Otterburn Resources Corp.

(An Exploration Stage Company)

Financial Statements

For the Years Ended August 31, 2015 and 2014

(Presented in Canadian Dollars)

December 29, 2015

Independent Auditor's Report

To the Shareholders of Otterburn Resources Corp.

We have audited the accompanying financial statements of Otterburn Resources Corp., which comprise the statements of financial position as at August 31, 2015 and August 31, 2014 and the statements of comprehensive loss, cash flows and changes in equity for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

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

Auditor's responsibility
Our responsibility is to express an opinion on these 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 about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Opinion
In our opinion, the financial statement presents fairly, in all material respects, the financial position of Otterburn Resources Corp. as at August 31, 2015 and August 31, 2014, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

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

signed "PricewaterhouseCoopers LLP"

Chartered Professional Accountants

Otterburn Resources Corp.
(An Exploration Stage Company)
Statements of Financial Position
In Canadian Dollars

ASSETS

	Note	August 31, 2015	August 31, 2014
Current			
Cash		$ 3,035	$ 21,651
Accounts receivable		6,913	1,267
Loans receivable	6	1,433,840	-
Prepaid expenses		1,092	-
		1,444,880	22,918
Deferred Financing Costs	6	85,674	-
Mineral Property	4	15,000	15,000
		$ 1,545,554	$ 37,918
LIABILITIES			
Current			
Accounts payable and accrued liabilities	8	$ 183,484	$ 72,117
Loans payable	5, 8	80,687	44,996
Share subscriptions received	6	1,512,840	-
		$ 1,777,011	$ 117,113
SHAREHOLDERS' EQUITY (DEFICIT)			
Share Capital	6	872,862	707,188
Reserves	6	-	146,081
Contributed Surplus	6	146,081	-
Deficit		(1,250,400)	(932,464)
		(231,457)	(79,195)
		$ 1,545,554	$ 37,918

Nature of Operations and Going Concern (Note 1)
Subsequent Event (Note 14)

Approved on behalf of the Board of Directors:

"Darryl Cardey", Director

"Darren Devine", Director

– See Accompanying Notes to Financial Statements –

Otterburn Resources Corp.
(An Exploration Stage Company)
Statements of Comprehensive Loss
For the Years Ended August 31, 2015 and 2014
In Canadian Dollars

		2015		2014
Expenses				
Audit and accounting (Note 8)	$	97,652	$	47,350
Filing and transfer agent fees		13,455		15,016
Insurance		6,907		7,963
Interest on loans (Note 5)		5,491		1,496
Legal fees		3,342		3,346
Office and administration (Note 8)		12,046		12,851
Rent (Note 8)		10,000		12,000
Share-based payment (Note 6)		80,000		-
Transaction costs (Note 7)		91,575		-
Total Expenses		320,468		100,022
Interest income (Note 6)		(2,532)		-
Comprehensive loss for the year	$	317,936	$	100,022
Loss per share – basic and diluted	$	0.02	$	0.01
Weighted average number of common shares outstanding		13,374,104		13,219,334

– See Accompanying Notes to Financial Statements –

Otterburn Resources Corp.
(An Exploration Stage Company)
Statements of Cash Flows
For the Years Ended August 31, 2015 and 2014
In Canadian Dollars

Cash Provided By (Used In):	**2015**	**2014**
Operations:		
Loss for the year	$ (317,936)	$ (100,022)
Item not involving cash:		
Interest on loans payable	5,491	1,496
Share-based payment (Note 6)	80,000	-
Change in non-cash working capital:		
Accounts receivable	(5,646)	404
Prepaid expenses	(1,092)	5,958
Accounts payable and accrued liabilities	187,367	35,304
	(51,816)	(56,860)
Investing:		
Tax credit received	-	2,714
Loans granted (Note 6)	(1,381,930)	-
	(1,381,930)	2,714
Financing:		
Loans received (Note 5,8)	30,200	43,500
Subscription receipts received (Note 6)	1,384,930	-
	1,415,130	43,500
Net decrease in cash	(18,616)	(10,646)
Cash - beginning of year	21,651	32,297
Cash - end of year	$ 3,035	$ 21,651

