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**ZOLOTO RESOURCES LTD.**

**FINANCIAL STATEMENTS**

**For the six months ended June 30, 2015 and 2014**

*(Unaudited)*

*(Expressed in Canadian dollars)*

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## **MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

The accompanying financial statements of Zoloto Resources Ltd have been prepared by management in accordance with International Financial Reporting Standards. The financial information contained elsewhere in this report has been reviewed to ensure consistency with the financial statements.

**ZOLOTO RESOURCES LTD.****Statements of Financial Position**

(Unaudited; Expressed in Canadian Dollars)

**BALANCE SHEET**

	Notes	June 30, 2015	December 31, 2014
<b>ASSETS</b>			
HST/GST receivable		\$ 28,223	\$28,223
Prepaid expenses and deposits		170,897	77,090
Investments		172,329	289,559
		<b>371,449</b>	<b>\$394,872</b>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable, accrued liabilities, adjusted	4	\$ 12,485	\$94,000
Convertible Promissory Note, July 31, 2012	5	1,007,320	854,546
Convertible Promissory Note, January 1, 2014	5	360,262	306,824
		<b>1,380,067</b>	<b>1,254,955</b>
<b>SHAREHOLDERS' EQUITY (DEFICIENCY)</b>			
Share capital	7	67,330,054	67,330,054
Reserves		265,790	265,790
Accumulated deficit		(68,604,462)	(68,455,927)
		<b>(1,008,618)</b>	<b>(860,083)</b>
		<b>\$ 371,449</b>	<b>\$ 394,872</b>

Nature of operations and going concern (note 1)

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

**ZOLOTO RESOURCES LTD.****Income Statement**

(Unaudited; Expressed in Canadian Dollars)

**STATEMENT OF PROFIT AND LOSS**

		For the three months ended	
	Note	June 30, 2015	June 30, 2014
Sales		376,879	0.00
Cost of Sales		94,219	0.00
Gross Profit		282,660	0.00
Expenses			
Production and administrative	\$	126,913	\$ 64,000
Office and general administration		597	5,940
Professional fees		1,059	6,990
		128,569	76,930
Other expenses (income)			
Foreign exchange loss (gain) for period		(17,391)	68,079
Unrealized loss (gain) on investments		0.00	0.00
		(17,391)	68,079
Total Expenses	\$	106,857	\$145,009
Net gain (loss) for the period	\$	175,803	(145,009)
Basic and diluted gain (loss) per share	7	\$ 0.000566221	\$ (0.00051)
Weighted average number of common shares outstanding		310,485,300	285,485,300

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

**ZOLOTO RESOURCES LTD.****Statements of Changes in Shareholders' Equity (Deficiency)**

(Unaudited; Expressed in Canadian Dollar)

**For the year ended December 31, 2014:**

	<b><u>Number of Shares</u></b>	<b><u>Share Capital</u></b>	<b><u>Reserve for Warrants</u></b>	<b><u>Accumulated Deficit</u></b>	<b><u>Total Shareholders' Deficiency</u></b>
Balance at December 31, 2013	145,485,300	\$ 67,330,054	\$ 265,790	\$ (70,000,023)	\$ (2,404,179)
Comprehensive loss for the year		-	-	(274,160))	(274,160)
Adjustment to deficit prior periods				1,818,256	1,818,256
<b>Balance at December 31, 2014</b>	<b>285,485,300</b>	<b>\$ 67,330,054</b>	<b>\$ 265,790</b>	<b>\$ (68,455,927)</b>	<b>\$ (860,083)</b>

**For the six months ended June 30, 2015:**

	<b><u>Number of Shares</u></b>	<b><u>Share Capital</u></b>	<b><u>Reserve for Warrants</u></b>	<b><u>Accumulated Deficit</u></b>	<b><u>Total Shareholders' Deficiency</u></b>
Balance at December 31, 2014	285,485,300	\$ 67,330,054	\$ 265,790	\$ (68,455,927)	\$ (860,083)
Loss for period Jan – March 2015		-	-	(324,338)	(324,338)
<b>Balance at March 31, 2015</b>	<b>310,485,300</b>	<b>\$ 67,330,054</b>	265,790	<b>\$(68,780,265)</b>	<b>\$(1,184,421)</b>
Gain for period April – June 2015			265,790	175,803	175,803
<b>Balance at June 30, 2015</b>	<b>310,485,300</b>	<b>\$ 67,330,054</b>	265,790	<b>\$(68,604,462)</b>	<b>\$(1,008,618)</b>

