclosure. Amended to require additional disclosures on transition from IAS 39 to IFRS 9.

Effective (proposed) for annual periods beginning on or after January 1, 2018:

IFRS 9, Financial Instruments – Classification and Measurement. IFRS 9 is a new standard on financial instruments that will replace IAS 39, Financial Instruments: Recognition and Measurement.

IFRS 9 addresses classification and measurement of financial assets and financial liabilities as well as de-recognition of financial instruments. IFRS 9 has two measurement categories for financial assets: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit or loss.

### 3. Summary of significant accounting policies

#### Basis of consolidation

The consolidated financial statements include the financial statements of CuMoCo and its controlled subsidiaries (Note 1). Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.



# American CuMo Mining Corporation

## Notes to the consolidated financial statements

June 30, 2015

(Expressed in Canadian dollars)

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### 3. Summary of significant accounting policies (cont'd)

#### Basis of consolidation (cont'd)

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of loss and comprehensive loss from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All intercompany transactions, balances, income and expenses are eliminated on consolidation.

#### Significant accounting judgments and estimates

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Information about critical accounting estimates and judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements are discussed below:

- Judgments

- a) Unproven mineral right interests

The application of the Company's accounting policy for unproven mineral right interests requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions may change if new information becomes available. If, after expenditures are capitalized, information becomes available suggesting that the recovery of the expenditures is unlikely, the amount capitalized is impaired with a corresponding charge to profit or loss in the period in which the new information becomes available.

- b) Title to unproven mineral right interests

Although the Company has taken steps to verify title to its unproven mineral right interests, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

# American CuMo Mining Corporation

## Notes to the consolidated financial statements

June 30, 2015

(Expressed in Canadian dollars)

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### 3. Summary of significant accounting policies (cont'd)

#### Significant accounting judgments and estimates (cont'd)

- Estimates

- a) Share-based payments:

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date in which they are granted. Estimating fair values for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. The estimate also requires determining the most appropriate inputs to the valuation model, including the expected life of the share option, volatility and dividend yield, and making assumptions about them. The model and assumptions used by the Company to estimate the fair value of share-based payments are disclosed in Note 13.

#### Foreign currency translation

The Canadian dollar is considered to be the functional currency and the presentation currency of the Company and all of its subsidiaries, with the exception of Idaho CuMo.

The functional currency of Idaho CuMo is the United States ("US") dollar. This subsidiary has been translated into the Canadian dollar in accordance with IAS 21, *Effects of Changes in Foreign Exchange Rates* ("IAS 21"). These guidelines require that assets and liabilities be translated using the exchange rate at period end, and income and expenses items are translated using the exchange rate at the dates of the transactions. All resulting exchange differences are recognized in other comprehensive income (loss).

For CuMoCo and its subsidiaries (with the exception of Idaho CuMo) transactions denominated in currencies other than the Canadian Dollar are translated using the exchange rate in effect on the transaction date or at an average rate. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange in effect at the balance sheet date. Non-monetary items are translated at historical rates. Exchange gains and losses arising from translation are recorded in the consolidated statements of operations and comprehensive loss.

#### Investments

Investments in which the Company exerts significant influence are accounted for using the equity method whereby the original cost of the investment is adjusted for the Company's share of earnings, losses and dividends. Investments in which the Company does not exert significant influence are accounted for using the cost method. Under the cost method of accounting, the investment is initially recorded at cost and earnings from such investments are recognized only to the extent they are received or receivable.

#### Property, plant and equipment

Property, plant and equipment are recorded at cost and are amortized at the following annual rates:

- Office equipment and furniture: 30% declining balance method;

# American CuMo Mining Corporation

## Notes to the consolidated financial statements

June 30, 2015

(Expressed in Canadian dollars)

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### 3. Summary of significant accounting policies (cont'd)

#### Unproven mineral right interests

The Company capitalizes into intangible assets all costs, net of any recoveries, of acquiring, exploring and evaluating an unproven mineral right interest, until the rights to which they relate are placed into production, at which time these deferred costs will be amortized over the estimated useful life of the rights upon commissioning the property, or written-off if the rights are disposed of, impaired or abandoned.

Management reviews the carrying amounts of mineral rights annually or when there are indicators of impairment and will recognize impairment based upon current exploration results and upon assessment of the probability of profitable exploitation of the rights. An indication of impairment includes but is not limited to expiration of the right to explore, substantive expenditure in the specific area is neither budgeted nor planned, and if the entity has decided to discontinue exploration activity in a specific area. Management's assessment of the mineral right's fair value is also based upon a review of other mineral right transactions that have occurred in the same geographic area as that of the rights under review.

Costs include the cash consideration and the fair value of shares issued on the acquisition of mineral rights. Rights acquired under option or joint venture agreements, whereby payments are made at the sole discretion of the Company, are not accrued and are only recorded in the accounts when the payments are made. Proceeds from property option payments received by the Company are netted against the deferred costs of the related mineral rights, with any excess being included in operations.

There may be material uncertainties associated with the Company's title and ownership of its unproven mineral right interests. Ordinarily the Company does not own the land upon which an interest is located, and title may be subject to unregistered prior agreements or transfers or other undetected defects.

#### Impairment of non-financial assets

At each date of the statement of financial position, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the assets belong.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of loss and comprehensive loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years.

# American CuMo Mining Corporation

## Notes to the consolidated financial statements

June 30, 2015

(Expressed in Canadian dollars)

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### 3. Summary of significant accounting policies (cont'd)

#### Reclamation provision

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or straight line method. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

#### Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. Any increase in a provision due solely to passage of time is recognized as interest expense.

#### Warrants

Proceeds from issuances by the Company of units consisting of shares and warrants are allocated based on the residual method, whereby the carrying amount of the warrants is determined based on any difference between gross proceeds and the estimated fair market value of the shares. If the proceeds from the offering are less than or equal to the estimated fair market value of shares issued, a nil carrying amount is assigned to the warrants.

