



# CONFEDERATION

MINERALS LTD.

**Condensed Interim Financial Statements**

**Second Quarter Ended December 31, 2015**

(Expressed in Canadian Dollars)

## **NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS**

The accompanying unaudited interim financial statements of Confederation Minerals Ltd. for the six months ended December 31, 2015, have been prepared by the management of the Company and approved by the Company's Audit Committee and the Company's Board of Directors.

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indication that an auditor has not reviewed the financial statements.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Professional Accountants for a review of the interim financial statements by an entity's auditor.



**CONFEDERATION MINERALS LTD.**

## Condensed Interim Statements of Operations and Comprehensive Loss

(Expressed in Canadian Dollars)

		Three months ended		Six months ended	
	Notes	December 31,		December 31,	
		2015	2014	2015	2014
		\$	\$	\$	\$
General and administrative expenses					
Consulting fees	9	54,009	120,000	88,018	240,000
Filing fees		2,199	7,286	2,794	11,819
Insurance		1,762	15,667	7,056	30,910
Meals and entertainment		-	371	-	482
Office expenses		2,656	9,174	5,397	16,974
Professional fees		18,576	2,720	18,576	4,777
Shareholder information		2,767	2,243	2,987	18,983
Transfer agent fees		1,272	5,162	1,904	8,253
Wages	9	-	9,654	-	31,809
		(83,241)	(172,277)	(126,732)	(364,007)
Unrealized gain/(loss) on marketable securities		-	30,000	-	(20,000)
Gain/(loss) on sale of marketable securities		-	-	(3,289)	-
Interest and miscellaneous income		-	(32)	-	482
<b>Loss for the period</b>		<b>(83,241)</b>	<b>(142,309)</b>	<b>(130,021)</b>	<b>(383,525)</b>
<b>Other comprehensive income (loss)</b>					
Items that may be reclassified into profit and loss					
Unrealized gain (loss) on marketable securities		(219,127)	-	(467,711)	160,000
<b>Loss and comprehensive loss for the period</b>		<b>(302,368)</b>	<b>(142,309)</b>	<b>(597,732)</b>	<b>(223,525)</b>

Loss per share (note 9)

The accompanying notes are an integral part of these condensed interim financial statements.

**CONFEDERATION MINERALS LTD.**  
Condensed Interim Statements of Cash Flows  
(Expressed in Canadian Dollars)

For the Six Months Ended December 31,	2015	2014
	\$	\$
Cash provided by (used in):		
<b>Operating activities</b>		
Net loss for the period	(130,021)	(383,525)
Items not involving cash:		
Interest income	-	(482)
Share-based payments	-	-
Unrealized loss/(gain) on whole share warrants	-	20,000
(Gain)/loss on sale of marketable securities	3,289	-
Changes in non-cash working capital:		
Receivables	(4,361)	3,137
Prepaid expenses	732	20,350
Accounts payable and accrued liabilities	94,428	210,587
	(35,933)	(129,933)
<b>Investing activities:</b>		
Sale of short-term investment	50,000	206,588
Exploration and evaluation assets and intangible assets	(14,284)	(106,421)
Interest received	-	482
	35,716	100,649
<b>Financing activities:</b>		
	-	-
Net change in cash and cash equivalents	(217)	(29,284)
Cash and cash equivalents, beginning of period	7,382	33,241
Cash and cash equivalents, end of period	7,165	3,957

Supplementary cash flow information (note 10)

The accompanying notes are an integral part of these condensed interim financial statements.

