
CAROLINA CAPITAL CORP.

(An Exploration Stage Corporation)

FINANCIAL STATEMENTS

AUGUST 31, 2014 and 2013

(Expressed in Canadian Dollars)

Management's Responsibility for Financial Reporting

To the Shareholders of Carolina Capital Corp:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors and the Audit Committee is composed primarily of Directors who are neither management nor employees of Carolina Capital Corp. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Audit Committee has the responsibility of meeting with management and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Committee is also responsible for recommending the appointment of Carolina Capital Corp.'s external auditors.

MNP LLP, an independent firm of Chartered Accountants, is appointed by the shareholders to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Audit Committee and management to discuss their audit findings.

December 12, 2014

"Suzanne Wood"

Director

"Donn Burchill"

Director

Independent Auditors' Report

To the shareholders of Carolina Capital Corp.:

We have audited the accompanying financial statements of Carolina Capital Corp. (the "Company"), which comprise the statements of financial position as at August 31, 2014 and 2013, the statements of operations and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 an audit to obtain reasonable assurance whether the financial statements are free of 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 auditors' judgment including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or misstatement. 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 assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2014 and 2013, and its financial performance and its cash flows for the years then ended in accordance International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which discloses 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.

Vancouver, British Columbia
December 12, 2014


Chartered Accountants

CAROLINA CAPITAL CORP.
(An exploration stage company)
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	August 31, 2014	August 31, 2013
ASSETS		
CURRENT		
Cash and cash equivalents	\$ 11,828	\$ 3,553
Short-term investments (Note 2)	289,417	380,201
GST receivable	358	5,050
Other receivable (Note 4)	50,000	-
Prepaid expense	2,600	2,600
	<u>354,203</u>	<u>391,404</u>
NON-CURRENT		
Exploration and evaluation assets (Note 5)	<u>128,039</u>	<u>142,666</u>
TOTAL ASSETS	<u>\$ 482,242</u>	<u>\$ 534,070</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	<u>\$ 4,087</u>	<u>\$ -</u>
	4,087	-
SHAREHOLDERS' EQUITY		
Share Capital (Note 6)	\$ 733,081	\$ 719,081
Contributed Surplus	49,987	49,987
Deficit	<u>(304,913)</u>	<u>(234,998)</u>
	478,155	534,070
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 482,242</u>	<u>\$ 534,070</u>

These financial statements are authorized for issuance by the Board of Directors on December 12, 2014.

On behalf of the Board of Directors:

"Suzanne Wood"
Director

"Donn Burchill"
Director

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

CAROLINA CAPITAL CORP.
(An exploration stage company)
STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian dollars)

	For the Year Ended August 31, 2014	For the Year Ended August 31, 2013
OPERATING EXPENSES		
General office expenses	\$ 1,561	\$ 2,835
Professional fees	30,350	67,833
Project investigation (Note 4)	25,000	-
Rent	1,200	1,362
Stock-based compensation	-	8,798
Transfer agent and filing fees	15,839	29,464
	<u>73,950</u>	<u>110,292</u>
OTHER INCOME		
Interest income	4,035	2,977
	<u>4,035</u>	<u>2,977</u>
NET (LOSS) AND COMPREHENSIVE (LOSS) FOR THE YEAR	<u>\$ (69,915)</u>	<u>\$ (107,315)</u>
LOSS PER SHARE, Basic and Diluted	<u>\$ (0.01)</u>	<u>\$ (0.02)</u>
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING- Basic and Diluted	<u>9,194,384</u>	<u>6,285,753</u>

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

CAROLINA CAPITAL CORP.
(An exploration stage company)
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED AUGUST 31, 2014 AND 2013
(Expressed in Canadian dollars)