#### Share-based payments

Employees (including directors and senior executives) of the Company may receive a portion of their remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

In situations where equity instruments are issued for goods or services, the share-based payment is measured at the fair value of the goods and services received. Where the consideration cannot be specifically identified, they are measured at the fair value of the share-based payment.

The costs of equity-settled transactions with employees are measured by reference to the fair value at the date on which they are granted.

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense is recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company's best estimate of the number of equity instruments that will ultimately vest.

# American CuMo Mining Corporation

## Notes to the consolidated financial statements

June 30, 2015

(Expressed in Canadian dollars)

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### 3. Summary of significant accounting policies (cont'd)

#### Share-based payments (cont'd)

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

#### Income tax

Income tax expense represents the sum of tax currently payable and deferred tax.

- Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the date of the statement of financial position.

- Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the date of the statement of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

# American CuMo Mining Corporation

## Notes to the consolidated financial statements

June 30, 2015

(Expressed in Canadian dollars)

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### 3. Summary of significant accounting policies (cont'd)

#### Income tax (cont'd)

The carrying amount of deferred income tax assets is reviewed at each date of the statement of financial position and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets for unused tax losses, tax credits and deductible temporary differences are reassessed at each date of the statement of financial position and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been substantively enacted at the date of the statement of financial position.

Deferred income tax relating to items recognized directly in equity or OCI is recognized in equity or OCI and not in the statement of loss and comprehensive loss.

#### Income (loss) per share

Basic earnings (loss) per share are computed by dividing the net earnings (loss) attributable to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and conversion of notes, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

#### Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions that are in the normal course of business and have commercial substance are measured at the exchange amount, which is determined on a cost recovery basis.

#### Financial assets

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

Financial assets classified as FVTPL are other assets and are measured at fair value with unrealized gains and losses recognized through profit or loss.

Financial assets classified as loans and receivables and held to maturity are measured at amortized cost using the effective interest method less any allowance for impairment. The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

# American CuMo Mining Corporation

## Notes to the consolidated financial statements

June 30, 2015

(Expressed in Canadian dollars)

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### 3. Summary of significant accounting policies (cont'd)

#### Financial assets (cont'd)

Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for when there is a significant or prolonged decline in the fair value of that investment below its cost, at which time the impairment is recognized in profit or loss.

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

#### Financial liabilities

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

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

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives, are also classified as FVTPL unless they are designated as effective hedging instruments. Transaction costs on financial liabilities classified as FVTPL are expensed as incurred.

At the end of each reporting period subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognized directly in profit or loss in the period in which they arise.

#### Impairment of financial assets

The Company assesses at each date of the statement of financial position whether any indicators exist that the Company's financial assets are impaired.

#### Assets measured at amortized cost

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is then reduced by the amount of the impairment. The amount of the loss is recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in profit or loss.

# American CuMo Mining Corporation

## Notes to the consolidated financial statements

June 30, 2015

(Expressed in Canadian dollars)

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### 3. Summary of significant accounting policies (cont'd)

#### Assets measured at amortized cost (cont'd)

In relation to trade receivables, a provision for impairment is made and an impairment loss is recognized in profit and loss when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are written off against the allowance account when they are assessed as uncollectible.

#### Assets classified as available for sale

Assets to be disposed of that meet all of the criteria to be classified as held for sale as set forth in IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations*, are reported at the lower of their carrying amounts or fair values less cost to sell. Assets are not depreciated while they are classified as held for sale. Assets held for sale that have operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Company's assets are reported in discontinued operations when (a) it is determined that the operations and cash flows of the assets will be eliminated from the Company's on-going operations and (b) the Company will not have any significant continuing involvement in the operations of the assets after the disposal transaction.

#### Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand, and highly liquid investments with an original maturity of three months or less, which are readily convertible into a known amount of cash. There were no cash equivalents at June 30, 2015 and 2014.

#### Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration of each business combination is measured, at the date of the acquisition, as the aggregate of the fair value of assets given, liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the acquiree.

Acquisition related costs incurred for the business combination are expensed. The acquiree's identifiable assets, liabilities and contingent liabilities are recognized at their fair value at the acquisition date.

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the cost of the acquisition over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. If the Company's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the acquisition, the excess is recognized in earnings or loss immediately.

The interest of non-controlling shareholders in the acquiree is measured at the non-controlling shareholders' proportion of the net fair value of the assets, liabilities and contingent liabilities recognized.



# American CuMo Mining Corporation

## Notes to the consolidated financial statements

June 30, 2015

(Expressed in Canadian dollars)

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### 3. Summary of significant accounting policies (cont'd)

#### Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized as an adjustment to interest expense over the period of the borrowings using the effective interest method.

Fees paid to establish loan facilities are recognized as transaction costs of the loan and are deferred and recognized as an adjustment to the effective interest rate on the loan once drawn.

Compound financial instruments issued by the Company include convertible debentures that can be converted at a fixed conversion rate to share capital at the option of the holder. The liability component of convertible debentures is recognized initially at fair value of a similar liability that does not have an equity conversion option. The conversion component is initially valued at fair value based on generally accepted valuation techniques.

If convertible debentures are denominated in a currency that is different from the borrower's functional currency, both the liability and conversion components are carried as borrowings. Subsequent to initial recognition, the liability component of a convertible debenture is measured at amortized cost using the effective interest method. The conversion component of the convertible debenture is re-measured to fair value at each reporting period using the period end foreign exchange rate and changes in value are recognized as a component of finance costs.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability, or a portion of the liability, for at least 12 months after the reporting date.

