



**(An Exploration Stage Entity)**

**CONDENSED CONSOLIDATED INTERIM  
FINANCIAL STATEMENTS**

**For the Three Months ended February 29, 2016**

**(Unaudited)**

## **Notice of No Auditor Review**

In accordance with National Instrument 51-102, Part 4, subsection 4.3(3)(a), the Company discloses that the unaudited condensed consolidated interim financial statements, and accompanying notes thereto, for the three months ended February 29, 2016 have been prepared by and are the responsibility of the Company's management. They have been reviewed and approved by the Company's Audit Committee and the Board of Directors.

The Company's independent auditor, PricewaterhouseCoopers LLP, has not performed a review of these unaudited condensed consolidated interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants.

**China Minerals Mining Corporation**  
**(An Exploration Stage Entity)**  
**Condensed Consolidated Interim Statements of Financial Position**  
**(Unaudited - in Canadian dollars)**

	February 29, 2016	November 30, 2015
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents (Note 3)	\$ 195,570	\$ 275,582
Short-term investments	-	11,500
Other receivables	2,193	2,832
Prepaid expenses	4,417	9,577
	202,180	299,491
Property, plant and equipment (Note 4)	547,732	562,428
Reclamation bonds (Note 6)	349,444	349,444
Exploration and evaluation assets (Note 5)	7,014,547	7,000,000
	\$ 8,113,903	\$ 8,211,363
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 117,857	\$ 154,993
Asset retirement obligation (Note 6)	1,627,837	1,619,054
	1,745,694	1,774,047
<b>EQUITY</b>		
Share capital (Note 7)	51,550,715	51,550,715
Share-based payment reserve	9,764,046	9,764,046
Foreign currency translation reserve	5,323	5,411
Deficit	(54,951,875)	(54,882,856)
	6,368,209	6,437,316
	\$ 8,113,903	\$ 8,211,363

**Nature of operations and going concern** (Note 1)

**Commitment and contingency** (Note 9)

**Subsequent event** (Note 14)

*The accompanying notes are an integral part of the condensed consolidated interim financial statements.*

Approved on behalf of the Board:

"Jeannine Webb"

Director

"Ling Zhu"

Director

**China Minerals Mining Corporation**  
**(An Exploration Stage Entity)**  
**Condensed Consolidated Interim Statements of Comprehensive Loss**  
**(Unaudited - in Canadian dollars)**

	<i>Three months ended</i>	
	<i>February 29,</i>	<i>February 28,</i>
	<b>2016</b>	<b>2015</b>
<b>Expenses</b>		
Accretion of asset retirement obligation	\$ 8,783	\$ 7,175
Amortization	149	207
Director and executive fees	9,334	55,500
Filing fees and transfer agent	8,754	9,023
Professional and consulting fees	3,086	36,584
Rent and office expenses	6,485	21,531
Salaries and benefits	24,315	46,505
Shareholder and investor relations	472	1,129
Travel and others	-	445
Camp maintenance	8,911	-
<b>Total expenses</b>	<b>(70,289)</b>	<b>(178,099)</b>
<b>Other income (expenses)</b>		
Interest income	1,270	2,221
Other income	-	6,000
<b>Net loss for the period</b>	<b>(69,019)</b>	<b>(169,878)</b>
<b>Item that may be reclassified subsequently to profit or loss</b>		
Cumulative translation adjustments	(88)	2,266
<b>Loss and comprehensive loss for the period</b>	<b>\$ (69,107)</b>	<b>\$ (167,612)</b>
<b>Basic and diluted loss per common share</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>
<b>Weighted average number of common shares outstanding</b>	<b>189,873,268</b>	<b>189,873,268</b>

*The accompanying notes are an integral part of the condensed consolidated interim financial statements.*

**China Minerals Mining Corporation**  
**(An Exploration Stage Entity)**  
**Condensed Consolidated Interim Statements of Cash Flows**  
**(Unaudited - in Canadian dollars)**

	<i>Three months ended</i>	
	<i>February 29,</i>	<i>February 28,</i>
	<b>2016</b>	<b>2015</b>
<b>Cash provided by (used in):</b>		
<b>Operating activities</b>		
Net loss for the year	\$ (69,019)	\$ (169,878)
Items not affecting cash:		
Accretion of asset retirement obligation	8,783	7,175
Amortization	149	207
	(60,087)	(162,496)
Changes in non-cash working capital		
Other receivables and prepaid expenses	5,799	6,704
Accounts payable and accrued liabilities	(37,136)	(16,385)
	(91,424)	(172,177)
<b>Investing activities</b>		
Exploration and evaluation expenditures	-	(2,475)
Short-term investments	11,500	-
	11,500	(2,475)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	(88)	2,266
<b>Decrease in cash and cash equivalents</b>	(80,012)	(172,386)
<b>Cash and cash equivalents, beginning of period</b>	275,582	662,462
<b>Cash and cash equivalents, end of period</b>	\$ 195,570	\$ 490,076

*The accompanying notes are an integral part of the condensed consolidated interim financial statements.*

**China Minerals Mining Corporation**  
**(An Exploration Stage Entity)**  
**Condensed Consolidated Interim Statements of Changes in Equity**  
**(Unaudited - in Canadian dollars)**

	Number of Shares	Share Capital	Share-based Payment Reserve	Foreign Currency Translation Reserve	Deficit	Total Shareholders' Equity
<b>Balance, December 1, 2015</b>	189,873,268	\$ 51,550,715	\$ 9,764,046	\$ 5,411	\$ (54,882,856)	\$ 6,437,316
Net loss for the period	-	-	-	-	(69,019)	(69,019)
<b>Balance, February 29, 2016</b>	189,873,268	\$ 51,550,715	\$ 9,764,046	\$ 5,323	\$ (54,951,875)	\$ 6,368,209
<b>Balance, December 1, 2014</b>	189,873,268	\$ 51,550,715	\$ 9,764,046	\$ 1,918	\$ (41,751,520)	\$ 19,565,159
Net loss for the period	-	-	-	-	(169,878)	(169,878)
Cumulative translation adjustment	-	-	-	2,266	-	2,266
<b>Balance, February 28, 2015</b>	189,873,268	\$ 51,550,715	\$ 9,764,046	\$ 4,184	\$ (41,921,398)	\$ 19,397,547

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

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**CHINA MINERALS MINING CORPORATION**  
**(An Exploration Stage Entity)**  
**Notes to Condensed Consolidated Interim Financial Statements**  
**For the Three Months ended February 29, 2016**

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**1. NATURE OF OPERATIONS AND GOING CONCERN**

China Minerals Mining Corporation (“China Minerals” or the “Company”) was incorporated in January 2006 under the laws of British Columbia, Canada as Hawthorne Resources Inc. and renamed as Hawthorn Gold Corp. in October 2006. In April 2011, the Company’s name was further changed to China Minerals. The Company’s registered office is Suite 1100 – 1111 Melville Street, Vancouver, British Columbia, Canada. China Minerals is listed on the TSX Venture Exchange under the trading symbol “CMV”. The Company and its subsidiaries are in the business of acquisition, exploration and development of mineral properties.