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

**ZOLOTO RESOURCES LTD.****Statement of Cash Flows**

(Unaudited; Expressed in Canadian Dollars)

**CASH FLOW****Three months ended**

	<b>June 30, 2015</b>	<b>June 30, 2014</b>
<b>Cash provided by (used in):</b>		
<b>Operating activities</b>		
Net Gain (Loss) for the period	\$ 175,803	\$ (145,009)
Items not requiring (providing) cash:		
Unrealized foreign exchange loss (gain)	(17,391)	68,079
Decrease (increase) in investments and prepaid	(170,897)	(289,559)
From Note Holders	0.00	279,941
Accounts payable	12,485	94,000
Other adjustments	0.00	(7,452)
Unrealized loss (gain) on investment	0.00	0.00
	<b>0.00</b>	<b>0.00</b>
Net change in non-cash working capital items:		
HST/GST receivable and Prepaid expenses	0.00	0.00
Adjustment to equity		
Accrued liabilities	0.00	0.00
Other adjustments	-	
	<b>0.00</b>	<b>0.00</b>
Decrease in cash and cash equivalents	-	-
Cash and cash equivalents, beginning of the year	-	-
<b>Cash and cash equivalents, end of the period</b>	<b>\$ -</b>	<b>\$ -</b>

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

# **ZOLOTO RESOURCES LTD.**

## **Notes Financial Statements**

**For the six months ended June 30, 2015**

(Unaudited; Expressed in Canadian Dollars)

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### **1. Organization and nature of operations**

Zoloto Resources Ltd. ("Zoloto" or the "Company") was incorporated on February 6, 1996, under the provincial laws of Alberta. The Company's principal place of business is located at 507- 475 Howe Street, Vancouver, British Columbia, V6C 2B3. The Company's common shares commenced trading on the TSX Venture Exchange (the "Exchange") on October 4, 2004. On May 5, 2009, the Exchange suspended the Company's shares from trading on the Exchange as a result of a cease trade order issued by the British Columbia Securities Commission ("BCSC") on May 4, 2009, for failure to file its Annual Audited Financial Statements and related Management Discussion & Analysis for the Company's financial year ended December 31, 2008. On July 11, 2010 the Company's shares were delisted from the Exchange.

The Company currently owns an interest in a gold, silver and copper milling project in Ecuador. Previously, the Company's main properties of interest were the Elvenie, Tumannoye and Kenke gold projects located in Chukotka, Autonomous Okrug and the Ozherelie and Ykanskoye gold properties in Irkutsk, all within the Russian Federation. These property interests were held by the Company's Russian subsidiaries, ZAO Chukot Gold, ZAO Baykal Gold, ZAO KM Gold, and ML Ltd, all of which were wound up by the end of fiscal 2009. Consequently all related mineral property costs were written off, and recognized in comprehensive loss for the year ended December 31, 2009. As a result, as of January 1, 2010, the Company no longer had any subsidiaries.

These financial statements have been prepared on a going concern basis which contemplates that 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. The Company incurred a net gain of \$175,803 for the six months ended June 30, 2015, and a net loss of \$274,160 for the year ended December 31, 2014, and has a working capital deficiency of \$1,008,618 for the six months ended June 30, 2015, and \$860,083 as at December 31, 2014.

The Company's ability to continue as a going concern is dependent upon the ability of the Company to raise equity and/or debt financing, the discovery of economically recoverable reserves, and ultimately the attainment of profitable operations. If the Company is unable to secure additional financing, repay liabilities as they come due, and/or continue as a going concern, then material adjustments would be required to the carrying value of assets and liabilities and the statement of financial position classifications used. Additionally, the Company may be required to liquidate its assets. These financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of all assets and liabilities should the Company be unable to continue as a going concern.

### **2. Basis of preparation**

#### **(a) Statement of compliance and conversion to International Financial Reporting Standards ("IFRS")**

These financial statements have been prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB"). IFRS accounting standards include interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") and its predecessor. These interim financial statements, including comparatives, have been prepared on the basis of IFRS that are published at the time of preparation and that are effective or early-adopted as of June 30, 2015.