Supplementary information (non-cash items):		
Share subscriptions received which were paid directly to K92	$ 95,000	$ -
Finder's fee common shares issued (Note 6)	$ 85,674	$ -
The Company's transaction costs paid by K92 which reduced the loans receivable from K92 (Note 7)	$ 76,000	$ -
Supplementary information (other items)		
Interests paid	$ -	$ -
Interests received	$ -	$ -
Income taxes paid	$ -	$ -

- See Accompanying Notes to Financial Statements -

Otterburn Resources Corp.
(An Exploration Stage Company)
Statements of Changes in Equity
For the Years Ended August 31, 2015 and 2014
In Canadian Dollars

	Share Capital						
	Shares	Amount $	Share Option Reserves $	Warrant And Other Reserves $	Contributed Surplus $	Deficit $	Total $
Balance, August 31, 2013	13,219,334	707,188	21,566	124,515	-	(832,442)	20,827
Loss for the period	-	-	-	-	-	(100,022)	(100,022)
Balance, August 31, 2014	13,219,334	707,188	21,566	124,515	-	(932,464)	(79,195)
Shares issued to third party lender (Note 6)	160,000	80,000	-	-	-	-	80,000
Shares issued as finders Fees (Note 6)	171,348	85,674	-	-	-	-	85,674
Expired warrants and options	-	-	(21,566)	(124,515)	146,081	-	-
Loss for the period	-	-	-	-	-	(317,936)	(317,936)
Balance, August 31, 2015	13,550,682	872,862	-	-	146,081	(1,250,400)	(231,457)

– See Accompanying Notes to Financial Statements –

1. Nature of Operations and Going Concern

Otterburn Resources Corp. ("the Company" or "Otterburn") was incorporated pursuant to the provisions of the *Business Corporations Act* (British Columbia) on March 22, 2010. The Company is in the business of exploration, development and exploitation of mineral resources in Canada.

The Company's registered address is: Suite 800 – 789 West Pender Street, Vancouver, British Columbia, V6C 1H2. The Company's common shares are publicly listed on the Toronto Stock Exchange's Venture Exchange (the "TSXV").

The recoverability of amounts shown as mineral property interests is dependent upon the conversion of mineral resources to economically recoverable reserves, the Company's ability to obtain financing to develop the properties and the ultimate realization of profits through future production or sale of the properties.

These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year.

At August 31, 2015, the Company had not achieved profitable operations and had an accumulated deficit of $1,250,400 since inception. In addition, proceeds received from share subscriptions were loaned to K92 during and subsequent to the current reporting period (Note 6). If the Company does not complete the K92 transaction, the share subscriptions payable must be paid back to the holders. As a result, the Company currently has insufficient cash to meet its administrative expenses and to satisfy accounts payable and loans payable (Note 5). Furthermore, the Company has insufficient cash to fund $85,678 of exploration expenditures by March 31, 2016 to maintain its option to the Adams Plateau Property (Note 4). These conditions are material uncertainties which cast significant doubt about the Company's ability to continue as a going concern. The Company plans to complete a private placement of up to $15,000,000 to complete and fund the proposed acquisition of K92 (Note 12).

The Company's ability to continue as a going concern is dependent its ability to obtain the necessary financing to develop its mineral property interest and to meet its corporate overhead needs, keep its property in good standing and discharge its liabilities as they come due. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. Should the Company not be able to continue as a going concern, realization values may be substantially different from carrying values as recorded in these financial statements. These financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

2. Basis of Presentation

a) Statement of Compliance

These financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

b) Approval of the Financial Statements

These financial statements were approved and authorized for issue by the Board of Directors on December 29, 2015.

c) Functional and Presentation Currency

The functional currency of a company is the currency of the primary economic environment in which the company operates. The presentation currency for a company is the currency in which the company chooses to present its financial statements.

These financial statements are presented in Canadian dollars, which is the Company's functional currency.