These condensed consolidated interim financial statements have been prepared on a going concern basis which assumes that the Company will be able to continue its operations for the foreseeable future and meet its obligations and commitments in the normal course of business. At February 29, 2016, the Company had an accumulated deficit of \$54,951,875 (November 30, 2015 - \$54,882,856).

As the Company is in the exploration stage, no mineral producing revenue has been generated to date. The available funds as of February 29, 2016 will not be sufficient for the coming fiscal year. The Company’s ability to continue meeting its operational obligations is dependent upon its ability to raise additional financing. In the past, operating capital and exploration requirements have been funded primarily from private equity financing. While the Company has been successful in raising capital in the past there can be no assurance that such financing will be available to the Company in the amount required or that it can be obtained on terms satisfactory to the Company. In addition, the current depressed metal price negatively impacts the Company’s ability to raise future financing. These material uncertainties cast significant doubt about the Company’s ability as a going concern.

These condensed consolidated interim financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence. Such adjustments could be material.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**Basis of compliance**

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and comply with IAS 34 Interim Financial Reporting. These financial statements were approved and authorized for issue by the Board of Directors on April 26, 2016.

**Basis of consolidation**

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Cassiar Gold Corp. (“Cassiar”) and North American Mining Consulting Ltd. (“NAM”). The Company consolidates these subsidiaries on the basis that it controls these subsidiaries. Control is defined as the exposure, or rights, to variable returns from involvement with an investee and the ability to affect those returns through power over the investee. All intercompany transactions and balances have been eliminated on consolidation.

**Accounting judgments and estimates**

The preparation of financial statements in accordance with IFRS requires management use of estimates, assumptions and judgment that impact the Company’s reported financial results. These estimates are based on past experiences and expectations of future events. Uncertainty on these judgments could result in material reassessments of the carrying amounts in the Company’s financial position.

The following judgments and estimates have the most significant effect on the financial statements:

*Impairment of exploration and evaluation assets (E&E assets)*

The Company carries out impairment assessment on its E&E assets when circumstances indicate their carrying values may exceed their recoverable amounts. During the year 2015, after impairment evaluations, the Company reduced its E&E assets to its estimated recoverable amount of \$7 million.

The process of determining the impairment involves significant judgment and estimation on the recoverability of the E&E assets as it relies on both an interpretation of geological and technical data as well as market conditions including commodity prices, investor sentiment and global financing. As new information comes up, the recoverable amounts of the assets and the impairment loss may differ from these judgments and estimates.

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**CHINA MINERALS MINING CORPORATION**  
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*Impairment of property, plant and equipment*

The Company carries out impairment assessment on its property, plant and equipment when circumstances indicate their carrying values may exceed their recoverable amounts. During the year 2015, after impairment evaluations, the Company recorded an impairment charge on its property, plant and equipment in the amount of \$286,990.

The process of determining the impairment involves significant judgment and estimation on the recoverability of the carrying value of the property, plant and equipment, which is impacted by factors such as the condition of and demand for such assets. Therefore, actual recoverable amounts of the assets and the impairment loss may differ from these judgments and estimates.

*Asset retirement obligation ("ARO")*

Provision on the retirement of the E&E assets and site restoration is based on many assumptions and judgments: future estimated costs, expected amounts of cash flows to discharge the obligation, timing of such cash flows and the prevalent market discount rate. Any changes to the assumptions will result in an adjustment to the provision which affects the Company's liabilities and operating results.

**New and amended accounting standards**

Standards and amendments issued but not yet effective up to the date of authorization of these consolidated financial statements are as below:

IFRS 9, *Financial Instruments*, addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39 *Financial Instruments: Recognition and Measurement* for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. Requirements for financial liabilities are largely carried forward from the existing requirements in IAS 39 except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss are generally recorded in other comprehensive income. The effective date of this new standard will be for periods beginning on or after January 1, 2018 with early adoption permitted. The Company does not expect any impact from this amendment on its financial position.

IFRS 16, *Leases*, addresses accounting for leases and lease obligations and replaces the leasing guidance in IAS 17, *Leases*. The new guidance amends the recognition, measurement and disclosure requirements of lease assets and lease liabilities on the statement of financial position. The guidance is effective January 1, 2019 with early adoption permitted. The Company does not expect any impact from this guidance on its financial position.

**3. CASH AND CASH EQUIVALENTS**

The Company's cash and cash equivalents are denominated in Canadian dollar, U.S. dollar and Chinese renminbi and the details are as follows:

	February 29, 2016	November 30, 2015
Cash at bank and in hand - Canadian dollars	\$ 24,748	\$ 34,048
Cash at bank and in hand - U.S. dollars	4,872	4,809
Cash at bank and in hand - Chinese renminbi	3,757	3,681
Short-term deposits - Canadian dollars	162,193	233,044
Cash and cash equivalents	\$ 195,570	\$ 275,582



**CHINA MINERALS MINING CORPORATION**  
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**4. PROPERTY, PLANT AND EQUIPMENT**

<b>Cost</b>							<b>Total</b>
	<b>Land</b>	<b>Buildings</b>	<b>Site Equipment</b>	<b>Vehicles</b>	<b>Computers</b>	<b>Office Furniture</b>	
As at November 30, 2014	\$ 20,000	\$ 1,224,411	\$ 82,531	\$ 21,000	\$ 64,988	\$ 18,064	\$ 1,430,994
Disposal	-	-	-	(8,000)	-	-	(8,000)
Impairment write-down	-	(444,411)	-	-	-	-	(444,411)
As at November 30, 2015	20,000	780,000	82,531	13,000	64,988	18,064	978,583
Disposal	-	-	-	-	-	-	-
As at February 29, 2016	\$ 20,000	\$ 780,000	\$ 82,531	\$ 13,000	\$ 64,988	\$ 18,064	\$ 978,583
<b>Accumulated amortization</b>							
As at November 30, 2014	\$ -	\$ 346,390	\$ 41,419	\$ 12,345	\$ 62,439	\$ 17,747	\$ 480,340
Amortization	-	87,802	8,222	2,052	765	63	98,904
Disposal	-	-	-	(5,668)	-	-	(5,668)
Impairment write-down	-	(157,421)	-	-	-	-	(157,421)
As at November 30, 2015	-	276,771	49,641	8,729	63,204	17,810	416,155
Amortization	-	12,582	1,645	320	135	14	14,696
As at February 29, 2016	\$ -	\$ 289,353	\$ 51,286	\$ 9,049	\$ 63,339	\$ 17,824	\$ 430,851
<b>Net book value</b>							
As at November 30, 2015	\$ 20,000	\$ 503,229	\$ 32,890	\$ 4,271	\$ 1,784	\$ 254	\$ 562,428
As at February 29, 2016	\$ 20,000	\$ 490,647	\$ 31,245	\$ 3,951	\$ 1,649	\$ 240	\$ 547,732

For the three months ended February 29, 2016, amortization of \$14,547 (2015 - \$24,655) was capitalized to exploration and evaluation assets and \$149 (2015 - \$207) expensed to operations.