### 4. Investments

	June 30, 2015	June 30, 2014
	\$	\$
Beginning of year	87,584	207,795
Dispositions	(85,146)	(111,000)
Additions	42,018	76,000
Changes in fair value	(13,093)	(85,211)
End of year	31,363	87,584

# American CuMo Mining Corporation

## Notes to the consolidated financial statements

June 30, 2015

(Expressed in Canadian dollars)

### 4. Investments (cont'd)

Investments include the following:

	June 30, 2015	June 30, 2014
	\$	\$
Golden Cariboo Resources Inc.	129	430
Barkerville Gold Mines Ltd.	4	8
Yamana Gold Inc. a)	15,732	36,000
Salmon River Resources Ltd.	-	2,000
Detour Gold Corporation b)	-	4,146
Ximen Resources c)	15,498	45,000
	<b>31,363</b>	<b>87,584</b>

a) Previously the Company held 300,000 share of Mega Precious Metals. During the year, Mega Precious Metals was purchased by Yamana Gold Inc. As a result of this sale, the Company exchanged 200,000 shares of Mega Precious Metals for 4,184 shares of Yamana Gold Inc.

b) The Company sold the 284 shares of Detour Gold Corporation during fiscal 2015.

c) The Company sold 75,000 Ximen Mining Corp. shares during fiscal 2015. On June 22, 2015, the company received 258,300 shares of Ximen as the second instalment in the Brett Property royalty deal.

During the year ended June 30, 2015, the Company realized a loss on the sale of investments of \$17,242 (2014 - \$1,478,077).

### 5. Trade and other receivables

Trade and other receivables are comprised of the following:

	June 30, 2015	June 30, 2014
	\$	\$
Taxes receivable	6,454	7,070

### 6. Trade and other payables

Trade and other payables are comprised of the following:

	June 30, 2015	June 30, 2014
	\$	\$
Trade payables	876,250	1,175,681
Payables due to related parties (Note 12)	66,823	123,492
	<b>943,073</b>	<b>1,299,173</b>

# American CuMo Mining Corporation

## Notes to the consolidated financial statements

June 30, 2015

(Expressed in Canadian dollars)

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### 7. Property, plant and equipment

	Office equipment and furniture
Cost	\$
Balance at June 30, 2013	175,562
Additions	-
Exchange differences	-
Balance at June 30, 2014	175,562
Additions	-
Exchange differences	-
Balance at June 30, 2015	175,562
Accumulated depreciation	
Balance at June 30, 2013	166,819
Depreciation	1,967
Exchange differences	-
Balance at June 30, 2014	168,786
Depreciation	2,033
Exchange differences	-
Balance at June 30, 2015	170,819
Carrying amount	
At June 30, 2014	6,776
At June 30, 2015	4,743

### 8. Unproven mineral right interests

The Company's flagship project is the CuMo molybdenum project, located in Idaho, in the United States. The Company's Boise property, also located in Idaho, is contiguous to and provides access to the CuMo project.

The Company also has other unproven mineral right interests in the United States and in Canada, which have been optioned to other exploration companies.

#### **CUMO PROJECT (United States)**

The CuMo project is situated in the mountains of south-central Idaho, approximately 15 miles northeast of the town of Idaho City. It consists of 161 unpatented mineral claims.

The project was optioned to the Company by Cumo Molybdenum Mining Inc. in 2004. The terms of the option agreement called for 300,000 CuMoCo shares (issued) and a combination of advance royalty payments and work requirements outlined below.

# American CuMo Mining Corporation

## Notes to the consolidated financial statements

June 30, 2015

(Expressed in Canadian dollars)

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### 8. Unproven mineral right interests (cont'd)

#### **CUMO PROJECT (United States) (cont'd)**

##### 1. Advance royalty payments:

- US\$10,000 upon signing (completed);
- US\$10,000 after 60 days (completed);
- US\$5,000 after 6 months (completed);
- US\$20,000 1st year anniversary (completed);
- US\$20,000 2nd year anniversary (completed);
- US\$15,000 3rd year anniversary (completed);
- US\$15,000 every 6 months thereafter (up-to-date).

These payments are to be credited against a 1.5% net smelter return ("NSR") which reduces to 0.5% NSR after cumulative payments of US\$3,000,000.

##### 2. Work requirements:

- US\$25,000 during the first year (completed);
- At least US\$50,000 each year thereafter (up-to-date).

#### **BOISE PROPERTY (United States)**

On July 8, 2010, the Company entered into an option agreement, amended on July 5, 2011, to purchase certain mineral claims that included surface rights located in Boise County, Idaho. These patent mineral claims are contiguous to and provide access to the CuMo project. In order to maintain the option in good standing, the Company was required to make option payments of US\$ 1,200,000. These payments have been completed and the Company has obtained title to the Boise property, which becomes part of the overall CuMo project.

#### **PINE TREE PROPERTY (United States)**

The Pine Tree property is located in the Pilot Mountains, Mineral County in western Nevada. The primary target on the property is a copper-molybdenum-rhenium porphyry deposit, with potential gold, silver and tungsten by-products.

In 2005 the Company entered into an option agreement to purchase the Pine Tree property through a combination of share payments totaling 300,000 shares of the Company (issued), an exploration commitment of US\$450,000 (completed) and advance royalty payments of \$25,000 per year until a total of US\$2,000,000 (the "NSR Royalty") has been paid, after which the 2% NSR shall be reduced to 0.5%.

On June 25, 2010 (the "Effective Date"), the Company entered into an option agreement with IEMR Resources Inc. ("IEMR"). Pursuant to the agreement, IEMR acquired an option to purchase a 100% interest in the Pine Tree property. In order to maintain the option in good standing, IEMR was required to make the following payments and share issuances to the Company:

# American CuMo Mining Corporation

## Notes to the consolidated financial statements

June 30, 2015

(Expressed in Canadian dollars)

### 8. Unproven mineral right interests (cont'd)

#### **PINE TREE PROPERTY (United States) (cont'd)**

	Cash Payments	Common Shares
	\$	
On the Effective Date (completed)	200,000	1,000,000
On or before the first anniversary of the Effective Date (completed)	200,000	1,000,000
On or before the second anniversary of the Effective Date (completed)	200,000	1,000,000
On or before the third anniversary of the Effective Date (completed)	200,000	1,000,000
On or before the fourth anniversary of the Effective Date (completed)	200,000	-
	<u>200,000</u>	<u>1,000,000</u>
	<b>1,000,000</b>	<b>5,000,000</b>

In addition, IEMR was also to incur aggregate exploration and development expenditures on the property of \$3,000,000 on or before the fourth anniversary of the Effective Date, subject to minimum expenditures of \$500,000 incurred each year on or before the anniversary of the Effective Date. During the option period, IEMR was also to be responsible for making advance royalty payments of US\$25,000 per year to the holders of the NSR Royalty.