3. Significant Accounting Policies

a) Cash

The Company considers cash to include amounts held in banks. The Company places its cash with major financial institutions in Canada.

b) Mineral Property

i) Exploration and Evaluation

Staking costs, property option payments, and other costs associated with acquiring exploration and evaluation assets are capitalized and classified as intangible assets, whereas exploration and evaluation expenditures are recognized as expenses as they are incurred during the period. Exploration and evaluation expenditures include costs of equipment rental, geochemical analysis and geological consulting services.

Subsequent recovery of the resulting carrying value depends on successful development or sale of the undeveloped project. If a project does not prove viable, all non-recoverable costs associated with the project net of any impairment provisions are written off.

3. Significant Accounting Policies – *Continued*

b) Mineral Property – *Continued*

ii) Development

Upon completion of a technical feasibility study and when commercial viability is demonstrated, capitalized exploration and evaluation assets are transferred to and classified as mineral property acquisition and development costs. Costs associated with the commissioning of new assets incurred in the period before they are operating in the way intended by management, are capitalized. Development expenditure is net of the proceeds of the sale of metals from ore extracted during the development phase. Interest on borrowings related to the construction and development of assets are capitalized until substantially all the activities required to make the asset ready for its intended use are complete.

The costs of removing overburden to access ore are capitalized as pre-production stripping costs and classified as a component of property, plant and equipment.

iii) Impairment

The carrying value of all categories of mineral property are reviewed at least annually by management for indicators that the recoverable amount may be less than the carrying value. When indicators of impairment are present, the recoverable amount of an asset is evaluated at the level of a cash generating unit (CGU), the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets, where the recoverable amount of a CGU is the greater of the CGU's fair value less costs to dispose and its value in use. An impairment loss is recognized in profit or loss to the extent the carrying amount exceeds the recoverable amount.

Value-in-use is based on estimates of discounted future cash flows expected to be recovered from an asset or CGU through their use. Estimated future cash flows are calculated using estimates of future recoverable reserves and resources, future commodity prices and expected future operating and capital costs. Once calculated, 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.

Fair value less costs to sell is determined by assessing the amount obtainable from either quotes from an active market or the sale of an asset or CGU in an arm's length transaction between knowledgeable and willing parties, less the costs of disposal. Costs of disposal are incremental costs directly attributable to the disposal of an asset or CGU, excluding finance costs and income tax expense.

3. Significant Accounting Policies – *Continued*

b) Mineral Property – *Continued*

iii) Impairment – *Continued*

Impairment losses recognized in respect of CGUs are allocated to reduce the carrying amounts of the other assets in the unit or group of units on a pro rata basis. Impairment losses are recognized in other expenses. Assumptions, such as commodity prices, discount rate, and expenditures, underlying the fair value estimates are subject to uncertainties. Impairment charges are recorded in the reporting period in which determination of impairment is made by management.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion or amortization, if no impairment loss had been recognized.

c) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. The increase in the obligation due to the passage of time is recognized as finance expense. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

3. Significant Accounting Policies – *Continued*

d) Income Taxes

Provision for income taxes consists of current and deferred tax expense. Income tax expense is recognized in profit or loss except to the extent that it relates to a business combination or items recognized either in other comprehensive income or directly in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for temporary differences associated with the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable income or loss and temporary differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3. Significant Accounting Policies – *Continued*

e) Share Capital

i) The proceeds from the exercise of stock options, common share purchase warrants and purchase of common shares are recorded as share capital in the amount for which the option or warrant enabled the holder to purchase a common share in the Company.

ii) Share capital issued for non-monetary consideration is recorded at an amount based on fair value of these common shares.

iii) The proceeds from the issue of units is allocated between common shares and common share purchase warrants on a prorated basis using relative fair values of common shares and warrants. The fair value of the common share purchase warrants are determined using the Black-Scholes option pricing model.

All costs related to issuances of share capital are charged against the proceeds received from the related share capital.

f) Contributed Surplus

Contributed surplus includes amounts related to expired options and warrants.

g) Loss per Share

Basic loss per share is calculated using the weighted average number of common shares issued and outstanding during the period. The Company uses the treasury stock method for calculating diluted earnings per share. Diluted and basic loss per share are the same because the effects of potential issuances of common shares under stock options and common share purchase warrants would be anti-dilutive.

h) Comprehensive Income (Loss)

Comprehensive income (loss) includes net income or loss and other comprehensive income or loss. Other comprehensive income or loss may include holding gains and losses on available-for-sale securities, gains and losses on certain derivative instruments and foreign gains and losses from self-sustaining foreign operations. During the current year, the Company did not have any other comprehensive income or loss components.