**CONFEDERATION MINERALS LTD.**Condensed Interim Statements of Changes in Equity  
(Expressed in Canadian Dollars)

	Common Shares		Reserves	Deferred Share Based Payment	Deficit	Accumulated Other Comprehensive Income (Loss)	Total Shareholder`s Equity
	Number of Shares	Amount					
		\$	\$	\$	\$	\$	\$
<b>Balance on June 30, 2014</b>	66,278,532	20,121,196	2,535,967	-	(9,649,363)	201,687	13,209,487
Loss for the period	-	-	-	-	(383,525)	-	(383,525)
<b>Balance - December 31, 2014</b>	66,278,532	20,121,196	2,535,967	-	(10,032,888)	201,687	12,825,962
<b>Balance on June 30, 2015</b>	67,778,532	20,206,196	2,535,967	-	(10,339,616)	183,857	12,586,404
Loss for the period	-	-	-	-	(130,021)	-	(130,021)
Other comprehensive income (loss)	-	-	-	-	-	(467,711)	(467,711)
<b>Balance - December 31, 2015</b>	67,778,532	20,206,196	2,535,967	-	(10,469,637)	(283,854)	11,988,672

The accompanying notes are an integral part of these condensed interim financial statements.

## **CONFEDERATION MINERALS LTD.**

Notes to the Condensed Interim Financial Statements  
For the Six Months Ended December 31, 2015  
(Expressed in Canadian Dollars)

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### **1. NATURE OF OPERATIONS AND CONTINUANCE OF OPERATIONS**

The Company was incorporated on November 3, 2005 under the Business Corporations Act (British Columbia) as "Medina Ventures Inc.", changed its name to "Sienna Minerals Ltd." on April 26, 2006 and changed its name to Confederation Minerals Ltd. on April 11, 2007. The Company's principal business activity is the exploration of exploration and evaluation assets.

The amounts shown as exploration and evaluation assets represent net costs to date, less any amounts amortized and/or written off, and do not necessarily represent present or future values. The recoverability of these amounts and any additional amounts required to place these assets into commercial production are dependent upon certain factors. These factors include the existence of ore deposits sufficient for commercial production and the Company's ability to obtain the required additional financing necessary to develop these assets.

The Company has working capital deficit as at December 31, 2015 of \$403,727 and an accumulated deficit of \$10,469,637. These financial statements have been prepared under the assumptions of 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. The Company has incurred losses from inception and does not currently have the financial resources to complete development in the long-term. As at December 31, 2015, the Company had not advanced its properties to commercial production. The Company's continuation as a going concern is dependent upon the successful results from its exploration activities and its ability to attain profitable operations and generate funds from there and/or raise equity capital or borrowings sufficient to meet current and future obligations. These material uncertainties cast significant doubt about the Company's ability to continue as a going concern.

Failure to arrange adequate financing on acceptable terms and/or achieve profitability may have an adverse effect on the financial position, results of operations, cash flows and prospects of the Company. These financial statements do not give effect to adjustments to assets or liabilities that would be necessary should the Company be unable to continue as a going-concern.

The financial information is presented in Canadian Dollars (CDN\$), which is the functional currency of the Company.

The head office and principal address of the Company are located at Suite 1980, 1075 West Georgia Street, Vancouver, British Columbia, V6E 3C9.

### **2. BASIS OF PRESENTATION**

#### **Statement of compliance**

These condensed interim financial statements for the six months ending December 31, 2015 have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") using accounting policies consistent with IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), on a basis consistent with the significant accounting policies disclosed in note 3 of the most recent annual financial statements as at and for the year ended June 30, 2015 as filed on SEDAR at [www.sedar.com](http://www.sedar.com). These condensed interim financial statements do not include all of the information required for full annual financial statements and were approved and authorized for issue by the Board of Directors on February 26, 2016.

**CONFEDERATION MINERALS LTD.**

Notes to the Condensed Interim Financial Statements  
For the Six Months Ended December 31, 2015  
(Expressed in Canadian Dollars)

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**2. BASIS OF PRESENTATION (continued)****Basis of measurement**

These condensed interim financial statements have been prepared on a historical cost basis, except for financial instruments classified as at fair value through profit or loss ("FVTPL") and available-for-sale that have been measured at fair value. In addition, these condensed interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

**Critical accounting estimates and assumptions**

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. In the future, 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 loss/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 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 within the next financial year are discussed below:

**Exploration and Evaluation Expenditures**

The application of the Company's accounting policy for exploration and evaluation expenditures 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 made may change if new information becomes available. If, after the expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the amount capitalized is written off in the profit or loss in the period the new information becomes available.