During the year 2015, the Company performed an impairment analysis on its property, plant and equipment and recognized an impairment charge of \$286,990.

**5. EXPLORATION AND EVALUATION ASSETS**

**Cassiar Project, British Columbia**

The Company, through its subsidiary Cassiar Gold Corp., owns 100% of the Cassiar mineral assets. The Cassiar project is located in northern British Columbia, Canada.

The Cassiar project's two major areas of exploration and development activities are Table Mountain and Taurus properties. Table Mountain is a past-producing underground gold mine. The property has a fully permitted gold mill and tailings management facility which are available for future ore processing.

Since the acquisition of the Cassiar projects in 2008, the Company had conducted exploration programs on both Table Mountain and Taurus properties until 2013. For the years 2014 and 2015, the Company did not carry out any exploration activities except for maintaining the exploration permits.

*Ministry of Aboriginal Relations and Reconciliation*

In July 2013, the Ministry of Aboriginal Relations and Reconciliation (the "Ministry") advised the Company that they had signed an Incremental Treaty Agreement (the "ITA") with Kaska Dena Council which provides transfer of two Crown land parcels that cover part of the Company's subsurface rights over five of its mineral tenures to Kaska Dena First Nations ("KDFN"). The ITA specifically excludes the subsurface rights and the transfer provides ownership of the surface rights only.

During 2014, the Company contacted the Ministry expressing concerns over the transfer being processed without prior consultation with the Company and possible impact on Cassiar's exploration activities once the proposed transfer occurs. In January 2015, the Company and its legal counsel held a meeting with the Ministry over the issue. The Ministry maintained its position on the proposed transfer. On March 31, 2015, the land parcels for surface rights only were transferred to a private company held by KDFN.

In January 2016, the Company filed a petition in the BC Supreme Court seeking to quash the March 31, 2015 transfer by the Ministry to the private company associated with KDFN. Subsequent to the quarter ended February 29, 2016, In

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March 2016, China Minerals filed requests under the *Freedom of Information and Protection of Privacy Act* to access records related to the ITA (Note 14 Subsequent Event).

During the year 2015, having identified the continuing depressed metal market prices and the transfer by the Ministry of the two crown land parcels to KDFN, the Company recognized impairment on its Cassiar properties and wrote down the carrying value of the project to its estimated fair value of \$7 million. In determining the estimated fair value of the project, the Company primarily considered comparable in-situ valuation and also the amount of exploration expenditures incurred by the Company on the project.

The Company's expenditures on its exploration and evaluation assets were as follows:

	Three months ended February 29, 2016	Year ended November 30, 2015
<i>Balance, beginning of the period</i>	\$ 7,000,000	\$ 18,834,105
<i>Exploration costs</i>		
Amortization	14,547	98,076
Asset retirement obligation	-	314,464
<i>Costs incurred during the period</i>	14,547	412,540
<i>Less:</i>		
Mineral exploration tax credits	-	(59,870)
Write-down of exploration and evaluation expenditures	-	(12,186,775)
<i>Balance, end of the period</i>	\$ 7,014,547	\$ 7,000,000

During the year ended November 30, 2015, the Company received British Columbia mining exploration tax credits ("BCMETS") from the Canada Revenue Agency in the amount of \$59,870 for reimbursements of its 2013 qualifying exploration expenditures on the Cassiar project. The exploration tax credit has been recorded as a reduction to the exploration and evaluation assets.

**6. Asset Retirement Obligation ("ARO")**

The Company has future obligations in retiring its exploration and evaluation assets at the Cassiar Property including dismantling, remediation and treatment of the site. The exact nature and costs of the obligation are subject to change because of the ongoing changes of environmental requirements enacted by government agencies.

A continuity of the asset retirement obligation is as follows:

	February 29, 2016	November 30, 2015
Asset retirement obligation - beginning balance	\$ 1,619,054	\$ 1,275,890
Change in estimates	-	314,464
Accretion expense	8,783	28,700
Asset retirement obligation - ending balance	\$ 1,627,837	\$ 1,619,054

The total discounted cash flow estimated to settle the obligations as at February 29, 2016 was \$1,627,837 which was adjusted for inflation at the rate of 2% and then discounted at a risk free rate of 2.29%. Certain minimum amounts of ARO will occur each year with the significant amounts expected to be incurred in 2026.

At February 29, 2016, the Company has \$349,444 (2015 - \$349,444) of reclamation bonds with the Ministry of Energy and Mines of British Columbia as commitments to meet its regulatory obligations. The reclamation bonds are interest-bearing at prime rate less 1.95%, \$85,000 of the reclamation bonds will be maturing on February 13, 2017 and \$264,444 on August 15, 2016. The reclamation bonds are hypothecated and automatically renewed upon maturity.

**CHINA MINERALS MINING CORPORATION**  
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**7. SHARE CAPITAL**

Authorized - unlimited number of common shares without par value  
 Issued and outstanding – see Consolidated Statements of Changes in Equity

**Stock option plan**

The Company has a stock option plan whereby the maximum number of common shares reserved for issue shall not exceed 10% of the total number issued and outstanding common shares of the Company as at the grant date. At February 29, 2016, the maximum number of shares that may be reserved for issuance was 15,807,327. The term of option grants is from five to ten years. Options granted to investor relations consultants generally have one to two-year terms and are vested over a twelve-month period with 25% vested every three months from the date of grant. Options granted to directors, officers, employees and consultants have a five-year term and a vesting period of eighteen months with one-third vested every six months from the date of grant.

**Stock options**

The continuity of the Company's stock options to February 29, 2016 is as follows:

	Number of options	Weighted average exercise price
Balance, December 1, 2014	3,765,000	\$ 0.13
Forfeited	(585,000)	(0.13)
Balance, November 30, 2015 and February 29, 2016	3,180,000	\$ 0.13

At February 29, 2016, the Company's outstanding stock options are as follows:

Number of Options Outstanding and Exercisable	Weighted Average Remaining Contractual Life (Yr)	Weighted Average Exercise Price	Expiry Date
1,365,000	0.10	0.16	April, 2016
500,000	0.41	0.12	July, 2016
1,315,000	1.29	0.10	June, 2017
3,180,000	0.64	0.13	

**8. RELATED PARTY TRANSACTIONS**

For the three months ended February 29, 2016, the Company was charged office rents of \$nil (February 28, 2015 - \$11,620) in regards to its Beijing subsidiary's office lease with Beijing Mansion No. 1 Real Estate Ltd. ("Beijing Mansion"). Beijing Mansion is considered a party related by way of a director and shareholder in common. The office lease with Beijing Mansion was terminated in February 2015. As of February 29, 2016, the Company had no outstanding amounts (2015 - \$nil) owed to its related party.

The related party expenses were recorded at the exchange amounts as determined and agreed to by the parties. Balances with related parties are non-interest bearing, unsecured and payable on demand.