3. Significant Accounting Policies – *Continued*

i) Financial Instruments

The Company accounts for its financial instruments as follows:

Cash, accounts receivable and loans receivable	Loans and receivables
Accounts payable and accrued liabilities, loans payable and share subscriptions received	Financial liabilities measured at amortized cost

Financial Assets

Financial assets are classified into one of the following categories based on the purpose for which the asset was acquired. Management determines the classification of its financial assets at initial recognition. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities of greater than twelve months after the end of the reporting period, which are classified as non-current assets. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process. The Company's loans and receivables consist of cash, accounts receivable, and loans receivable.

Financial Liabilities

Financial liabilities other than derivative liabilities are recognized initially at fair value and are subsequently stated at amortized cost. Transaction costs on financial assets and liabilities other than those classified as fair value through profit and loss are treated as part of the carrying value of the asset or liability. Transaction costs for assets and liabilities at fair value through profit and loss are expensed as incurred. The Company's financial liabilities consists of accounts payable and accrued liabilities, loans payable and share subscriptions received.

3. Significant Accounting Policies – *Continued*

i) Financial Instruments – *Continued*

Impairment of Financial Assets

The Company assesses at the end of each reporting date whether there are indicators of impairment present for financial assets other than financial assets valued through profit and loss. A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

An impairment loss in respect of a financial asset carried at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted using the instrument's original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value. In the case of equity instruments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset that was previously recognized in profit or loss, is removed from equity and recognized in profit or loss.

All impairment losses are recognized in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognized previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

j) Critical Accounting Judgments and Estimates

The preparation of these financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and income and expenses.

Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

3. Significant Accounting Policies – *Continued*

j) Critical Accounting Judgments and Estimates – *Continued*

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods. The most significant accounts that require estimates as the basis for determining the stated amounts include: impairment of mineral property; inputs used in the valuation of share-based payments; and provision for deferred income tax, including the effects of flow-through shares.

Significant estimates that have the most significant effect on the amounts recognized in the financial statements are as follows:

Recoverability of capitalized mineral property costs

The Company capitalizes mining property acquisition costs that are to be amortized when production is attained or the balance thereof written off should the property be disproven through exploration or abandoned. The carrying value of the Company's capitalized mineral property costs is reviewed by management at least annually, or whenever events or circumstances indicate that its carrying value may not be recovered. If impairment is determined to exist, a formal estimate of the recoverable amount is performed and an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount. The recoverable amount of an asset is higher of fair value less costs to dispose and value in use.

Recoverability of loans receivable

Critical accounting judgment includes the assessment of the recoverability of loans receivable from K92. The Company is actively involved in K92 funding alternatives and both parties remain committed to completing the Proposed Transaction (Note 12). Based on discussions with K92 management and possible funders, the Company believes a funding arrangement will be completed and the loan receivable is recoverable. If the Proposed Transaction does not close, the loan receivable will be assigned pro-rata to the subscription receipt holders, and the company shall have no further liability to the holders.

3. Significant Accounting Policies – *Continued*

j) Critical Accounting Judgments and Estimates – *Continued*

Going concern

The assessment of the Company's ability to continue as a going concern involves critical judgement based on historical experience and other factors including the pending closing of the Proposed Transaction. Significant judgments are used in the Company's assessment of its ability to continue as a going concern which is described in note 1.

k) Recent Accounting Pronouncements

Recent Accounting Pronouncements not yet applied:

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or IFRIC that are mandatory for future accounting periods. 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.

IFRS 9 – Financial Instruments: Classification and Measurement - IFRS 9 addresses classification and measurement of financial assets and liabilities, recognizing impairment of financial assets, and hedge accounting. Under this standard, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The accounting model for financial liabilities is largely unchanged from IAS 39 except for the presentation of the impact of own credit risk on financial liabilities designated at fair value through profit or loss. The new general hedge accounting principles under IFRS 9 are aimed to align hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness; however it is expected to provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship. IFRS 9 is mandatorily effective for annual periods beginning on or after January 1, 2018. The Company is currently assessing the impact of the standard on the Company's financial statements.