In December 2013, the Company and IEMR reached an agreement to amend the option agreement (the "Amendment"). Upon execution of the Amendment, IEMR earned a 100% interest in the Pine Tree Property, subject to the remaining underlying NSR.

Pursuant to the terms of the Amendment, the Company returned 4 million common shares of IEMR to IEMR and recorded a loss on forfeiture of investment of \$646,520 and also recorded a final impairment on mineral right interests of \$10,841 during the year ended June 30, 2014.

The only remaining issue to be resolved is the return of the US\$36,716 exploration bond put in place by the Company.

#### **BLACKPOINT PROPERTY (United States)**

In the quarter ended September 30, 2013 these claims were formally dropped by the Company.

#### **OTHER PROPERTIES (United States)**

Other unproven mineral right interests in the United States were the Spruce Mountain and Copper Chief properties, which have been fully impaired. During fiscal 2014, the optioned 75% interest on the Copper Chief property was returned and subsequent to June 30, 2014 the property was dropped.

#### **CARIBOO PROPERTY (Canada)**

The Company was originally formed to establish a mining complex on the former producing mines known as Island Mountain Mine and Cariboo Gold Quartz Mine, located near Wells, in British Columbia. As of June 2015 the Company has no interest in the property.

# American CuMo Mining Corporation

## Notes to the consolidated financial statements

June 30, 2015

(Expressed in Canadian dollars)

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### 8. Unproven mineral right interests (cont'd)

#### **LAVERTY and CUMMINS PROPERTIES (Canada)**

In 2004 the Company acquired a 100% interest in 1156207 Ontario Ltd. for \$80,000 with the vendor retaining a 1% NSR. 1156207 Ontario Ltd. holds a 100% interest in two groups of patented mineral claims known as the Lavery property, located in Red Lake, Ontario and the Cummins property, located near Larder Lake, Ontario.

By way of an option agreement dated January 26, 2009, and amended on March 11, 2009, the Company optioned the Lavery property to Yamana Gold Inc. ("Yamana") (formerly Mega Precious Metals) in consideration of cash payments of \$500,000, 250,000 shares of Skybridge, 500,000 shares of Mega and a \$1,500,000 exploration expenditures commitment.

During the year ended June 30, 2013, Yamana completed the commitments and all consideration due to the Company pursuant to this option agreement.

The Company retains a 2% NSR on ore mined from the property.

The Cummins property consists of 5 patented mineral claims located in McElroy Township, near Larder Lake, Ontario. The Company has a 100% interest in the project and has not performed any work to date.

#### **BRETT PROPERTY (Canada)**

In 2003 the Company completed an agreement to acquire a 100% interest in the Brett #1 and Brett #2 mineral claims located in the Vernon Mining District of British Columbia for a consideration of 500,000 shares of the Company.

In 2004, Running Fox Resource Corp. ("Running Fox") and the Company entered into an option agreement on the Brett property whereby Running Fox earned a 50% interest in the property in 2004.

In 2011, the Company entered into a subsequent agreement with Running Fox whereby the Company sold to Running Fox the remaining 50% interest, subject to a sliding scale NSR on the property based on the price of gold as follows:

- Gold price up to \$500 per ounce: 2% NSR;
- Gold price between \$501 and \$1,000 per ounce: 3% NSR;
- Gold price between \$1001 and \$1,500 per ounce: 5% NSR;
- Gold price between \$1501 and \$2,000 per ounce: 6% NSR;
- Gold price over \$2,001 per ounce: 8% NSR.

On December 20, 2013, the Company entered into an agreement (the "Agreement") whereby Ximen Mining Corp. ("Ximen") may acquire the Company's above NSR interest.

The consideration payable to the Company consists of up to \$1,350,000 cash and 100,000 common shares of Ximen payable prior to the third anniversary of the Agreement. In addition, there are additional share issuances of \$120,000 payable in shares due by the third year of the Agreement. The number of shares to be issued shall be calculated based on the deemed price per share being the volume-weighted average closing price (subject to TSX-V minimum pricing) of Ximen's common shares on the TSX-V for the ten trading days prior to the date the payment is due. The securities to be received pursuant to the Agreement will be subject to a four month hold period from the date of issuance in accordance with applicable Canadian securities law.

The Company received 100,000 Ximen shares in May 2014, and 258,300 Ximen shares in June 2015, per the agreement with Ximen.

# American CuMo Mining Corporation

## Notes to the consolidated financial statements

June 30, 2015

(Expressed in Canadian dollars)

### 8. Unproven mineral right interests (cont'd)

#### **BRETT PROPERTY (Canada) (cont'd)**

Until such time as all payments are delivered The Company still holds the royalty on any production recorded from the property.