**Key management compensation**

The Company's directors and Chief Executive Officer and Chief Financial Officer are considered key management personnel and their compensations are as follows:

	Three months ended	
	February 29, 2016	February 28, 2015
Remuneration and short-term benefits	\$ 31,834	\$ 87,263
Share-based payments	-	-
Total compensation	\$ 31,834	\$ 87,263

**CHINA MINERALS MINING CORPORATION**  
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**9. COMMITMENT AND CONTINGENCY**

- a) The Company has a commitment of \$5,550 in total on its Vancouver office lease which will expire on August 31, 2016.
- b) In September 2015, the Company received notice from the British Columbia Environment Health Services (“Health Services”) that the Health Services had received a complaint from a BC Hydro manager in respect of the camp facilities at the Cassiar project, which facilities were being leased to the Jade City BC Hydro Work Camp (the “Facilities”) through a third party (the “Lessee”). The complaint held that a break had occurred in the sewer line at the Facilities, and as a result, there was evidence of a discharge of domestic sewage to both land and nearby drinking water. Consequently, the sewerage and water systems on the property have been discontinued. The existing sewerage system is to be repaired prior to reuse or a new water system constructed by June 30, 2016. The Company has accrued an estimated remediation cost of \$63,000, as provided by Liard Engineering & Management.

**10. OTHER INCOME**

Other income for the three months ended February 29, 2016 was \$Nil (2015 – \$6,000) relating to the provision of administrative services to a mineral exploration operation.

**11. SEGMENTED INFORMATION**

*Operating segment*

The Company has one operating segment, being the acquisition, exploration and evaluation of mineral properties.

*Geographic segments*

The Company has two geographic segments - Canada and China. Their assets, liabilities, expenses and other income are as follows:

	Three months ended February 29, 2016		
	Canada	China	Total
Current assets	\$ 193,551	\$ 8,629	\$ 202,180
Property, plant and equipment	547,732	-	547,732
Reclamation bonds	349,444	-	349,444
Exploration and evaluation assets	7,014,547	-	7,014,547
<b>Total assets</b>	<b>\$ 8,105,274</b>	<b>\$ 8,629</b>	<b>\$ 8,113,903</b>
Current liabilities	\$ 117,857	-	\$ 117,857
Asset retirement obligation	1,627,837	-	1,627,837
<b>Total liabilities</b>	<b>\$ 1,745,694</b>	<b>-</b>	<b>\$ 1,745,694</b>
Expenses	\$ (70,185)	\$ (104)	\$ (70,289)
Other income	1,155	115	1,270
Cumulative translation adjustments	-	\$ (88)	(88)
<b>Loss and comprehensive loss for the period</b>	<b>\$ (69,030)</b>	<b>\$ (77)</b>	<b>\$ (69,107)</b>

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	Three months ended February 28, 2015		
	Canada	China	Total
Current assets	\$ 565,663	\$ 23,834	\$ 589,497
Property, plant and equipment	925,792	-	925,792
Reclamation bonds	349,444	-	349,444
Exploration and evaluation assets	18,861,235	-	18,861,235
<b>Total assets</b>	<b>\$ 20,702,134</b>	<b>\$ 23,834</b>	<b>\$ 20,725,968</b>
Current liabilities	\$ 43,920	\$ 1,436	\$ 45,356
Asset retirement obligation	1,283,065	-	1,283,065
<b>Total liabilities</b>	<b>\$ 1,326,985</b>	<b>\$ 1,436</b>	<b>\$ 1,328,421</b>
Expenses	\$ (159,369)	\$ (18,730)	\$ (178,099)
Other income	8,201	20	8,221
Cumulative translation adjustments	-	2,266	2,266
<b>Loss and comprehensive loss for the period</b>	<b>\$ (151,168)</b>	<b>\$ (16,444)</b>	<b>\$ (167,612)</b>

**12. FINANCIAL INSTRUMENTS**

The Company's financial instruments consist of cash and cash equivalents, short term investments, other receivables, and accounts payable.

The fair values of the Company's cash and cash equivalents, short-term investments and other receivables approximate their carrying values, which are the amounts receivable on the consolidated statements of financial position date.

The fair value of the Company's property, plant and equipment and exploration and evaluation assets were estimated using level 3 inputs.

**Financial risk management**

The Company is exposed to certain financial risks and the material ones are liquidity risk and credit risk. The Company's overall risk management is to maintain the Company's ability to continue as a going concern.

**Liquidity risk**

Liquidity risk is the risk that the Company might not be able to meet its obligations and commitments as they come due. As at February 29, 2016, the Company's working capital was \$84,323, has an accumulated deficit of \$54,951,875 with no sources of revenue.

The Company manages liquidity risk with an annual budget to identify the timeline and amounts of its financial requirements. Based on the 2016 operational budget authorized by the Board of Directors, the Company will not have sufficient funds to meet its obligations for the next twelve months. Refer to Note 1.

**Credit risk**

Credit risk arises from cash and cash equivalents and short-term investments held with financial institutions as well as credit exposure on outstanding receivables.

The Company's cash and cash equivalents, including guaranteed investment certificates, are held at high-credit rating financial institutions. The Company's maximum exposure to credit risk is the carrying amounts of cash and receivables on its consolidated statement of financial position.

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**13. CAPITAL RISK MANAGEMENT**

The Company's capital management objectives are to ensure its ability to continue as a going concern to meet its obligations in general operations and to maintain capital access for funding of its exploration activities at the Cassiar property.

The capital that the Company manages is the total of liabilities and equity on the consolidated statements of financial position. The Company may modify the capital structure to meet its funding needs by issuing new equity shares and/or debt instruments, disposing assets or bringing in joint venture partners. To facilitate the management of its capital, the Company prepares annual budgets approved by the Board of Directors. The budget is reviewed and updated periodically to account for changes in the expenditures and economic conditions.

**14. SUBSEQUENT EVENT**

On March 9, 2016, China Minerals announced that it has filed requests under the *Freedom of Information and Protection of Privacy Act* ("FIPPA") related to the ITA. The requests were to access records under the FIPPA in connection with the Company's judicial review proceedings against the BC government filed in January 2016.



**(An Exploration Stage Entity)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**For the Three Months Ended**

**February 29, 2016**

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## GENERAL

China Minerals Mining Corporation ("China Minerals" or the "Company") was incorporated in January 2006 under the laws of British Columbia, Canada as Hawthorne Resources Inc. and renamed as Hawthorn Gold Corp. in October 2006. In April 2011, the Company's name was further changed to China Minerals. China Minerals is listed on the TSX Venture Exchange under the symbol "CMV". The Company, an exploration stage entity, is in the business of acquisition, exploration and development of resource properties.

This Management's Discussion and Analysis ("MD&A") of the Company has been prepared based on available information up to the date of this report, April 26, 2016 and should be read in conjunction with the Company's condensed consolidate interim financial statements for the three months ended February 29, 2016 as well as the audited consolidated financial statements for the year ended November 30, 2015.