4. Mineral Property

The Company is actively investigating, evaluating, and conducting exploration activities in Canada.

a) Acquisition Costs

Details of capitalized acquisition costs as at August 31, 2015 and 2014 are as follows:

Adams Plateau Property, BC, Canada	August 31, 2015	August 31, 2014
Acquisition costs	$ 15,000	$ 15,000

The Company did not incur any new acquisition costs during the years ended August 31, 2015 and 2014.

b) Exploration and Evaluation Costs

Details of activities for the years ended August 31, 2015 and 2014 are as follows:

Adams Plateau Property, BC, Canada	2015	2014
Cumulative expenditures	$ 195,305	$ 195,305

The Company did not incur any exploration costs during the years ended August 31, 2015 and 2014.

c) Adams Plateau Property, BC, Canada

By option agreement dated April 1, 2010, and amended on June 8, 2010, June 1, 2012, October 31, 2013, November 19, 2014 and on July 23, 2015, the Company has an option to acquire a 100% interest in several claim groups called the Adams Plateau Property located northeast of Kamloops in south central British Columbia by making cash payments, issuing common shares and incurring exploration costs as follows:

	Option Payments	Share Issuances	Exploration Expenditures
On execution of the option agreement (paid)	$ 15,000	-	$ -
On or before December 31, 2010 (achieved)	-	-	100,000
On or before March 31, 2016	-	-	200,000
On or before December 31, 2016	85,000	100,000	250,000
On or before December 31, 2017	100,000	150,000	350,000
Total	$ 200,000	250,000	$ 900,000

4. Mineral Property – *Continued*

c) Adams Plateau Property, BC, Canada – *Continued*

In order to keep the Adams Plateau property option agreement in good standing, the Company needs to incur a minimum of $85,678 of additional exploration expenditures by March 31, 2016 (accumulated exploration costs of $195,305 are net of $19,017 of BC METC).

5. Loans Payable

During the year ended August 31, 2014, the Company entered into three loan agreements to borrow $14,500 from each lender. During the year ended August 31, 2015, the Company entered into loan agreements to borrow an additional $30,000 from one of the three lenders, a company partially owned by two directors of the Company. The loans are unsecured, bear interest of 8% per annum and are due and payable on December 31, 2015. In addition, the Company received $200 of loan advance which is unsecured and non-interest bearing. Out of $73,700 of loan advances received, $44,700 was borrowed from a company partially owned and controlled by two directors of the Company. As at August 31, 2015, the total accrued interest payable to the three lenders is $6,987 (2014 – $1,496).

6. Shareholders' Equity

The Company's authorized share capital consists of an unlimited number of common shares without par value.

a) Share Capital Transactions

During the year ended August 31, 2015, the Company received $1,479,930 of interim financing pending closing of the Proposed Transaction (Note 12). The Company raised the funds through the sale of subscription receipts, raising $1,273,913 in a first-tranche closing on June 1, 2015, $75,000 in a second-tranche closing on July 15, 2015 and $131,017 in a third-tranche closing subsequent to year end, on October 9, 2015 (for which cash was received on August 31, 2015). The subscription receipts have been re-priced from $0.50 per subscription receipt to $0.35 per subscription receipt subsequent to year end. As a result of re-pricing, the number of subscription receipts have increased from 2,959,860 to 4,228,371 subsequent to year end. Each subscription receipt will now entitle the holder to automatically receive, without payment of additional consideration and without further action from the holder;

(i) one unit of Otterburn following the closing of the Proposed Transaction, with each unit consisting of one common share of Otterburn and one common share purchase warrant exercisable at $0.50 for a period of 18 months from the date of issue; or

6. Shareholders' Equity – *Continued*

a) Share Capital Transactions – *Continued*

(ii) should the Proposed Transaction fail to close on or before December 31, 2015 (or such later date as the Company and each subscription receipt holder may agree), a pro-rata share of (A) the loans made to K92, (B) the remaining balance of the gross proceeds of the Private Placement (if any) which has not then been loaned by the Company to K92, and (C) interest accrued on the loans made to K92 will be returned to the subscription receipt holders and that the Company shall have no further liability to the subscription receipt holders.