	Cumo	Boise	Pinetree	Other	Total
	\$	\$	\$	\$	\$
Balance, June 30 2013	17,894,650	1,214,050	415,000	19,751	19,543,451
Exploration expenditures:					
Assays and analysis	339	-	-	-	339
Community relations	79,530	-	-	-	79,530
Geological/professional fees	46,000	-	-	-	46,000
Environmental studies	433,425	-	-	-	433,425
	18,453,944	1,214,050	415,000	19,751	20,102,745
Other items:					
Acquisition costs and payments	83,985	-	9,526	-	93,511
Impairment charges	-	-	(10,841)	-	(10,841)
Option payments received	-	-	(413,685)	(6,751)	(420,436)
Recovery of reclamation bond	-	-	-	(13,000)	(13,000)
Balance, June 30 2014	18,537,929	1,214,050	-	-	19,751,979
Balance, July 1 2014	18,537,929	1,214,050	-	-	19,751,979
Exploration expenditures:					
Geological/professional fees	43,696	-	-	-	43,696
Environmental studies	203,792	4,095	-	-	207,887
	18,785,417	1,218,145	-	-	20,003,562
Other items:					
Acquisition costs and payments	59,471	-	-	-	59,471
<b>Balance, June 30 2015</b>	<b>18,844,888</b>	<b>1,218,145</b>	<b>-</b>	<b>-</b>	<b>20,063,033</b>

### 9. Convertible notes

In order to finance the ongoing development of the CuMo project the Company has borrowed from International Energy & Mineral Resources Investment (Hong Kong) Company Limited ("IEMR HK") the principal amount of \$1,500,000 and US\$1,500,000, and issued secured convertible notes (the "Notes") in respect of such indebtedness to IEMR HK (the "Financing").

The Notes have face values of \$1,500,000 and US\$1,500,000, respectively, and mature in October 2017 (the "Maturity Date"). The Notes accrue interest at a rate of 6.5% per annum, calculated and paid annually. At the option of IEMR HK the Notes shall be convertible at any time prior to the Maturity Date, in whole or in part, into common shares of the Company at a price of \$0.28 per common share, provided that IEMR HK shall only be permitted to exercise such conversion right to the extent that it results in IEMR HK holding no greater than 19.9% of the issued and outstanding common shares of CuMoCo.

# American CuMo Mining Corporation

## Notes to the consolidated financial statements

June 30, 2015

(Expressed in Canadian dollars)

### 9. Convertible notes (cont'd)

The Canadian dollar Note is being treated as a compound financial instrument with a debt element treated as a liability and an equity conversion element treated as equity. On issuance the equity conversion feature was valued at \$297,394. Share issue costs of \$3,247 were allocated to the equity conversion feature, resulting on a net equity conversion feature of \$294,147.

The U.S. dollar Note, given it is not denominated in the functional currency of CuMo, is accounted for as a financial liability with an embedded derivative and host debt contract.

The carrying values of the Notes contain the following components:

	June 30, 2015	June 30, 2014
	\$	\$
Liability component	2,790,261	2,393,590
Option conversion component	107,480	132,269
	<b>2,897,741</b>	<b>2,525,859</b>

The current and long-term portions of the Notes are as follows:

	June 30, 2015	June 30, 2014
	\$	\$
Short-term	219,121	201,533
Long-term	2,678,620	2,324,326
	<b>2,897,741</b>	<b>2,525,859</b>

Changes in the balances of the Notes are comprised of the following:

	June 30, 2015	June 30, 2014
	\$	\$
Issue of Notes	2,997,996	2,997,996
Note issue costs	(21,575)	(21,575)
Allocation of equity conversion feature	(297,394)	(297,394)
Accreted interest	995,276	573,950
Coupon payments	(400,491)	(201,883)
Change in option conversion component valuation	(616,123)	(591,334)
Foreign exchange loss	240,052	66,099
	<b>2,897,741</b>	<b>2,525,859</b>

The aggregate total of accreted interest, changes in the option conversion component valuation and foreign exchange expense of \$570,489 is reported as convertible note expense (2014: \$218,144 as convertible recoveries) in the Company's statement of loss and comprehensive loss.



# American CuMo Mining Corporation

## Notes to the consolidated financial statements

June 30, 2015

(Expressed in Canadian dollars)

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### 9. Convertible notes (cont'd)

IEMR HK is a "Related Party" of the Company pursuant to the policies of the TSX-V, as IEMR HK holds approximately 16.12% of the issued and outstanding common shares of CuMoCo. As such, the Financing constituted a "Related Party Transaction" under the policies of the TSX-V. The Company has relied on exemptions from the formal valuation and minority approval requirements which are available to the Company.

The Notes will default if the Company, or any of its subsidiaries, makes a general assignment for the benefit of its creditor, or files a proposal under the *Bankruptcy and Insolvency Act* (Canada), or shall become insolvent, or shall be declared or adjudged bankrupt, or a receiving order is made against the Company or any subsidiary unless same is being contested in good faith and is dismissed, stayed or withdrawn within 30 days.

This note is secured by all of the assets of the parent company, CuMoCo.

### 10. Promissory Notes

Idaho CuMo entered into two different promissory notes during fiscal 2014.

The first loan was for a total of \$USD 250,000, and was received in 3 installments during fiscal 2015. This loan was received from La Familia II LLC. It accrues interest at 8.5% per year, and has a maturity date of October 31, 2015. In the event the Company defaults on the loan, interest shall be payable on the outstanding principle at an annual rate of equal to 4% in excess of the note rate. If the Company makes the decision to go into operation ("triggering event"), the lender has the right to purchase a Silver Conversion option from the Company. Under the Silver Conversion option, the holder has the right to purchase one ounce of silver for every dollar owed by the Company at price of \$5.00/ounce, plus an upfront payment of \$USD 250,000.00. This note is secured by the six patented claims which make up the Boise Property.

The second loan is the sale of Idaho CuMo Units. Each unit costs \$250,000, and consists of a promissory note that accrues annual interest at 8.5%, and matures 7 years from the date of issuance. The units also include the option to enter into a Silver Purchase Agreement Right with the Company. Upon notice that the triggering event has occurred, the unit holder has 30 days to enter into the Silver Purchase Agreement. The Silver Purchase Agreement Right allows the holder to purchase up to 375,000 ounces of refined silver from the Company at price of \$5.00/ounce, plus an upfront payment of \$USD 250,000.00 - this is known as a "Stream Unit". The Silver Purchase Agreement Right expires if 1) it is not entered into within 30 days of the triggering event; or 2) if the principle amount of the loan is prepaid in whole or in part prior to maturity (this prepayment requires the consent of the lender). This note is secured by all of the assets of the subsidiary, Idaho CuMo, except for the six claims which make up the Boise Property.