	Number of Shares	Capital Stock	Contributed Surplus	Deficit	Total
Balance, August 31, 2012	4,000,000	\$ 204,081	\$ 41,189	\$ (127,683)	\$ 117,587
Units issued for cash pursuant to a private placement	4,950,000	495,000	-	-	495,000
Shares issued for mineral property fair value at \$0.10 per share	200,000	20,000	-	-	20,000
Stock options granted during the year	-	-	8,798	-	8,798
Net loss and comprehensive loss for the year		-	-	(107,315)	(107,315)
Balance, August 31, 2013	9,150,000	719,081	49,987	(234,998)	534,070
Shares issued for mineral property fair value at \$0.07 per share	200,000	14,000	-	-	14,000
Net loss and comprehensive loss for the year	-	-	-	(69,915)	(69,915)
Balance, August 31, 2014	9,350,000	\$ 733,081	\$ 49,987	\$ (304,913)	\$ 478,155

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

CAROLINA CAPITAL CORP.
(An exploration stage company)
STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)

	For The Year Ended August 31, 2014	For the Year Ended August 31, 2013
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Net (Loss) for the year	\$ (69,915)	\$ (107,315)
Adjustments:		
Share based payments	-	8,798
Changes in non-cash working capital items:		
GST receivable	4,692	(5,050)
Other receivable	(50,000)	-
Prepaid expense	-	136
Accounts payable and accrued liabilities	4,087	(35,053)
Net cash (used in) operating activities	<u>(111,136)</u>	<u>(138,484)</u>
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		
Issuance of common shares	-	495,000
Net cash (used in) provided by financing activities	<u>-</u>	<u>495,000</u>
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Deferred exploration costs, net of tax refunds	28,627	(122,666)
Short-term investment	90,784	(258,272)
Net cash (used in) provided by investing activities	<u>119,411</u>	<u>(380,938)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	8,275	(24,422)
Cash and Cash Equivalents, beginning of year	<u>3,553</u>	<u>27,975</u>
Cash and Cash Equivalents, end of year	<u>\$ 11,828</u>	<u>\$ 3,553</u>
Supplemental cash flow information:		
Issuance of share capital for acquisition of mineral property interests	<u>\$ 14,000</u>	<u>\$ -</u>

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

1. NATURE OF OPERATIONS AND ABILITY TO CONTINUE AS A GOING CONCERN

Carolina Capital Corp. (the "Company") was incorporated under the Business Corporations Act of British Columbia on July 26, 2010. The head office, principal address and registered and records office of the Company are located at 2075 West 37th Avenue, Vancouver, B.C., V6M 1N7. The Company does not have any subsidiaries. The Company was a capital pool company as defined by the rules of the TSX Venture Exchange ("Exchange") in Policy 2.4 of the Exchange. Effective March 26, 2013, the Company received Exchange approval for its Qualifying Transaction and commenced trading on the Exchange as a Tier 2 Mining Issuer. The Company's principal business activity is the exploration of mineral resources on the GP Property. During the fiscal year ended 2014 the Company incurred additional acquisition expenditures totalling \$14,000 resulting in the cumulative exploration and acquisition expenditures of \$156,666 on the GP Property as of August 31, 2014.

The Company has not yet determined whether its properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties and exploration costs is dependent upon the existence of economically recoverable ore reserves, the ability of the Company to obtain necessary financing to complete the exploration and development of its properties, and upon future profitable production or proceeds from the disposal of properties.

The Company emphasizes that attention should be drawn to 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. These financial statements have been prepared using accounting principles applicable to a going concern which assumes the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The recoverability of capitalized costs on the GP Property is uncertain and dependent upon projects achieving commercial production or sale. The ability of the Company to carry out its business objectives dependent on the Company's ability to receive continued financial support from related parties, to obtain public equity financing, or to generate profitable operations in the future.

	<u>August 31, 2014</u>	<u>August 31, 2013</u>
Working capital	\$ 350,116	\$ 391,404
Deficit	\$ (304,913)	\$ (234,998)

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

These financial statements are authorized for issue by the Board of Directors on December 12, 2014.