The financial information disclosed in this MD&A have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("ISAB"). All monetary amounts are expressed in Canadian dollars unless stated otherwise.

The Company's shares are listed on the TSX Venture Exchange under the symbol "CMV", and quoted on the Pink Sheets in the United States under the symbol "HWTHF". Additional information is available on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.chinamineralsmining.com](http://www.chinamineralsmining.com).

## FORWARD-LOOKING STATEMENTS

Information and statements contained in this MD&A that are not historical facts are forward-looking information within the meaning of National Instrument 51-102 *Continuous Disclosure Obligations* of the Canadian Securities Administrators that involve risks and uncertainties.

This MD&A contains forward-looking statements, such as estimates and statements regarding the Company's goals and future plans, including words to the effect that the Company expects a stated result or event to occur. These forward-looking statements are subject to known or unknown risks and uncertainties which could cause actual results or performance of the Company to differ materially from results implied by such forward-looking information. Factors that could cause the actual results to differ include commodity price fluctuations, market capital access, global economy and politics, government regulations, environmental restrictions, exploration results, mineral title disputes, limitation on insurance coverage and availability of consultants delivering timely services, as well as those factors discussed in the section entitled "Risks and Uncertainties" in this MD&A.

Although the Company has attempted to identify important factors that could affect the Company or may cause actual actions, events or results to differ, there may be other causing factors out of the Company's anticipation or estimation. Forward-looking statements contained herein are made as of the date of this MD&A and the Company disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results otherwise. Accordingly, readers are advised not to place undue reliance on forward-looking statements.

## DESCRIPTION OF BUSINESS

The Company and its wholly owned subsidiaries, Cassiar Gold Corp. ("Cassiar Gold") and North American Mining Consulting Ltd., are engaged in the exploration and development of mineral properties. The Company's main asset is the Cassiar Gold Project comprising the Table Mountain Property ("Table Mountain") and Taurus Property ("Taurus"), of which it owns 100% through its subsidiary, Cassiar Gold.

The Company has conducted an extensive review of its mineral assets at Table Mountain and Taurus. The evaluation suggests that substantial exploration expenditures are required to prove up the asset potential and to further advance the projects. As such, an 8,200 m exploration-focused drilling campaign was carried out during the summer of 2012. The completed drilling program comprised 43 drill holes at Taurus and 10 drill holes at Table Mountain.

At Taurus, the 2012 drill holes were designed to a) test for down dip and along strike extensions to high-grade intercepts identified in the historic drill hole database, b) step-out into peripheral, open areas of the deposit and c) infill, internal gaps in the deposit. In general, this program succeeded in demonstrating the presence of gold-bearing veins and structures well outside the known deposit area. Drill testing adjacent to high-grade intercepts, however, met with mixed success.

At Table Mountain, the 2012 drill holes tested the Sky Vein prospect – a little-drilled but significant east-west trending structure known to contain gold-bearing veins in a setting very similar to the past-producing vein deposits on the property.

Five of the ten drill holes encountered significant (> 10 m true width) veins below the Table Mountain thrust. However, assays are variable and inconclusive.

In 2013, the Company carried out a short surface exploration program on the southeast part of the Cassiar properties where geological mapping, prospecting and silt sampling were conducted. A geologist and a crew of three technicians completed the short field program under the supervision of the Chief Geologist. A total of 150 silt samples and 83 soil samples were taken as well as 22 outcrop rock samples showing alteration and/or veining.

The purpose of the field exploration program was to search for more Table Mountain style gold vein systems on the 50 km<sup>2</sup> Hunter-Pooley claims area. Some low grade veins are known to exist in the north western portion of the claims, but much of this area is under explored. The expenditure amounts on the program have been applied in April 2014 as exploration work assessment credits to extend the expiry date of Cassiar's mineral claims to March 2019.

In addition to a short surface exploration program in 2013, the Company also engaged Dale Sketchley, a specialist in gold resource evaluation with experience in the Cassiar Gold camp, to complete an in-depth evaluation of the Taurus gold deposit. His assessment report was to evaluate resource opportunity at Taurus and determine if further work could increase gold resources on the complex Taurus gold deposit.

## **EXPLORATION AND EVALUATION ASSETS**

Dale Sketchley, M.Sc., P.Geo., the Company's advisor and a Qualified Person as defined by National Instrument ("NI") 43-101, has reviewed and approved the technical information contained in this MD&A.

### **Cassiar Gold Project, British Columbia**

The Cassiar Gold Project is located in northern British Columbia. It comprises approximately 58,900 ha (including 217 mineral claims and 2 placer claims) of which the Company has 100% interest, which comprise the Table Mountain and Taurus Properties in the Liard Mining Division. The area is easily accessible by an all-weather road along Highway 37, which runs through the center of the Cassiar properties, and by subsidiary roads which allow easy access to many parts of the projects. The area also can be accessed via fixed-wing aircraft flights to the Cassiar airstrip which lies immediately to the west of the Taurus Property near the old Cassiar town site. The Company owns an accommodation facility on Highway 37 in Jade City, British Columbia located between Table Mountain and Taurus that can accommodate up to 70 people. An office and core logging facility are located to the southwest of the camp area.

Approximately 425,000 ounces of gold have historically been produced from the Cassiar district, mainly from underground mines on the Company's current land holdings on the Table Mountain Property. Gold mineralization is of the orogenic (mesothermal) gold type, and has many similarities in mineralization style and geological controls to the Cariboo Gold district in British Columbia, the Mother Lode belt of California, and to gold deposits of the Abitibi Greenstone belt in Ontario. Mineralization occurs in mafic volcanic-hosted, steeply dipping quartz-sulphide-carbonate vein systems which splay off shear zones that are developed in stacked thrust fault surfaces localized along carbonate altered ultramafic rocks and carbonaceous sedimentary rocks.

In 2009, the Company entered into a Resource Funding Agreement with the First Nation Kaska Dena Council on behalf of the BC Kaska in connection with the continued exploration and development of the Cassiar Gold Camp. Under the Agreement, China Minerals has agreed to provide resource funding to the BC Kaska to contribute to the cost of negotiating a Traditional Knowledge Protocol (the "TK Agreement") and a Socio-Economic Participation Agreement (the "SEPA"). The TK Agreement will assist the parties in establishing the appropriate traditional knowledge protocols for the exploration and development of the Property. The SEPA would include environmental, cultural, socio-economic, and business opportunities and benefits for members of the BC Kaska and their businesses.

In January 2012, the Company initiated a systematic compilation and evaluation of the data available for the Cassiar Gold Project. In spite of gaps in historic reporting, the Company amassed a coherent database comprising 2,418 drill hole collar locations (521 Taurus; 1,897 Table Mountain), 48,862 drill hole lithological intervals (15,486 Taurus; 33,376 Table Mountain) and 84,466 gold assay results (54,424 Taurus; 27,042 Table Mountain). Collectively, this database represents 259,814 m of drilling including 201,187 of surface and underground drilling at Table Mountain and 58,627 m of surface drilling at Taurus.