Idaho CuMo has accrued interest during fiscal 2014 based on the terms of each promissory note.

# American CuMo Mining Corporation

## Notes to the consolidated financial statements

June 30, 2015

(Expressed in Canadian dollars)

### 11. Reclamation bonds and provisions

The Company's reclamation provision relates to the following Company properties:

	June 30, 2015	June 30, 2014
	\$	\$
CuMo	372,723	299,255
Pine Tree	45,800	42,155
Cariboo	3,500	3,500
General reclamation costs	3,249	3,249
	<b>425,272</b>	<b>348,159</b>

The reclamation provision is comprised of deposits to the Bureau of Land Management, the Boise National Forest, the United States Forest Service and other agencies for the above properties.

Although the Company does not anticipate being required to perform significant reclamation activities, it has recorded a provision for estimated reclamation costs based on the amount of the reclamation bonds. The reclamation deposits are expected to be refunded once the agencies are satisfied that the Company has performed all necessary decommissioning activities.

The continuity of the reclamation provision is as follows:

	June 30, 2015	June 30, 2014
	\$	\$
Balance at the beginning of the year	348,159	361,159
Foreign exchange effect on US Bonds	77,113	-
Return of work performance bond - general	-	(13,000)
Balance at the end of the year	<b>425,272</b>	<b>348,159</b>

### 12. Related party transactions

Details of the transactions between the Company and other related parties are disclosed below.

#### (a) Trading transactions

The Company's related parties consist of companies owned by or associated with executive officers and directors, and former executive officers and directors as follows:

	<u>Nature of transactions</u>
Geologic Systems Inc.	Exploration and administration fees
Trevor Burns	Investor relation fees

During the years ended June 30, 2015 and 2014, the Company incurred the following fees in the normal course of operations in connection with companies owned by key management and directors. Fees have been measured at the exchange amount which is determined on a cost recovery basis.

# American CuMo Mining Corporation

## Notes to the consolidated financial statements

June 30, 2015

(Expressed in Canadian dollars)

### 12. Related party transactions (cont'd)

	2015	2014
	\$	\$
Salaries and management fees	103,460	319,500
Exploration fees	23,500	46,000
Administration fees	60,000	60,000
	186,960	425,500

Amounts due to related parties are unsecured, non-interest bearing and due on demand. Trade and other payables at June 30, 2015 included \$66,823 (June 30, 2014: \$123,492), which were due to officers, director and private companies controlled by directors and officers of the Company.

Amounts payable by related parties are unsecured, non-interest bearing and payable on demand.

#### (b) Compensation of key management personnel

The remuneration of directors and other members of key management personnel during the years ended June 30, 2015 and 2014 were as follows:

	Note	2015	2014
		\$	\$
Salaries and fees	(i)	186,960	425,500
Share-based payments	(ii)	182,914	59,973
		369,874	485,473

(i) Salaries and fees include salaries and management fees disclosed in note 12(a).

(ii) Share-based payments are the fair-value of options granted to key management personnel.

### 13. Capital and equity reserve

#### (a) Capital

At June 30, 2015, the Company's authorized share capital consisted of an unlimited number of common shares without par value. All issued common shares are fully paid.

##### *Fiscal 2015*

11,000,000 commons shares were issued during the year ended June 30, 2015 at a price of \$0.05 per share. This resulted in cash proceeds of \$346,075, and the settlement of debts owing to Shaun Dykes (President and CEO) in the amount of \$203,925.

##### *Fiscal 2014*

No shares were issued in the year ended June 30, 2014.

# American CuMo Mining Corporation

## Notes to the consolidated financial statements

June 30, 2015

(Expressed in Canadian dollars)

### 13. Capital and equity reserve (cont'd)

#### (b) Equity reserve

##### Share Options

Equity reserve consists of the accumulated fair value of common share options and share purchase warrants recognized as share-based payments.

The Company has an incentive share option plan under which directors, officers, consultants and employees of the Company are eligible to receive stock options. The maximum number of shares reserved for issuance upon exercise of all options granted under the plan is equal to 10% of the then issued and outstanding common shares. No more than 5% of the issued shares may be issued to any eligible person other than a consultant in any 12 month period unless disinterested shareholder approval has been obtained. No more than 2% of the issued shares may be issued to any one consultant in any 12 month period. No more than 2% of the issued shares may be issued to all employees in the aggregate conducting investor relations activities in any 12 month period.

The exercise price of share options is determined by the Board of Directors at the time of grant and may not be less than the discounted market price as calculated and defined in accordance with the policies of the TSX-V. Options granted must be exercised no later than 10 years commencing from the later of the date of grant or such lesser period as determined by the Board. Options shall terminate automatically or 90 days after optionees no longer act as officers, directors or consultants of the Company. In the case of death, options shall terminate within one year from the event.

Once approved, all options are considered vested and are exercisable at any time, except where other vesting periods are determined by the Board.

Share options were awarded during the years ended June 30, 2015 and 2014 as follows:

	Year ended June 30, 2015		Year ended June 30, 2014	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		\$		\$
Balance, beginning of year	4,100,000	0.17	3,950,000	0.36
Options granted	5,150,000	0.17	1,150,000	0.35
Options expired	(200,000)	0.36	-	-
Options forfeited	(1,900,000)	0.17	(1,000,000)	0.35
Balance, end of year	7,150,000	0.17	4,100,000	0.36

A total of 3,500,000 options were re-priced during fiscal 2015, reducing their exercise prices from \$0.35 to \$0.15. As a result, the company recognized share-based compensation in the amount of \$43,190.