Basis of measurement

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgments, estimates and assumptions

The preparation of financial statements in conformity of IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Significant estimates used in preparing the financial statements include, but are not limited to:

- the calculation of share-based compensation, which includes the assumptions used in the Black-Scholes option pricing model such as volatility, estimated forfeiture rates and expected time until exercise;
- the economic recoverability of exploration expenditures incurred and the probability of future economic benefits from these expenditures; and
- asset carrying value and impairment charges.

Significant judgments used in the preparation of these financial statements include, but are not limited to:

- those relating to the assessment of the Company's ability to continue as a going concern.

Cash and cash equivalents

The Company considers all highly liquid instruments with an original maturity of three months or less at the time of issuance to be cash equivalents. As at August 31, 2014 and 2013, the Company's cash and cash equivalents consist of cash only.

Short-term investments

Short-term investments are investments which are transitional or current in nature, with an original maturity greater than three months but less than twelve months. As at August 31, 2014, the Company has short term investment balance of \$289,417, including accrued interest, (2013: \$380,201) due on March 13, 2015 with an annual yield of prime rate less 1.95% (2013: Prime rate less 1.75%).

Exploration and evaluation expenditures

The Company is in the exploration stage with respect to its investment in mineral interests. Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures ("E&E") are recognized and capitalized, in addition to the acquisition costs.

These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the period in which they occur. At such time as commercial production commences, these costs will be charged to operations on a unit-of-production method based on proven and probable resources. The aggregate costs related to abandoned exploration and evaluation assets are charged to operations at the time of any abandonment or when it has been determined that there is evidence of a permanent impairment. The recoverability of amounts shown for exploration and evaluation assets is dependent up on the discovery of economically recoverable resources, the ability of the Company to obtain financing to complete development of the properties, and on future production or proceeds of disposition.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Exploration and evaluation expenditures (continued)

The Company recognized as income any costs recovered on exploration and evaluation assets when amounts received or receivable are in excess of the carrying amount.

Rehabilitation obligations

The Company recognizes liabilities for statutory, contractual or legal obligations associated with the reclamation of exploration and evaluation assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the period in which the obligation is incurred. Upon initial recognition of the liability, the corresponding asset retirement cost is added to the carrying amount of the related asset and the cost is amortized as an expense over the economic life of the asset using either the unit-of-production method or the straight-line method, as appropriate. Following the initial recognition of the asset retirement obligation, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the amount or timing of the underlying cash flows needed to settle the obligation.

As at August 31, 2014 and 2013, the Company has no asset retirement obligations and accordingly, has not recorded an asset retirement obligation in the financial statements.

Mining Tax Credit

Mining tax credits are recorded in the accounts when there is reasonable assurance that the Company has complied with, and will continue to comply with, all conditions needed to obtain the credits. These non-repayable mining credits are earned in respect to exploration costs incurred in British Columbia, Canada and are recorded as a reduction of the related exploration expenditures.

Earnings / loss per share

Basic earnings (loss) per share are calculated using the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share are calculated using the treasury stock method. This method assumes that common shares are issued for the exercise of options, warrants and convertible securities and that the assumed proceeds from the exercise of options, warrants and convertible securities are used to purchase common shares at the average market price during the period. The difference between the number of shares assumed issued and the number of shares assumed purchased is then added to the basic weighted average number of shares outstanding to determine the fully diluted number of common shares outstanding. No exercise or conversion is assumed during the periods in which a net loss is incurred as the effect is anti-dilutive.

Financial instruments

The Company's financial instruments consist of cash and cash equivalents, short-term investments, other receivable and accounts payable and accrued liabilities. Cash and cash equivalents and short-term investments are classified as fair value through profit or loss and recorded at fair value. Other receivable is classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost. The fair value of cash and cash equivalent, short-term investments, other receivable and accounts payable and accrued liabilities approximate their carrying value due to their short-term nature.