This database formed the basis for target evaluation and recommendation for the 2012 summer drilling program. Additionally, areas for historic core re-sampling and re-logging were identified.

### **Table Mountain Property**

The Table Mountain Property is located south of Highway 37 within the southern portions of the Cassiar Gold Project and contains the Main (formerly Erickson), Bain, Cusac and Vollaug mines which are past producing underground high-grade gold mines. A permitted 270 tonne per day gravity/flotation mill, power plant, assay lab and tailings impoundment facility are

located on the property, and were put under care and maintenance by previous owners in October 2007. Thirteen adits/portals, approximately 25 km of underground workings, and more than 23 km of surface access roads occur on the property.

Table Mountain contains several areas hosting NI 43-101 compliant resources supported by a technical report (the "Table Mountain Report") titled, "Technical Report on the Table Mountain Property, Liard Mining District, British Columbia" prepared by Clifford A. Pearson, P. Geo and Finley J. Bakker, P. Geo, which was filed on May 26, 2010 at [www.sedar.com](http://www.sedar.com). In April 2015, the Company received a letter from British Columbia Securities Commission ("BCSC") advising that the above technical report has deficiencies as one of the authors, Finley J. Bakker, is not independent within the meaning of NI 43-101. Additionally, incorrect reporting formats were used. The Company is in discussion with the BCSC to address this matter.

Table Mountain resources occur principally in the Bain and Cusac mine areas, and include an indicated resource of 21,471 tonnes at an average grade of 18.02 g/t Au (approximately 12,440 troy ounces of gold) and an additional inferred resource of 19,306 tonnes at an average grade of 31.76 g/t Au (approximately 19,714 troy ounces of gold) in the East Bain system. Additional resources occur in the Cusac mine, mainly in the Eileen vein system. A summary of resources on the Table Mountain property that are derived from the Table Mountain Report are summarized in the table below:

Category	Tonnes	Au uncut g/t	Au cut g/t	Density
Indicated Total	21,471	18.02	16.24	2.70
Inferred Total	65,757	24.30	20.12	2.70

A feasibility study has not been completed on the Table Mountain property and there is no certainty that economically viable mining is possible.

In 2012, ten exploration drill holes for 1,340 m were completed at the Sky Vein prospect ("Sky Vein"). Sky Vein is hosted in a steeply-dipping fault / shear structure which splays from the shallowly dipping Table Mountain Thrust. The thrust structure separates overlying argillite sedimentary rocks from underlying basalt and locally the thrust contains strongly hydrothermally altered ultramafic rocks (listwanite). This is a similar geological setting to the veins exploited, for example, at the Main and Cusac mines. Sulphide-bearing quartz veins from 8.30 to 30.10 metre true width were encountered in five of the ten 2012 drill holes. Assay results were generally very low from these quartz vein intersections, however, wallrock adjacent to this vein returned up to 1.91 g/t Au over 12.50 m.

### ***Taurus Property***

The Taurus Property is located north of Highway 37 within the northern portions of the Cassiar Gold Project. The Property contains the Taurus Gold Deposit ("Taurus Deposit"), a large gold system which has been the focus of recent exploration on the project. The Taurus Deposit is located approximately eight kilometres from the company's milling facility, and is located along the main access road to the former town of Cassiar. It lies low in the valley in an area of subdued topography, allowing year round exploration and ease of access. The Taurus underground mine produced approximately 35,000 ounces of gold from eastern portions of the Taurus Deposit in the 1980s. The Taurus Deposit was explored by previous operators with the objective of evaluating the potential for both large tonnage open pit and high grade underground mines. Sable Resources Ltd. holds a 2.5% Net Smelter Return Royalty (NSR) on a group of ten claims (Mack 1 to 4, Hopeful 1 to 4, Hillside and Highgrade) on the Taurus Property which cover a portion of the Taurus Deposit.

The Taurus Deposit hosts an inferred resource of 1.06 million ounces of gold comprising of 33.1 million tonnes at an average capped grade of 0.99 g/t Au using a cut-off grade of 0.50 g/t Au. This resource is supported by the NI 43-101 technical report titled "Updated Resource Report on the Taurus Deposit – Liard Mining District, B.C." prepared by Thomas C. Stubens and Morinus Andre de Ruijter of Wardrop Engineering Inc. which was filed at [www.sedar.com](http://www.sedar.com) on March 11, 2009.

After a review of the Taurus database in early 2012, the Company developed a three dimensional model of the major planar fault and shear structures and identified several target areas. The Taurus deposit is open in many directions around the periphery of the deposit but also internal to the known deposit footprint. Additionally, several targets were identified to have potential for higher-grade mineralization.

Between June and August 2012, the Company completed 43 drill holes for 6,857 m of drilling at Taurus utilizing a single, skid-mounted drill. These holes targeted open areas of the Taurus deposit and potential higher-grade zones. Concurrent with the drilling, geological crews re-logged 69 historic drill holes within and proximal to drill targets to better refine structural models.

Drill results announced in the Company's news releases dated September 18, October 2 and October 24, 2012 from Taurus include several holes designed to test open areas of the Taurus Deposit which intersected ankerite altered basalt with veins, associated sulphide mineralization and gold mineralization. Some of the highlighted results include:

- Holes TA12-16 and TA-19 intersected, respectively, 8.80 m at 5.05 g/t Au and 19.00 m at 2.13 g/t Au outside previous eastern boundary of Taurus deposit
- A high grade vein grading 8.77 g/t Au over 1.80 m in hole TA12-24 demonstrates that gold mineralization at the Sable Zone extends to the south-east
- Wide gold intersections of 23.00 m grading 3.83 g/t Au and 10.45 m grading 4.42 g/t Au in holes TA12-38 and TA12-40, respectively, show new opportunity in the 88 Hill / Highway Gap

## OUTLOOK

The Company has no current funding for exploration of its mineral projects. Management is monitoring the economic conditions of the mining industry and continues discussions with investors in relation to the economic viability of extracting gold residues from the tailings pond of its formerly producing mine at Table Mountain property.

## QUARTERLY INFORMATION

The table below highlights the Company's unaudited quarterly results for the last eight quarters.

	2016	2015				2014		
	Feb 29	Nov 30	Aug 31	May 31	Feb 28	Nov 30	Aug 31	May 31
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	-	-	-	-	-	-	-	-
Net loss	(69,019)	(12,846,113)	(44,579)	(70,766)	(169,878)	(253,310)	(144,064)	(176,086)
Net loss per share - basic and diluted	(0.00)	(0.07)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)

The Company has no revenue generated yet as it is at the exploration stage. In the fourth quarter of 2015, after an impairment analysis on its exploration and evaluation assets and plant and equipment, the Company wrote off \$12,186,775 and \$286,990 respectively to statement of loss. The Company's expenditures have been reduced from an average of \$162,000 (excluding impairment) per quarter in 2015 to \$69,000 in 2016.