# American CuMo Mining Corporation

## Notes to the consolidated financial statements

June 30, 2015

(Expressed in Canadian dollars)

### 13. Capital and equity reserve (cont'd)

#### (b) Equity reserve (cont'd)

##### Share Options (cont'd)

The following table summarizes information about stock options outstanding and exercisable at June 30, 2015:

Options Outstanding				Options exercisable		
		wt. avg.	wt. avg.	Options	wt. avg.	wt. avg.
		exercise	remaining	outstanding	exercise	remaining
exercise	Options	price	contractual	and	price	contractual
price	outstanding	\$	life(years)	exercisable	\$	life(years)
0.15	6,550,000	0.15	4.17	6,250,000	0.15	4.13
0.35	600,000	0.35	4.17	600,000	0.35	4.17
	7,150,000	0.17	4.17	6,850,000	0.17	4.14

The fair value of the share options awarded to employees and directors was estimated using the Black-Scholes option pricing model with the following assumptions for the periods presented below:

	Year ended June 30, 2015	Year ended June 30, 2014
Risk free interest rate	1.13% -1.58%	1.64%
Expected life	5 years	3.5 years
Expected volatility	84.1%-91.09%	80.01%
Expected dividend per share	\$Nil	\$Nil

The total share-based payment expense calculated for the year ended June 30, 2015 was \$260,394 (2014: \$60,305).

##### Warrants

At March 31, 2015, the Company had 11 million warrants outstanding as a result of the private placement. Warrants are exercisable at a price of 0.10 and expire October 10, 2016. An acceleration clause exists that allows the Company to request the warrants be exercised should the Company's share price exceed \$0.12 for 10 consecutive trading days. Warrant holders would have 20 days to exercise their warrants, or they would expire.

# American CuMo Mining Corporation

## Notes to the consolidated financial statements

June 30, 2015

(Expressed in Canadian dollars)

### 13. Capital and equity reserve (cont'd)

#### (b) Equity reserve (cont'd)

##### Warrants (cont'd)

		Year ended June 30, 2015		Year ended June 30, 2014
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
		\$		\$
Balance, beginning of year	2,608,227	0.85	2,608,227	0.85
Warrants granted	11,000,000	0.10	-	-
Warrants expired	(2,608,227)	0.85	-	-
Balance, end of year	11,000,000	0.10	2,608,227	0.85

### 14. Income taxes

Income tax expense reported differs from the amount computed by applying the federal and provincial income tax rates, applicable to the Company, to the loss before the tax provision due to the following:

	Year ended June 30, 2015	Year ended June 30, 2014
Loss before income tax	(693,280)	(3,776,207)
Statutory tax rate	28.36%	27.72%
Expected income tax recovery	(196,632)	(1,046,637)
Effect of deductible/non-deductible items for income tax purposes	(53,686)	586,999
Unrecognized benefit of non-capital losses	250,318	459,638
Adjustment of DIT liability to actual	295,183	-
Deferred income tax expense	295,183	-

The components of the Company's deferred tax liabilities and unrecognized deferred tax assets are as follows:

	For the year ended June 30, 2015	June 30, 2014
Deferred tax asset: non-capital losses net of valuation allowance	\$ 4,584,540	\$ 7,160,780
Deferred tax asset: undepreciated cost of capital	(4,879,918)	(7,160,447)
Deferred tax liability: mineral properties	195	(333)
Net deferred tax asset (liability)	\$ (295,183)	\$ -

# American CuMo Mining Corporation

## Notes to the consolidated financial statements

June 30, 2015

(Expressed in Canadian dollars)

### 14. Income taxes (cont'd)

The Company's deductible temporary differences and unused tax losses consist of the following amounts:

	Year ended June 30, 2015	Year ended June 30, 2014
Non-capital losses	17,469,000	26,081,493
Unproven mineral right interests	(18,734,938)	(18,423,884)
Property, plant and equipment and other	751	(1,282)
	<b>(1,265,187)</b>	<b>7,656,327</b>

The Company did not recognize the deferred tax asset for the year ended June 30, 2014 as it was unlikely to be realized.

The Company has non-capital losses of \$17,114,000 (2014: \$16,350,000) in its Canadian operations and \$355,000 (2014: \$9,730,000) in its United States operations for income tax purposes which are available to reduce future taxable income.

### 15. Segmented information

The Company operates in two geographical areas, being Canada and the United States. The following is an analysis of the Company's assets by geographical area and reconciled to the Company's consolidated financial statements:

	June 30, 2015	June 30, 2014
	\$	\$
Assets by geographic segment, at cost		
Canada		
Current assets	119,611	184,275
Reclamation bonds	6,749	6,750
Property, plant and equipment	4,743	6,776
Unproven mineral right interests	-	1
	<b>131,103</b>	<b>197,802</b>
United States		
Current assets	91,449	25,191
Reclamation bonds	418,523	341,409
Unproven mineral right interests	20,063,033	19,751,978
	<b>20,573,005</b>	<b>20,118,578</b>
	<b>20,704,108</b>	<b>20,316,380</b>

# American CuMo Mining Corporation

## Notes to the consolidated financial statements

June 30, 2015

(Expressed in Canadian dollars)

### 16. Financial and capital risk management – Financial instruments

#### Financial risk management

The Company's activities expose it to a variety of financial risks, which include liquidity risk, interest rate risk, currency risk and credit risk.

#### a) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through close controls on cash requirements and regular updates to short-term cash flow projections, and by raising additional capital as required from time to time.

The Company's financial liabilities fall due as indicated in the following table:

		Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
<b>At June 30, 2015</b>	<b>Total</b>				
Trade and other payables	943,072	943,072	-	-	-
Promissory Note	935,550	311,850		623,700	
Convertible notes	2,897,741	219,121		2,678,620	
	4,776,363	1,474,043	-	3,302,320	-
<b>At June 30, 2014</b>	<b>Total</b>	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	1,299,173	1,299,173	-	-	-
Convertible notes	2,525,859	201,533	201,533	2,122,793	
	3,825,032	1,500,706	201,533	2,122,793	-

#### b) Currency risk

The Company faces foreign exchange risk exposures arising from transactions denominated in foreign currencies. The Company's main foreign exchange risks arise with respect to the United States dollar. The Company has elected not to actively manage this exposure at this time. Notwithstanding, the Company continuously monitors this exposure to determine if any mitigation strategies become necessary.