Financial assets

The Company classifies its financial assets into one of the following categories:

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

- i. Fair value through profit or loss;
- ii. Held-to-maturity;
- iii. Available-for-sale; and
- iv. Loans and receivables.

Financial assets at fair value through profit or loss ("FVTPL")

Financial assets at FVTPL are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorized as held for trading unless they are designed as effective hedges. Financial assets at FVTPL are initially recognized, and subsequently carried, at fair value, with changes recognized in profit or loss. Transaction costs are expensed. Cash and cash equivalents, short-term investment and other receivable are classified as financial assets at fair value through profit or loss and measured at fair value. Gains and losses related to periodical evaluations are recorded in net income.

Held-to-maturity

These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. Held-to-maturity investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs. Subsequent to initial recognition, these assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statements of operations and comprehensive loss.

Available-for-sale ("AFS")

Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value with changes therein, other than impairment losses, interest calculated using the effective interest method and foreign currency differences on AFS monetary items, recognized in other comprehensive income or loss. When an investment is derecognized or is determined to be impaired, the cumulative gain or loss previously recognized in equity is transferred to profit or loss for the period.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted on an active market. Such assets are initially recognized at fair value plus any direct attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Other receivable is classified as loans and receivables.

Effective interest method

The effective interest method calculates the amortized cost of a financial asset and allocates interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as FVTPL.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been negatively impacted. Evidence of impairment could include: significant financial difficulty of the issuer or counterparty; or default or delinquency in interest or principal payments; or the likelihood that the borrower will enter bankruptcy or financial reorganization.

For certain categories of financial assets, such as receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of receivables, where the carrying amount is reduced through the use of an allowance account. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

The carrying amount of financial assets is reduced by any impairment loss directly for all financial assets. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Derecognition of financial assets

Financial assets are derecognized when the rights to receive cash flows from the assets expire or the financial assets are transferred and the Company has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized directly in equity is recognized in profit or loss.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the group entities are recorded at the proceeds received, net of direct issue costs.

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Fair value through profit or loss

This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with the changes in fair value recognized in the statement of operations and comprehensive loss.

Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized using effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expenses over the corresponding period. The effective interest rate is the rate that exactly discounts estimated future cash payments over the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

The Company has classified accounts payable and accrued liabilities as other financial liabilities.

Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

Income taxes

Income tax is recognized in profit or loss except to the extent that it relates to items recognized in other comprehensive income or directly in equity, in which case it is recognized in other comprehensive income 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 recorded using the statement of financial position liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences do not result in deferred tax assets or liabilities: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Share-based payment transactions

The Company recognizes share-based payment expense for the estimated fair value of equity-based instruments granted to both employees and non-employees. Compensation expense is recognized when the options are granted with the same amount being recorded as contributed surplus.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payment transactions (continued)

For employees the fair value is measured at grant date and each tranche is recognized on a graded-vesting basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Share-based payment transactions with non-employees are measured at the fair value of the goods or services received. However, if the fair value cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the options granted at the date the Company receives the goods or the services using the Black-Scholes option pricing model.

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Comparative Figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

3. FUTURE ACCOUNTING PRONOUNCEMENTS

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective. The Company does not expect the impact of such changes on the financial statements to be material.

IFRS 2 Share-based payment

The amendments to IFRS 2, issued in December 2013 clarify the definition of "vesting conditions", and separately define a "performance condition" and a "service condition". A performance condition requires the counterparty to complete a specified period of service and to meet a specified performance target during the service period. A service condition solely requires the counterparty to complete a specified period of service. The amendments are effective for share-based payment transactions for which the grant date is on or after July 1, 2014.

IFRS 3 Business combinations

The amendments to IFRS 3, issued in December 2013, clarify the accounting for contingent consideration in a business combination. At each reporting period, an entity measures contingent consideration classified as an asset or a financial liability at fair value, with changes in fair value recognized in profit or loss. The amendments are effective for business combinations for which the acquisition date is on or after July 1, 2014.