The rights triggered by the subscription receipts are dependent on the closing of the Proposed Transaction.

Pursuant to the terms of the subscription agreements, the Company loaned 100% of the gross proceeds of the financing to K92 to fund K92's operations in Papua New Guinea ("PNG") following the completion of the acquisition of Barrick (Kainantu) Limited ("BLK") on March 5, 2015 until the completion of the Proposed Transaction (Note 12). The loans to K92 will bear interest at the simple rate of 6% per annum with a maturity date on the closing of the Proposed Transaction or twelve months following the first date of advance of funds, which was March 27, 2015. The loans to K92 are secured on assets of K92. As of August 31, 2015, the loans receivable from K92 were $1,433,810 (2014 - $Nil), consisting of loan principal of $1,400,930 (2014 - $Nil) and accrued interest of $32,910 (2014 - $Nil). The $32,910 accrued interest was recorded as share subscriptions received liability and would be recognized as income upon the completion of the Proposed Transaction.

On December 18, 2014, the Company issued 160,000 common shares as a bonus to a third party lender who loaned $400,000 to K92 to fund K92's on-going costs in relation to its acquisition of BKL and its subsequent acquisition by the Company. The fair value of the shares was $80,000 and was recorded to share-based payments within the statement of comprehensive loss.

During the year ended August 31, 2015, the Company also issued a total of 171,348 common shares as finder's fees at a fair value of $0.50 per common share for a total of $85,674. The associated cost of the finder's fee shares issued in relation to the subscription receipts have been classified as deferred financing costs. These costs will be recognized in equity in the subsequent year upon issuance of the Units after the Proposed Transaction closes. If the transaction does not close then the deferred financing costs will be expensed.

6. Shareholders' Equity – *Continued*

b) Reserves

The following is a summary of the reserves components relating to stock options and common share purchase warrants for years ended August 31, 2015 and 2014:

	2015	2014
Options	$ -	$ 21,566
Warrants	-	124,515
Total	$ -	$ 146,081

As of August 31, 2015 all the expired options and warrants have been transferred to contributed surplus.

c) Warrants

Details of common share purchase warrants activity for the years ended August 31, 2015 and 2014 are as follows:

August 31, 2014	Issued	Expired	August 31, 2015	Exercise Price	Expiry Date
2,870,000	-	(2,870,000)	-	$0.15	June 10, 2015
4,480,000	-	(4,480,000)	-	0.15	June 15, 2015
7,350,000	-	(7,350,000)	-	$0.15	

d) Options

On June 16, 2010, the Company adopted a rolling stock option plan, which authorizes the Board of Directors to grant stock options to directors, officers, employees and consultants to acquire up to 10% of the issued and outstanding common shares of the Company. Under the plan, the exercise price of each stock option may not be less than market price of the Company's common shares calculated on the date of the grant less the applicable discount. The stock options can be granted for a maximum term of 10 years. The Company's stock option plan contains no vesting requirements, but permits the Board of Directors to specify a vesting schedule in its discretion.

Details of activity in stock options for the years ended August 31, 2015 are as follows:

August 31, 2014	Issued	Forfeited	Expired	August 31, 2015	Exercise Price	Expiry Date
900,000	-	(100,000)	(800,000)	-	$0.15	June 16, 2015

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

7. Transaction Costs

During the year ended August 31, 2015, the Company incurred $91,575 (2014 - $Nil) of transaction costs in relation to the due diligence work for April 2015 private placement that did not proceed. These have been expensed. A total of $76,000 transaction costs was paid for directly by K92 and deducted from loans receivable from K92.