#### c) Interest Rate Risk

Included in the results of operations of the Company are interest income on U.S. dollar, and Canadian dollar cash. The Company also has two outstanding convertible notes, denominated in Canadian and U.S. dollars, respectively. The Company's interest rate risk mainly arises from the interest rate impact on the convertible notes outstanding. The interest rate risk is minimal as the convertible notes are at fixed interest rates. The Company receives interest on cash based on market interest rates.



# American CuMo Mining Corporation

## Notes to the consolidated financial statements

June 30, 2015

(Expressed in Canadian dollars)

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### 16. Financial and capital risk management – Financial instruments (cont'd)

#### d) Credit Risk

Financial instruments that potentially subject the Company to credit risk consist of cash and amounts receivable. Cash is maintained with financial institutions in Canada and the United States and is redeemable on demand. The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Company's maximum exposure to credit risk. In 2015, the Company's accounts receivable are due from a government agency and the Company does not consider it has any significant credit risk exposure on this receivable.

#### Capital Risk Management

The Company's capital structure is comprised of working capital (current assets minus current liabilities) and equity. The Company's objectives when managing its capital structure is to maintain financial flexibility to preserve the Company's access to capital markets and its ability to meet its financial obligations. The Company's corporate office is responsible for capital management. In preparing its budgets and corporate forecasting models, the Company considers operating commitments imposed by its subsidiaries and the stability of the global capital markets.

As of June 30, 2015, the Company is managing its existing working capital to ensure that it will be able to meet current commitments. However, the Company anticipates it will need to raise additional capital during fiscal 2016 to continue development of the CuMo project and fund ongoing operations.

Capital management is undertaken to ensure a secure, cost-effective supply of funds to ensure the Company's corporate and project requirements are met.

#### Financial Instruments by Category

The Company's financial instruments consist of cash and cash equivalence, trade and other receivables, investments, trade and other payables, convertible notes. Financial instruments are initially recognized at fair value with subsequent measurement depending on classification as described below. Classification of financial instruments depends on the purpose for which the financial instruments were acquired or issued, their characteristics, and the Company's designation of such instruments.

The fair value of cash and cash equivalence, trade and other receivables, and trade and other payables approximate their carrying values due to the short-term maturities of these financial instruments. Investments consist of financial instruments traded in active markets and their fair value is based on quoted market prices at the statement of financial position date.

The Company is required to make disclosures about the inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets and liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability directly or indirectly;
- Level 3 – Inputs that are not based on observable market data.

As at June 30 2015, the Company's financial instruments measured at fair value on a recurring basis were investments, which were classified as "Level 1".

# American CuMo Mining Corporation

## Notes to the consolidated financial statements

June 30, 2015

(Expressed in Canadian dollars)

### 16. Financial and capital risk management – Financial instruments (cont'd)

The Company has made the following classifications for its financial instruments

	2015	2014
	\$	\$
Loans and receivables		
Cash and cash equivalents	169,243	42,652
Trade and other receivables	6,454	7,070
	175,697	49,722
Investments	31,363	87,584
	207,060	137,306

  

	2015	2014
	\$	\$
Other liabilities at amortised cost		
Trade and other payables	943,073	1,299,173
Convertible debt	2,897,741	2,525,859
Promissory Note	935,550	-
	4,776,364	3,825,032

### 17. Commitments

The Company has entered into a lease agreement for the lease of office premises in Vancouver. The commencement date of the lease was December 1, 2011, for a five year term. The Company's basic rent commitments for the remaining term of the contract are approximately \$65,800.

### 18. Contingencies

- a) Liberty Mutual Insurance Company asserted a claim against the Kirkness (USA) for unpaid premium of US\$142,374 plus interest, costs of suit and attorney's fees. The amount in dispute is included in accounts payable and accrued liabilities.
- b) In the year ended June 30, 2013, the Company received an invoice for \$77,705 from Multi-Power Products Ltd., a supplier of drill supplies, and disputed this invoice. The drill supplies were shipped directly by the supplier to a Mexican company owned by a former director and officer of the Company. During the year ended June 30, 2014, Kirkness and the Company were served with a Notice of Civil Claim by the supplier.
- c) A lawsuit was filed by International Energy & Mineral Resources Investment (Hong Kong) Company Limited ("IEMR HK") against Shaun Dykes (President and CEO) and American CuMo Mining Corporation for the default in the USD\$1,500,000 and CAD\$1,500,000 convertible notes (Note 9). This lawsuit was filed on June 17, 2014 and stayed on July 17, 2014.

# American CuMo Mining Corporation

## Notes to the consolidated financial statements

June 30, 2015

(Expressed in Canadian dollars)

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### 19. Supplemental cash flow information

The following significant non-cash transactions have been excluded from the statements of cash flows:

#### Year ended June 30, 2015:

- The Company issued 4,078,500 common shares of the Company to Shaun Dykes to settle debt of \$203,925.

#### Year ended June 30, 2014:

- The Company received 100,000 shares valued at \$76,000 in connection with the agreement related to the Brett Property (Note 8)

### 20. Subsequent Events

- a) On August 2, 2015, 285,000 warrants were exercised at \$0.10 per share. This resulted in the issuance of 285,000 common shares of the Company for gross proceeds of \$28,500.
- b) On August 4, 2015, 52,500 warrants were exercised at \$0.10 per share. This resulted in the issuance of 52,500 common shares of the Company for gross proceeds of \$5,250.
- c) On September 24, 2015, 100,000 warrants were exercised at \$0.10 per share. This resulted in the issuance of 100,000 common shares of the Company for gross proceeds of \$10,000.