3. FUTURE ACCOUNTING PRONOUNCEMENTS (continued)

IFRS 7 Financial instruments: disclosures and IAS 32 Financial instruments: presentation

Financial assets and financial liabilities may be offset, with the net amount presented in the statement of financial position, only when there is a legally enforceable right to set off and when there is either an intention to settle on a net basis or to realize the asset and settle the liability simultaneously. The amendments to IAS 32, issued in December 2011, clarify the meaning of the offsetting criterion "currently has a legally enforceable right to set off" and the principle behind net settlement, including identifying when some gross settlement systems may be considered equivalent to net settlement. The amendments will only affect disclosure and are effective for annual periods beginning on or after January 1, 2014.

IFRS 9 Financial instruments

IFRS 9 was issued in November 2009 and subsequently amended as part of an ongoing project to replace IAS 39 Financial instruments: Recognition and measurement. The standard requires the classification of financial assets into two measurement categories based on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. The two categories are those measured at fair value and those measured at amortized cost. The classification and measurement of financial liabilities is primarily unchanged from IAS 39. However, for financial liabilities measured at fair value, changes in the fair value attributable to changes in an entity's "own credit risk" is now recognized in other comprehensive income instead of in profit or loss.

This new standard will also impact disclosures provided under IFRS 7 Financial instruments: disclosures. In November 2013, the IASB amended IFRS 9 for the significant changes to hedge accounting. In addition, an entity can now apply the "own credit requirement" in isolation without the need to change any other accounting for financial instruments. The mandatory effective date of January 1, 2015 has been removed to provide sufficient time for preparers of financial statements to make the transition to the new requirements.

IAS 24 Related party disclosures

The amendments to IAS 24, issued in December 2013, clarify that a management entity, or any member of a group of which it is a part, that provides key management services to a reporting entity, or its parent, is a related party of the reporting entity. The amendments also require an entity to disclose amounts incurred for key management personnel services provided by a separate management entity. This replaces the more detailed disclosure by category required for other key management personnel compensation. The amendments will only affect disclosure and are effective for annual periods beginning on or after July 1, 2014.

IAS 36 Impairment of assets

The amendments to IAS 36, issued in May 2013, require: Disclosure of the recoverable amount of impaired assets; and Additional disclosures about the measurement of the recoverable amount when the recoverable amount is based on fair value less costs of disposal, including the discount rate when a present value technique is used to measure the recoverable amount. The amendments will only affect disclosure and are effective for annual periods beginning on or after January 1, 2014.

4. OTHER RECEIVABLE

On April 7, 2014, the Company entered into a non-binding Letter of Intent ("LOI") with IMG Gold Recovery Inc. ("IMG") to form a joint venture whereby the Company and IMG will build and operate a precious metals toll mill and recovery facility. The facility, to be located in BC or the Yukon, will utilize IMG's proprietary recovery technologies to extract fine gold, silver and platinum from concentrates. Under the LOI, the Company and IMG will create an operating subsidiary to be owned equally by the Company and IMG, subject to dilution clauses. The Company will supply the staged operating capital to purchase the necessary equipment to operate the gold recovery system budgeted at \$750,000 (\$25,000 non-refundable deposit paid). IMG will provide the licensed technology and expertise to operate the gold recovery system and identify the sources of concentrate. On June 27, 2014 the LOI was extended to September 30, 2014.

On July 21, 2014, the Company signed an addendum with IMG to provide \$50,000 for capital expansion of IMG's pilot plant in Burnaby, BC. Gross metals stream revenue from the Burnaby plant would be divided equally between Carolina and IMG until the earlier of \$100,000 of gross metal stream revenue or the completion and execution of the Definitive Agreement contemplated in the original LOI.