**Income Taxes**

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. The Company believes it has adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.



**CONFEDERATION MINERALS LTD.**

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**2. BASIS OF PRESENTATION (continued)**

## Share-based Payment Transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining 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 assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 7.

**New Accounting Standards and Interpretations**

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for the Company's fiscal years beginning on or after July 1, 2015. The following standards and interpretations are relevant to the Company's financial statements but are not yet effective:

## IFRS 9 Financial Instruments

IFRS 9 Financial Instruments is part of the IASB's wider project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is tentatively effective for the Company's fiscal period beginning July 1, 2018.

**3. MARKETABLE SECURITIES**

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		December	
		31, 2015	June 30, 2015
	Cost	Fair Value	Fair Value
	\$	\$	
American Potash Corp (formerly Magna Resources Ltd.)			
- shares	3,300,000	175,854	33,000
- share purchase warrants	2,400,000	-	-
Balance	175,854	33,000	554,000

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On December 19, 2012, the Company received an order from the Supreme Court of British Columbia approving the distribution of 21,086,656 Potash common shares to the Company's shareholders. The fair value of the 8,000,000 shares retained by the Company was determined at \$426,313 and recognized as marketable securities designated as available-for-sale instruments. During the six months ended December 31, 2015, the Company recognized an unrealized holding loss of \$467,711 (June 30, 2015 - \$17,830).

**CONFEDERATION MINERALS LTD.**

Notes to the Condensed Interim Financial Statements  
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**3. MARKETABLE SECURITIES (continued)**

At distribution, the Company retained 2,400,000 share purchase warrants that were acquired during the business acquisition. These warrants were valued at \$0 at December 31, 2015 (June 30, 2015 - \$124,000) using the Black-Scholes pricing model using the following assumptions:

	<u>December 31, 2015</u>	<u>June 30, 2015</u>
Dividend yield	0%	0%
Risk-free interest rate	0.48%	0.05%
Estimated volatility	69.78%	169.48%
Expected life in years remaining	0.15	0.68

**4. RECEIVABLES**

At December 31, 2015 and June 30, 2015 the Company's receivables consist of GST – value added tax.

**5. EXPLORATION AND EVALUATION ASSETS**

The exploration and evaluation assets of the Company are comprised as follows:

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	<u>June 30,</u>		<u>June 30</u>		<u>December 31</u>
	<u>2014</u>	<u>Change</u>	<u>2015</u>	<u>Change</u>	<u>2015</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Newman Todd Project	12,225,338	163,914	12,389,252	3,147	12,392,399

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**CONFEDERATION MINERALS LTD.**

Notes to the Condensed Interim Financial Statements

For the Six Months Ended December 31, 2015

(Expressed in Canadian Dollars)

**5. EXPLORATION AND EVALUATION ASSETS (continued)****Newman Todd Project**

	June 30, 2014	Change	June 30, 2015	Change	December 31, 2015
	\$	\$	\$	\$	\$
<b>Acquisition</b>					
Cash payments	368,750	-	368,750	-	368,750
Share issuance	326,000	35,000	361,000	-	361,000
	694,750	35,000	729,750	-	729,750
<b>Deferred exploration expenditure</b>					
Advance payment	-	-	-	-	-
Assays and reports	1,328,098	35,768	1,363,866	-	1,363,866
Camp construction	115,276	-	115,276	-	115,276
Drilling	4,856,038	4,000	4,860,038	-	4,860,038
Environmental	284,697	6,639	291,336	-	291,336
Equipment installation	101,950	-	101,950	-	101,950
Field expenses	1,197,673	9,296	1,206,969	-	1,206,969
General administration	60,857	736	61,593	3,147	64,740
Metallurgy studies	117,497	15,985	133,482	-	133,482
Geological consulting	2,926,595	55,707	2,982,302	-	2,982,302
Permitting	3,489	783	4,272	-	4,272
Reclamation	10,000	-	10,000	-	10,000
Resource estimation	33,100	-	33,100	-	33,100
Surveys and geophysics	15,068	-	15,068	-	15,068
Travel and accommodation	480,250	-	480,250	-	480,250
	11,530,588	128,914	11,659,502	3,147	11,662,649
	12,225,338	163,914	12,389,252	3,147	12,392,399

Pursuant to an option agreement dated November 19, 2010 with Redstar Gold Corp. ("Redstar"), the Company was granted an option to acquire up to 70% of Redstar's Newman Todd project (the "Newman Todd Project"), located in the Red Lake Mining District of Northern Ontario.