## REVIEW OF FINANCIAL RESULTS

(Rounded to the nearest thousand ('000))

### Net Loss

For the three months ended February 29, 2016, the Company incurred a net loss of \$70,000 as compared to \$170,000 in the same period of 2015. Details of the Company's expenses and other income are described below.

### Expenses

Expenses for the three months ended February 29, 2016 were reduced by \$101,000 as compared with the same quarter in 2015. The decrease was results of reduced compensation to management and directors. Professional and consulting fees were higher by \$34,000 in 2015 due to the legal issue with the Ministry of Aboriginal Relations and Reconciliation on the transfer of two Crown land parcels to Kaska Dena First Nation in April 2015. For details, please see Note 5 to the Company's interim financial statements for the three months ended February 29, 2016.

Expenditures of \$9,000 were incurred in 2016 in the care and maintenance of the Cassiar camp in areas of site security and safety and environmental management.

### Other Income (Expenses)

For the three months ended February 29, 2016, other income included \$nil (February 28, 2015 - \$6,000) relating to the provision of administrative services to a mineral exploration operation.

### Exploration and Evaluation Assets Expenditures

The Company capitalizes expenditures incurred in connection with the acquisition and exploration of its mineral property interests. In April 2015, the Company received a mineral exploration tax credit ("METC") of \$60,000 which had been recorded as a reduction to the exploration and evaluation assets. During the year 2015, the Company recognized impairment on its Cassiar properties and wrote down their carrying value to \$7 million. In 2016, the Company continued care and maintenance on the mineral properties until financing became available.

## **LIQUIDITY AND CAPITAL RESOURCES**

At February 29, 2016, the Company's cash and cash equivalents were \$196,000 compared to \$276,000 at November 30, 2015. The Company's working capital at February 29, 2016 was \$84,000 (November 30, 2015 - \$145,000).

To preserve its cash reserves, the Company continues reducing its operating expenses. Based on the 2016 budget forecast, the Company will not have sufficient financial resources to meet its obligations for the coming year. The Company's ability to continue as a going concern will depend on its ability to raise additional financing.

The Company's exploration and evaluation assets are at the exploration stage and will not generate cash flow in the near term; accordingly, the Company will depend on equity or debt financings to fund its exploration activities and general administrative requirements. There is no assurance that the Company could raise such financings on reasonable economic terms.

Under operating activities, the Company used \$91,000 of its cash for the three months ended February 29, 2016 compared with \$172,000 for the same period in 2015. The decrease in 2016 was due to the overall decreased level of activity by the Company.

In the investing activities, the Company redeemed its short-term investment to provide funds for its operations.

The Company has no long-term debt obligations or off-balance sheet arrangements. However, the Company has a commitment to an office rental in Vancouver, which is disclosed below under "Commitment and Contingencies".

## **COMMITMENT AND CONTINGENCIES**

The Company has a commitment of \$5,550 in total to an office lease in Vancouver expiring on August 31, 2016.

In September 2015, the Company received notice from the British Columbia Environment Health Services ("Health Services") that the Health Services had received a complaint from a BC Hydro manager in respect of the camp facilities at the Cassiar Project, which facilities were being leased to the Jade City BC Hydro Work Camp (the "Facilities") through a third party (the "Lessee"). The complaint held that a break had occurred in the sewer line at the Facilities, and as a result, there was evidence of a discharge of domestic sewage to both land and nearby drinking water. Consequently, the sewerage and water systems on the property have been discontinued. The existing sewerage system will be repaired or replaced prior to reuse or a new water system constructed before June 30, 2016. The cost of remediation was estimated at \$63,000.

In July 2013, the Ministry of Aboriginal Relations and Reconciliation (the "Ministry") advised the Company that they had signed an Incremental Treaty Agreement (the "ITA") with Kaska Dena Council which provides transfer of two Crown land parcels that cover part of the Company's subsurface rights over five of its mineral tenures to Kaska Dena First Nations ("KDFN"). The ITA specifically excludes the subsurface rights and the transfer will provide ownership of the surface rights only.

During the year 2014, the Company contacted the Ministry expressing concerns over the transfer being processed without prior consultation with the Company and possible impact on Cassiar's exploration activities once the proposed transfer occurs. In January 2015, the Company and its legal counsel held a meeting with the Ministry over the issue. The Ministry maintained its position on the proposed transfer. On March 31, 2015, the land parcels for surface rights only were transferred to KDFN under a private company.

In January 2016, the Company filed a judicial review petition in the BC Supreme Court seeking to quash the March 31, 2015 transfer by the Ministry to the private company associated with KDFN.

## **SUBSEQUENT EVENT**

In March 2016, China Minerals filed requests under the *Freedom of Information and Protection of Privacy Act* ("FIPPA") related to the ITA. The requests were to access records under the FIPPA in connection with the Company's judicial review proceedings against the BC government filed in January 2016.

## **OUTSTANDING SHARE DATA**

As at the date of this MD&A, the Company's issued and outstanding common shares were 189,873,268; its share purchase options granted to directors, employees and consultants were 1,815,000 with a weighted average exercise price at \$0.11 per share. For additional details on share capital, see Note 7 of the interim financial statements for the three months ended February 29, 2016.

## PROPOSED TRANSACTIONS

The Company does not have any proposed transactions as at the date of this report.

## RELATED PARTY TRANSACTIONS

For the three months ended February 29, 2016, the Company was charged office rents of \$nil (February 28, 2015 - \$11,620) in regards to its Beijing subsidiary's office lease with Beijing Mansion No. 1 Real Estate Ltd. ("Beijing Mansion"). The office lease with Beijing Mansion was terminated in February 2015. As of February 29, 2016, the Company had no outstanding amounts (2015 - \$nil) owed to its related party.

## Key management compensation

The Company's directors, Chief Executive Officer and Chief Financial Officer are considered key management personnel and their compensations are as follows:

	Three months ended	
	February 29, 2016	February 28, 2015
Remuneration and short-term benefits	\$ 31,834	\$ 87,263
Share-based payments	-	-
<b>Total compensation</b>	<b>\$ 31,834</b>	<b>\$ 87,263</b>

## FINANCIAL INSTRUMENTS AND RELATED RISKS

The Company's financial instruments consist of cash and cash equivalents, short-term investments, other receivables, and accounts payable.

The fair values of the Company's cash and cash equivalents, short-term investments and other receivables approximate their carrying values, which are the amounts receivable on the consolidated statements of financial position date.

Estimated fair value of the Company's property, plant and equipment and exploration and evaluation assets are estimated using level 3 inputs.

### Financial risk management

The Company is exposed to certain financial risks and the material ones are liquidity risk and credit risk. The Company's overall risk management is to maintain its ability to continue as a going concern.

### Liquidity risk

Liquidity risk is the risk that the Company might not be able to meet its obligations and commitments as they come due. As at February 29, 2016, the Company's working capital was \$84,323, has an accumulated deficit of \$55 million with no sources of revenue.

The Company manages liquidity risk with an annual budget to identify the timeline and amounts of its financial requirements. Based on the 2016 operational budget, the Company will not have sufficient funds to meet its obligations for 2016. Refer to Note 1 to the interim financial statements as at February 29, 2016.