On October 14, 2014 the Company reported that its non-binding Letter of Intent with IMG had expired. IMG had not met the closing conditions outlined in the terms of the original non-binding Letter of Intent dated April 7, 2014. As a result, the Company has written off the non-refundable deposit as project investigation cost. The Carolina and IMG addendum whereby Carolina and IMG will revenue share on gross gold, silver and platinum at the expanded Burnaby plant will stay in effect. As a result, the Company has recorded the \$50,000 as other receivable as management believe that this is collectible within a year.

5. EXPLORATION AND EVALUATION ASSETS

GP Property, British Columbia

On November 20th, 2012, the Company entered into an Option Agreement to earn a 100% interest in the GP Property by incurring exploration expenditures totaling \$100,000 on or before the first anniversary of the date of Exchange approval (completed). The Company made cash payments to the vendors of the Option of \$10,000 upon receipt of the Technical Report and \$15,000 at the time of Exchange approval. Additionally, the Company must issue 700,000 shares (200,000 upon Exchange approval (issued), 200,000 on the first anniversary of Exchange approval (issued) and 300,000 on or before the second anniversary). During the fiscal year ended 2014, the Company issued 200,000 shares as part of the acquisition requirement for a fair value of \$14,000 (2013: \$142,666).

As at August 31, 2014, the Company incurred the following acquisition and exploration expenditures on the GP Property:

GP Property– British Columbia	August 31, 2014	August 31, 2013	Cumulative
Acquisition costs	\$ 14,000	\$ 47,400	\$61,400
Balance, end of year	14,000	47,400	61,400
Analysis – assay costs	-	59,464	59,464
Field supplies and expenses	-	3,476	3,476
Contractors – field crew, supervision and reports	-	23,025	23,025
Travel, accommodation and meals	-	9,301	9,301
BC METC refund	(28,627)	-	(28,627)
Balance, end of year	(28,627)	95,266	66,639
Total	\$ (14,627)	\$142,666	\$128,039

6. SHARE CAPITAL

- (a) Authorized: Unlimited number of common shares without par value.

On August 24, 2010, the Company issued 2,000,000 common shares at a price of \$0.05 per common share to its directors and officers for cash proceeds of \$100,000.

On December 15, 2010, the Company completed its initial public offering in British Columbia and Alberta by issuing 2,000,000 common shares at a purchase price of \$0.10 per share for gross proceeds to the Company of \$200,000. Mackie Research Capital Corporation acted as agent in respect of the offering and received a cash commission of \$20,000, an administration fee of \$10,000 and an option to acquire an aggregate of 200,000 common shares for a period of two years from the date of the listing of the common shares of the Company on the TSX Venture Exchange. On December 14, 2012 the 200,000 share purchase options granted to the agent in connection with the Company's initial public offering expired unexercised.

Pursuant to the Option Agreement, on March 22, 2013 the Company issued an aggregate of 200,000 common shares to Qualitas Holdings Corp. and Mike Magrum (the "Vendors"). The shares were fair valued at \$0.10 a share (\$20,000) which is the fair market value of the stock on the date that the shares were issued.

On March 22, 2013, concurrent with the completion of the Qualifying Transaction, the Company completed a non-brokered private placement (the "Offering") of 4,950,000 units at a price of \$0.10 per unit, for gross proceeds of \$495,000. Each unit consists of one common share and one-half (1/2) of one share purchase warrant, with each whole warrant entitling the holder to acquire one additional common share at a price of \$0.15 for two years from closing of the Offering. The Company bifurcates units consisting of common shares and share purchase warrants using the residual value approach whereby it first measures the common share component of the unit at fair value using market prices as input values and then allocates any residual amount to the warrant component of the unit. As at August 31, 2014, \$495,000 has been allocated to common shares and \$Nil has been allocated to warrant.

On April 3, 2014, pursuant to the Option Agreement, the Company issued 200,000 common shares to Qualitas Holdings Corp. and Mike Magrum (the "Vendors"). The shares were recorded at the fair market value of \$0.07 per share for a total of \$14,000.