During the year ended June 30, 2015, the Company completed the option to earn a 50% interest in the Newman Todd Project by paying the last installment of \$75,000 of the total \$250,000 required to be paid, issuing 150,000 shares, the last tranche of a total of 500,000 shares issued, and completing its requirement to incur a cumulative of \$5,000,000 of work expenditures on the Property.

To exercise the option to earn a further 20% interest, thereby increasing its overall interest to 70%, the Company will be required to produce, at its own cost, a preliminary assessment of the Property and issue a further 500,000 shares to Redstar on or before the sixth anniversary of the Agreement, subject to minimum annual expenditures of \$250,000 during the last three years of the option period. The parties also have agreed to form a joint venture following the exercise of the option by the Company. The Property is subject to a two percent net smelter return and a fifteen percent net carried interest. The latter interest does not receive payment until capital expenditures have been recovered with interest.

**CONFEDERATION MINERALS LTD.**

Notes to the Condensed Interim Financial Statements  
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(Expressed in Canadian Dollars)

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**5. EXPLORATION AND EVALUATION ASSETS (continued)**

The Company also owns an effective 35% interest in certain other claims adjacent to the Newman Todd Project.

**Confederation Lake (Mitchell & Belanger) Claims, Ontario**

The Company holds certain claims located in the Red Lake Mining District of Ontario. These claims have a nominal carrying value.

**6. PAYABLES AND ACCRUALS**

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	Note	December 31, 2015	June 30, 2015
		\$	\$
Trade		242,362	172,081
Due to related parties	8	207,615	194,614
		449,977	366,695

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**7. SHARE CAPITAL****a) Authorized:**

Unlimited common shares with no par value

**b) Issued Share Capital:**

At December 31, 2015, there were 67,778,532 common shares issued and outstanding (June 30, 2015 – 67,778,532).

**c) Common Shares:****Fiscal 2015**

In April 2015, the Company issued 1,000,000 units at a price of \$0.05 per unit for gross proceeds of \$50,000. Each unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share at an exercise price of \$0.05 per common share until April 26, 2016.

In February 2015, the Company issued 500,000 shares at a fair value of \$0.07 per share for the Newman Todd project. See note 5 for details.

**d) Share-based Payments**

The Company has a stock option plan whereby the Company is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common shares of the Company. Under the plan, the exercise price of each option will not be less than the discounted market price of the common shares as permitted by the TSX Venture Exchange policies. The options can be granted for a maximum term of 5 years.

**CONFEDERATION MINERALS LTD.**

Notes to the Condensed Interim Financial Statements

For the Six Months Ended December 31, 2015

(Expressed in Canadian Dollars)

**7. SHARE CAPITAL (continued)**

Option-pricing models require the use of highly subjective estimates and assumptions including the expected stock price volatility. Changes in the underlying assumptions can materially affect the fair value estimates and therefore in management's opinion, existing models do not necessarily provide a reliable measure of the fair value of the Company's stock options.

During six months ended December 31, 2015, the Company granted nil (2014: – nil) stock options.