8. Related Party Transactions

The Company's related parties consist of companies owned by the executive officer and directors and key management personnel of these companies, which are as follows:

	Relationship	Nature of Transactions
CDM Capital Partners Inc.	Owned and controlled by two directors of the Company	Accounting, Office and Administration, Rent and Loans Payable
ArkOrion Enterprises Inc.	Owned and controlled by the CFO of the Company	Accounting

Total compensation paid to CDM Capital Partners Inc. during the current year was $24,500 (2014 - $42,000) and to ArkOrion Enterprises Inc. was $Nil (2014 - $7,500). Details of related party transactions and compensation of key management personnel are as follows:

(a) During the year ended August 31, 2015, the Company paid or accrued $15,000 (2014 - $18,000) for accounting fees to CDM Capital Partners Inc.

(b) During the year ended August 31, 2015, the Company paid or accrued $Nil (2014 - $7,500) for accounting and CFO services to ArkOrion Enterprises Inc.

(c) During the year ended August 31, 2015, the Company paid or accrued $10,000 (2014 - $12,000) for office and administration fees to CDM Capital Partners Inc.

(d) During the year ended August 31, 2015, the Company paid or accrued $10,000 (2014 - $12,000) for office rent to CDM Capital Partners Inc.

(e) During the year ended August 31, 2015, the Company received $30,200 loans (2014 - $14,500) from CDM Capital Partners Inc. The loans totaling $44,500 are unsecured, bear interest of 8% per annum and are due and payable on December 31, 2015. As at August 31, 2015, a total of $3,678 of interest is owing to CDM Capital Partners Inc.

As at August 31, 2015, there are $29,919 (August 31, 2014 - $17,783) of fees owing to the CDM Capital Partners Inc. and $18,375 (August 31, 2014 - $18,375) of fees owing to ArkOrion Enterprises Inc., which are included in accounts payable and accrued liabilities. The amount owing is interest free, unsecured, current, and without fixed terms of repayment.

9. Income Taxes

a) The Company's effective tax rate differs from the amount obtained by applying the statutory rate due to the following:

	2015	2014
Statutory tax rate	26.00%	26.00%
Recovery of income taxes based on statutory tax rate	$ (82,700)	$ (26,000)
Change in benefit not recognized	97,100	26,000
Other	(14,400)	-
Recovery of income taxes	$ -	$ -

b) Deferred tax assets have not been recognized as at August 31, 2015 and 2014 in respect of the following items:

	2015	2014
Non-capital losses carried forward	$ 1,129,500	$ 773,200
Mineral properties	51,800	51,800
Financing costs	38,300	21,200
Other	700	700
	$ 1,220,300	$ 846,900

The operating losses in Canada expire at various dates to 2035.

No deferred tax asset has been recognized in respect of the above as the Company does not have any sources of taxable income and there is uncertainty as to whether the Company will earn taxable income in the future. As a result, it is not currently probably that the benefits of such amounts will be recognized.

10. Segmented Information

The Company has only one reportable operating segment, being mineral property explorations in Canada.

11. Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders, and to bring its mineral properties to commercial production.

The Company depends on external financing to fund its activities. The capital structure of the Company currently consists of common shares and share purchase warrants. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets, being mineral properties. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements, or sell assets to fund operations. Management reviews its capital management approach on regular basis. The Company is not subject to externally imposed capital requirements.

The Company invests all capital that is surplus to its immediate operational needs in short-term, liquid and highly-rated financial instruments, with major financial institutions.

12. Proposed Acquisition

On August 25, 2014, the Company signed a Share Exchange Agreement ("SEA"), as amended on November 19, 2014, March 31, 2015 and subsequently on June 30, 2015 with K92 Holdings International Limited ("K92"), a company incorporated under the laws of the Territory of the British Virgin Islands, and the shareholders of K92, whereby the Company agreed to acquire all of the outstanding shares of K92 from the shareholders of K92 in exchange for issuing, to the K92 shareholders, common shares of the Company on the basis of one common share of the Company for each one K92 share being acquired. Assuming completion of this share exchange, K92 will become a wholly-owned subsidiary of the Company. The completion of this transaction (the "Proposed Transaction") is, amongst other matters, conditional upon:

a) the completion of the acquisition of all of the outstanding shares of Barrick (Kainantu) Limited by a wholly-owned subsidiary of K92, as further described below, which was completed on March 5, 2015;

b) the completion of a brokered private placement of special warrants of the Company to raise minimum gross proceeds of $15,000,000 to close concurrently with the Proposed Transaction;

c) Receipt of all necessary shareholder and regulatory approvals including TSX Venture Exchange acceptance;

d) Completion of a satisfactory NI43-101 compliant independent technical report on the Kainantu Gold-Copper mine (completed); and

e) Receipt of acceptable corporate and title opinions on K92, K92PNG, BKL and BKL's assets in Papua New Guinea (completed).