- (b) Escrowed shares:

On August 24, 2010, the Company issued 2,000,000 common shares at a price of \$0.05 per common share to its directors and officers for cash proceeds of \$100,000. These shares are subject to an escrow agreement, are held by the Company's escrow agent, and are to be released in accordance with the TSX Venture Exchange policy guidelines. According to Exchange policies, all seed shares issued at a price lower than the price of the Initial Public Offering (IPO) shares and all securities acquired by non-arm's length parties to the Company, and all securities acquired by a Control Person are held in escrow and will be released over a period of three years from the acceptance of the Company's Qualifying Transaction. As at August 31, 2014, 1,200,000 shares remain in escrow.

On March 22, 2013 under the non-brokered private placement of units, the Company sold 1,000,000 units to a director and his spouse for cash proceeds of \$100,000. These shares are subject to an escrow agreement, are held by the Company's escrow agent, and are to be released in accordance with the TSX Venture Exchange policy guidelines over a period of three years from the acceptance of the Company's Qualifying Transaction. As at August 31, 2014, 600,000 shares remain in escrow.

6. SHARE CAPITAL (continued)

(c) Share Purchase Warrants:

A summary of warrant activity for the year is as follows:

	Number of Warrants	Weighted Average Exercise Price	Expiry Date
Balance, August 31, 2014 and 2013	2,475,000	\$0.15	March 22, 2015

As at August 31, 2014, the above noted share purchase warrants have a weighted average remaining contractual life of 0.56 years.

7. SHARE-BASED PAYMENT TRANSACTIONS

The Company has adopted an incentive stock option plan (the "Option Plan") which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees, and consultants to the Company, nontransferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares as at the closing date of the Company's Initial Public Offering or until the completion of the Company's Qualifying Transaction, and thereafter will not exceed 10% of the issued and outstanding common shares at the date of granting the stock option.

Pursuant to the Option Plan, the Company entered into agreements with its three directors to grant an aggregate of 400,000 incentive stock options with a grant date of December 14, 2010, vesting immediately. Each option allows the holder to purchase one common share of the Company at an exercise price of \$0.10 per common share (equal to market price at the date of grant) for a period of five years from the date of grant. During the fiscal year 2011, the Company expensed \$29,765 stock-based compensation as the result of granting the above noted stock options.

The fair market value of the 400,000 stock options granted in December 2010 was estimated at \$0.08 per stock option by using Black-Scholes fair value option-pricing model and the following assumptions were used:

Risk-free interest rate	2.33%
Expected life of stock options	5 years
Annualized volatility	98%
Dividend rate	0.00%

On May 2, 2013, pursuant to the Company's stock option plan, the Company granted a newly appointed director an option to purchase 100,000 common shares at an exercise price of \$0.20 per share (equal to market price at the date of grant) for a period of two years from the date of grant. The stock options vested immediately. During the year ended August 31, 2013 the Company expensed \$8,798 stock-based compensation as the result of granting the above noted stock options.

The fair market value of the 100,000 stock options granted in May 2013 was estimated at \$0.09 per stock option by using Black-Scholes fair value option-pricing model and the following assumptions were used:

Risk-free interest rate	1.07%
Expected life of stock options	2 years
Annualized volatility	81%
Dividend rate	0.00%

7. SHARE-BASED PAYMENT TRANSACTIONS (continued)

A summary of option activity for the year ended August 31, 2014 is as follows:

	Number of Options	Weighted Average Exercise Price	Expiry Date
	400,000	\$ 0.10	December 14, 2015
	100,000	\$ 0.20	May 2, 2015
Balance, August 31, 2014 and 2013	500,000	\$ 0.12	

As at August 31, 2014, these options have a weighted average remaining contractual life of 1.16 years (2013: 2.16 years).