### Credit risk

Credit risk arises from cash and cash equivalents and short-term investments held with financial institutions as well as credit exposure on outstanding receivables.

The Company's cash and cash equivalents, including guaranteed investment certificates, are held at high-credit rating financial institutions. The Company's maximum exposure to credit risk is the carrying amounts of cash and receivables on its consolidated statement of financial position.

## CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Company's financial statements requires management to make estimates and judgments that affect the reported amounts of the Company's financial position and operating results. Estimates are based on various

assumptions such as expectations of future events that are believed to be reasonable under the circumstances.

The key estimates and judgments relate to the assessment of impairment of long-lived assets and asset retirement obligation as discussed below.

#### *Impairment of exploration and evaluation ("E&E") assets*

Impairment assessment for the Company's E&E assets involves the application of management's judgments over a number of internal and external factors. External factors include future commodity prices, investors' sentiment and changes in environmental and mineral tenure regulations. Internal factors include technical data interpretation of the mineral resources estimates and the Company's exploration plans for the properties. As new data comes up and the economy and market continually change, the recoverable amounts of the assets and the impairment loss might be different from these judgments and estimates.

During the year 2015, after performing an impairment assessment of the carrying values of its E&E assets, the Company wrote down its mineral assets to an estimated fair value of \$7 million. In determining the estimated fair value of the project, the Company primarily considered comparable in-situ valuation and also the amount of exploration expenditures incurred by the Company on the project.

#### *Impairment of property, plant and equipment*

During the year 2015, after conducting impairment evaluations, the Company recorded an impairment charge on its property, plant and equipment in the amount of \$286,990, to bring the assets to their estimated fair value. The process of determining the impairment involves significant judgment and estimation on the recoverability of the property, plant and equipment, such as condition of and demand for such assets. Therefore, actual recoverable amounts of the assets and the impairment loss may differ from these judgments and estimates.

#### *Asset retirement obligation ("ARO")*

Provision for the retirement of the E&E assets and site restoration is based on many assumptions and judgments: future estimated costs, expected amounts of cash flows to discharge the obligation, timing of such cash flows and the prevalent market discount rate. Any changes to the assumptions will result in an adjustment to the provision which will affect the Company's liabilities and operating results.

## **CHANGES TO ACCOUNTING STANDARDS**

Standards and amendments issued but not yet effective up to the date of this report are as below:

IFRS 9, *Financial Instruments*, addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39 *Financial Instruments: Recognition and Measurement* for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. Requirements for financial liabilities are largely carried forward from the existing requirements in IAS 39 except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss are generally recorded in other comprehensive income. The effective date of this new standard will be for periods beginning on or after January 1, 2018 with early adoption permitted. The Company does not expect any impact from this amendment on its financial position.

IFRS 16, *Leases*, addresses accounting for leases and lease obligations and replaces the leasing guidance in IAS 17, *Leases*. The new guidance amends the recognition, measurement and disclosure requirements of lease assets and lease liabilities on the statement of financial position. The guidance is effective January 1, 2019 with early adoption permitted. The Company does not expect any impact from this guidance on its financial position.

## **RISKS AND UNCERTAINTIES**

Due to nature of the Company's business in mineral exploration and development, it is subject to various risks and uncertainties associated with the mining and extraction industry. If any of the following risks occur, the Company's going concern, operating results and financial position could be adversely impacted.

#### *Exploration Risk*

Mineral exploration activities are inherently risky. Few properties that are explored are eventually developed into producing mines. Exploration activities on the Company's Cassiar mineral properties have not yet resulted in discoveries of commercial mineralization to take the Company to the producing stage. If there are no further discoveries of mineral reserves, the

Company may be forced to look for other exploration projects and abandon the existing properties.

#### *Titles to Mineral Properties*

The Company exercises due diligence with respect to determining titles to its mineral properties it has interests in and claims in good standing, however, there is no guarantee that titles to such properties will not be challenged or expropriated. In March 2015, the Ministry of Aboriginal Relations and Reconciliation ("the Ministry") advised the Company that it had transferred two Crown land parcels to Kaska Dena First Nations ("KDFN"). The transferred land parcels overlap with the Company's five subsurface mineral tenures. The Company still maintains titles to the mineral claims relating to the land parcels.

#### *Mineral Resources*

The mineral resource figures disclosed in the MD&A are estimates only and the Company cannot be certain that specific quantities of gold or other minerals will be realized. These estimates are subject to the assumptions and judgments used in the geological interpretations. Any material changes in the mineralization, grade, metal prices and market conditions could have a serious adverse effect on the economic viabilities of the Company. Until the estimated deposits are mined and processed, the mineral resources and its grades remain estimates only.

#### *Commodity Prices*

The Company's future viability depends largely on the movement of the price of gold as the Company's mineral resources are primarily of gold. Gold prices have historically been volatile reacting to conditions beyond the Company's control, including international politics, economic crisis, global production, consumption pattern and speculative activities. These uncertainties and volatility could affect negatively the Company's ability to raise capital and its continual operation.

#### *Global Economy and Financial Markets*

The Company has no revenue from its operations and relies on the capital markets to raise equity financings for its exploration activities and operating expenses. The current tumbling oil prices, China's decelerated growth and terrorist attacks in Europe have all adversely affected the global economy. The market uncertainty has led to the shrinkage of capital especially in natural resource sectors with uneconomically low commodity prices. This results in extreme challenges for exploration companies to seek funds from the financial markets.

#### *Share Price Volatility*

The slowdown growth in China has resulted in reduced demand of base and precious metals and drastic drops in the share prices of many resource-based companies. As a junior mineral explorer, the Company's share price has been unavoidably affected by such volatile market conditions, which may not be necessarily related to the financial condition and underlying assets of the Company. For the Company's ongoing working capital and exploration activities, it relies on the issuance of common shares. The Company's depressed share price will cast a doubt on its ability to raise future equity financing.

#### *Government and Environmental Regulations*

The Company's operations are subject to various regulations governing prospecting, permitting, mine safety, labour standards, explosive storage, reclamation, spills, tailings disposal and any other environmental issues. There is no guarantee that new rules and compliances will not be enacted or existing regulations will not be changed and applied in such a way that they may adversely affect the Company's operations. Environmental legislation has becoming more stringent and penalties are enforced for non-compliance. Compliance with existing and evolving regulations means increasing costs to the Company.

#### *Competition*

The Company is in competition with all of its mining counterparts which may have greater financial resources and expertise. It competes with them in the acquisition of quality mineral properties, recruitment of qualified technical and geological employees in addition to the attraction of investors and joint venture partners. All these competitions create uncertainties to the Company's ongoing operations.

#### *Uninsured Hazards*

The Company may be subject to liabilities on hazards such as unusual geological conditions during exploration and drilling which cannot be insured against or against which the Company may elect not to insure because of the high premium or for other reasons. Such liability may result in the loss of the Company assets and its insolvency.