12. Proposed Acquisition – *Continued*

BKL owns 100% of the rights and interests in and to certain mining leases and licenses in Papua New Guinea, including the Kainantu Gold-Copper mine currently owned by a subsidiary of Barrick Gold Corporation ("Barrick").

K92 owns all the outstanding shares of K92 Holdings (PNG) Limited ("K92PNG"). K92PNG is party to a Share Sale Agreement dated June 11, 2014 ("BKL Purchase Agreement") whereby K92PNG has agreed to acquire all the outstanding shares of BKL from Barrick. BKL was purchased from Barrick by K92PNG for a purchase price of US $62 million, comprised of a US $2 million initial cash payment and up to US $60 million in contingent cash payments. These contingent payments are subject to a term of ten years and are based upon additional reserves at the Kainantu Mine.

As at August 31, 2015, the acquisition of K92 by the Company had not been completed due to the inability of the Company and K92 to meet the financing condition noted in b) above. The Company and K92 remain committed to the completion of the Proposed Transaction and are pursuing alternate financing arrangements, which may require revisions to the terms of the SEA. In furtherance of the Company's and K92's goal of completing the Proposed Transaction, subsequent to August 31, 2015, the Company received additional funds (Note 14) which are being used to maintain K92's operations in Papua New Guinea.

13. Financial Instruments

The classification of the financial instruments as well as their carrying values is shown in the table below:

Loans and receivables	$	1,443,788
Other financial liabilities	$	1,777,011

a) Fair Value of Financial Instruments

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's length transaction between willing parties.

The fair value of cash, accounts receivable, loan receivable, accounts payables and accrued liabilities, loans payable and share subscriptions received may be less than the carrying value for some of these instruments, given going concern uncertainties described in Note 1.

13. Financial Instruments – *Continued*

b) Management of Risks Arising From Financial Instruments

The Company is exposed to various types of market risks including credit risk and liquidity risk. This is not an exhaustive list of all risks, nor will the mitigation strategies eliminate all risks listed.

(i) Credit Risk – Credit risk is the risk that one party to a financial instrument will fail to fulfill an obligation and cause the other party to incur a financial loss. The Company's credit risk consists primarily of cash, accounts receivable and loans receivable. To mitigate credit risk, the holders of the subscription receipts agreed that should the Proposed Transaction fail to close on or before December 31, 2015 (or such later date as the Company and each Subscription Receipt holder may agree), a pro-rata share of (A) the loans made to K92, (B) the remaining balance of the gross proceeds of the Private Placement (if any) which has not then been loaned by the Company to K92, and (C) interest accrued on the loans made to K92 will be returned to the subscription receipt held, and that the Company shall have no further liability to the subscription receipt holders. The credit risk is also minimized by placing cash with major Canadian financial institutions.

(ii) Liquidity Risk – Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due. To mitigate this risk, the Company has a planning and budgeting process in place to determine the funds required to support its ongoing operations and capital expenditures. In the past sufficient funds have been raised to meet its operating requirements, after taking into account existing cash and expected exercise of share purchase warrants. The Company's cash is held in business accounts which are available on demand for the Company's programs and are not invested in any asset-backed deposits or investments. Please refer also to Note 1 – Nature of operations and going concern.

The following table summarizes the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

As at August 31, 2015	Less than 1 year
Accounts payable and accrued liabilities	183,484
Loans payable	80,687
Share subscription received (Note 6a))	1,512,840
	1,777,011

14. Subsequent events

Subsequent to August 31, 2015 and as of the date of these financial statements, the Company received gross proceeds of $182,703 for subscription receipts received which were loaned to K92.