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

8. RELATED PARTY TRANSACTIONS

Balances and transactions with related parties not disclosed elsewhere in these financial statements are as follows:

- (a) For the year ended August 31, 2014, the Company incurred accounting, filing services, administrative services and rent expense of \$14,480 (2013: \$15,932) to a company owned by one of its directors. As at August 31, 2014, included in accounts payable, \$1,194 (2013: \$Nil) is payable to a company owned by one of its directors.
- (b) For the year ended August 31, 2014, the Company incurred exploration expenses of \$nil to a company owned by one of its directors (2013: \$95,266).

9. FINANCIAL RISK MANAGEMENT

The Company's financial assets consist of cash and cash equivalents, short-term investments and other receivable. The estimated fair values of cash and cash equivalents, short-term investments and other receivable approximate their respective carrying values due to the short period to maturity.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

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

9. FINANCIAL RISK MANAGEMENT (continued)

For the years ended August 31, 2014 and 2013, the fair value of cash and cash equivalents and short-term investments were measured using Level 1 inputs. Other receivable were measured using Level 2 inputs.

The Company is exposed to varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes, inclusive of counterparty limits, controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due. The Company ensures, as far as reasonably possible, it will have sufficient capital in order to meet short-term business requirements, after taking into account cash flows from operations and the Company's holdings of cash and cash equivalents. The Company believes that these sources will be sufficient to cover the likely short-term cash requirements. The Company's cash and cash equivalents are currently invested in business accounts which are available on demand by the Company for its operations.

Interest Rate Risk

The Company invests part of the cash balance in a variable rate GIC at rate of prime minus 1.95%. Any change to market rates result in interest rate risk. The exposure to interest rate risk, however, is limited due to the short term nature of variable rate GIC.

Credit Risk

Credit risk is the risk of a loss in a counterparty to a financial instrument that fails to meet its contractual obligations. The Company's exposure to credit risk is limited to its cash and cash equivalents and short-term investments. The Company limits its exposure to credit risk by holding its cash and cash equivalents and short-term investments in deposits with high credit quality Canadian financial institutions.

10. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and exploration of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital that it manages as share capital and cash equivalents.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company has historically relied on equity financing to fund its activities. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the year ended August 31, 2014.

11. INCOME TAXES

The income tax provision differs from income taxes, which would result from applying the expected tax rate to net loss before income taxes. The difference between the "expected" income tax expense and the actual income tax provision are summarized as follows:

CAROLINA CAPITAL CORP.
(An exploration stage company)
NOTES TO THE FINANCIAL STATEMENTS
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11. INCOME TAXES (continued)

	August 31, 2014	August 31, 2013
Statutory rate	26%	25.40%
Income taxes recovery computed at the effective tax rate	\$ 18,178	\$ 27,258
Stock based compensation not deductible for tax purposes	-	(2,235)
Change in estimates	1,608	28,396
Effect of change in income tax rate	-	2,040
Tax benefit not utilized	(19,786)	(55,459)
Income tax recovery (expense)	\$ -	\$ -

The tax effects of deductible and taxable temporary differences that give rise to the Company's deferred tax assets and liabilities are as follows:

	August 31, 2014	August 31, 2013
Non-capital loss carry forwards	\$ 116,338	\$ 92,158
Share issuance cost	4,394	8,788
Less: Deferred tax asset not recognized	(120,732)	(100,946)
Net Deferred tax asset (liability)	\$ -	\$ -

Due to the uncertainty surrounding the realization of deferred tax assets, the Company has made a 100% valuation allowance against its deferred tax assets.

As at August 31, 2014, the Company has non-capital losses of approximately \$447,454 (2013 - \$360,640) which may be carried forward and applied against taxable income in future years, subject to final determination by tax authorities and expiring as follows:

2030	\$ 39,130
2031	94,715
2032	105,194
2033	121,601
2034	86,814
	<u>\$ 447,454</u>

12. SEGMENTED INFORMATION

The Company operates in one operating segment, that being the exploration of mineral properties. The Company's corporate offices are located in Canada and its mineral exploration activities are conducted in British Columbia, Canada.

13. COMMITMENT

See Note 5.

14. SUBSEQUENT EVENT

See Note 4.