The continuity of stock options for the six months ended December 31, 2015 is as follows:

	Number of Options Outstanding	Weighted Average Exercise Price (\$)
Balance June 30, 2014	5,000,000	0.48
Forfeited	(850,000)	0.25
<b>Balance June 30, 2015</b>	<b>4,150,000</b>	<b>0.53</b>
Forfeited	(300,000)	0.25
<b>Balance December 31, 2015</b>	<b>3,850,000</b>	<b>0.55</b>

The options outstanding and exercisable at December 31, 2015, are as follows:

Number Outstanding	Exercise Price (\$)	Remaining Contractual Life (Years)
1,050,000	0.45	0.10
250,000	0.69	0.15
150,000	0.84	0.57
2,000,000	0.57	1.08
400,000	0.54	1.21
<b>3,850,000</b>		<b>0.75</b>

The fair value of share options awarded to officers, directors and consultants were estimated on the dates of award using the Black-Scholes option pricing model. There were no options awarded for the six months ended December 31, 2015 and December 31, 2014.

**CONFEDERATION MINERALS LTD.**

Notes to the Condensed Interim Financial Statements  
 For the Six Months Ended December 31, 2015  
 (Expressed in Canadian Dollars)

**7. SHARE CAPITAL (continued)****e) Warrants**

As at December 31, 2015, the Company had the following warrants outstanding:

	Number of Warrants	Weighted Average Exercise Price (\$)
Balance June 30, 2014	-	-
Granted	1,000,000	0.05
Exercised	-	-
Expired	-	-
Balance June 30, 2015	1,000,000	0.05
Balance December 31, 2015	1,000,000	0.05

**8. RELATED PARTY TRANSACTIONS**

The aggregate value of transactions recorded as consulting fees relating to key management personnel and entities which they have control or significant influence were as follows:

Services provided by:	Notes	Three Months Ended		Six Months Ended	
		2015	2014	2015	2014
		\$	\$	\$	\$
Lawrence Dick	(a)	3	30,000	6	60,000
Baron Global Financial Canada Ltd.	(b)	30,000	30,000	60,000	60,000

(a) Lawrence Dick, the CEO of the Company provided management services throughout the year.

(b) Pursuant to a management and advisory agreement with Baron Global Financial Canada Ltd. ("Baron"), Baron agreed to act as corporate advisor and Chief Financial Officer of the Company in return for a monthly fee.

In March 2012 the Company entered into an agreement with a related party to provide business consulting services. The consultant will be paid a monthly fee of \$10,000 for an indefinite term. If the consulting agreement is terminated, the party will receive \$240,000.

During the year ended June 30, 2015, the consulting agreement was amended to a monthly fee of \$1 per month and no termination amount payable. In return the consultant received 1,000,000 shares of American Potash at a fair value of \$70,000. As part of the amended agreement the amount owing to the consultant was capped at \$50,000 which resulted in a forgiveness of debt in the amount of \$2,381.

**CONFEDERATION MINERALS LTD.**

Notes to the Condensed Interim Financial Statements  
For the Six Months Ended December 31, 2015  
(Expressed in Canadian Dollars)

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**8. RELATED PARTY TRANSACTIONS (continued)**

Related party payables:

	December 31, 2015	June 30, 2015
	\$	\$
Lawrence A. Dick Consulting	50,012	50,006
Baron Global Financial Canada Ltd.	157,602	94,602

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**9. LOSS PER SHARE**

The calculation of the basic and diluted loss per share for the six months ended December 31, 2015 and 2014 was as follows:

Six Months Ended December 31,	2015	2014
Loss for the period	(\$130,021)	(\$383,525)
Weighted average number of common shares outstanding	67,778,532	67,778,532
Basic and diluted loss per share	(\$0.00)	(\$0.01)

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**10. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS:**

Supplementary disclosure of non-cash investing and financing activities during the six months ended December 31, 2015 and 2014 were as follows:

For the Six Months Ended December 31,	2015	2014
	\$	\$
Mineral property expenditures included within accounts payable	28,549	38,084

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**11. COMMITMENTS**

In March 2012 the Company entered into agreements with three different consultants, one of which is still a related party, to provide business consulting services. Each of the three consultants will be paid a monthly fee of \$10,000 for an indefinite term. If any of the consulting agreements are terminated, the party will receive \$240,000. During the year ended June 30, 2015, these consulting agreements were amended to a monthly fee of \$1 per month and no termination amount payable.