#### **(b) Basis of presentation**

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

## **ZOLOTO RESOURCES LTD.**

### **Notes Financial Statements**

**For the six months ended June 30, 2015**

(Unaudited; Expressed in Canadian Dollars)

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## **2. Basis of preparation (continued)**

### **(c) Presentation and functional currency**

These financial statements have been prepared in Canadian dollars, which is the Company's functional and presentation currency.

### **(d) Significant accounting judgments and estimates**

The preparation of the interim financial statements using accounting policies consistent with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses. The preparation of the financial statements also requires management to exercise judgment in the process of applying the accounting policies.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively from the period in which the estimates are revised.

## **3. Significant accounting policies**

### **(a) Financial instruments**

Financial assets and financial liabilities are recognized on the statements of financial position when the Company becomes a party to the contractual provisions of the financial instrument.

#### ***Financial assets***

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

*Fair value through profit or loss* - This category comprises derivatives not designated as a hedging instrument, or financial assets acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statements of financial position at fair value with changes in fair value recognized in the statements of comprehensive loss.

*Loans and receivables* - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

*Held-to-maturity investments* - 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. These assets are measured at amortized cost using the effective interest rate 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. Changes to the carrying amount of the investment, including impairment losses, are recognized in the statements of comprehensive loss.

Transaction costs associated with fair value through profit or loss financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

All financial assets, except for those at fair value through profit or loss, are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.



## **ZOLOTO RESOURCES LTD.**

### **Notes Financial Statements**

**For the six months ended June 30, 2015**

(Unaudited; Expressed in Canadian Dollars)

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### **3. Significant accounting policies (continued)**

#### ***Financial liabilities***

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was incurred. The Company's accounting policy for each category is as follows:

*Fair value through profit or loss* - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statements of financial position at fair value with changes in fair value recognized in the statements of comprehensive loss.

*Other financial liabilities* - This category includes accounts payable and accrued liabilities. Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest method.

#### **(b) Share capital**

##### *Common shares*

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

##### *Equity units*

Proceeds received on the issuance of units, comprised of common shares and warrants, are allocated on the residual value method; proceeds are allocated to the common shares up to their fair value, as determined by the current quoted trading price on the announcement date, and the balance, if any, to a reserve for warrants.

#### **(c) Gain (Loss) per share**

The Company presents basic and diluted gain (loss) per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted gain (loss) per share is determined by adjusting the gain (loss) attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all potential common shares, unless the impact would be anti-dilutive.

#### **(d) Income taxes**

Income tax on profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized as equity.

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

Deferred tax is provided using the statement of financial position method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences on the initial recognition of assets or liabilities that affect neither accounting nor taxable loss is not provided for. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amounts of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position 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. To the extent that the Company does not consider it probable that a future tax asset will be recovered, it provides a valuation allowance against that excess. 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.

## **ZOLOTO RESOURCES LTD.**

### **Notes to the Financial Statements**

**For the six months ended June 30, 2015**

(Unaudited; Expressed in Canadian Dollars)

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### **3. Significant accounting policies (continued)**

#### **(e) New accounting standards and interpretations adopted**

Through June 30, 2015, the Company adopted the following new and amended accounting standards:

##### **IFRS 13 *Fair Value Measurement***

IFRS 13 defines fair value and sets out in a single IFRS a framework for measuring fair value that is applied in most circumstances where IFRS requires or permits measurements or disclosures of fair value. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. IFRS 13 also establishes disclosures about fair value measurement.

##### **Amendments to IAS 1 *Presentation of Financial Statements***

Revised presentation of other comprehensive income.

These accounting standards and amendments have no material impact for the six months ended June 30, 2015.

#### **(f) New accounting standards and interpretations not yet effective**

At the date of authorisation of these financial statements, the IASB has issued a number of new and revised standards and interpretations, which are not yet effective for the relevant reporting periods. The Company is currently evaluating the expected impact of all future standards.

##### **IFRS 9 *Financial Instruments***

In November 2009, the IASB issued, and subsequently revised in October 2010, IFRS 9 Financial Instruments (IFRS 9) as a first phase in its ongoing project to replace IAS 39. IFRS 9, which is to be applied retrospectively, is effective for annual periods beginning on or after January 1, 2015, with earlier application permitted.

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. The standard also adds guidance on the classification and measurement of financial liabilities.

##### **IFRS 7 *Financial Instruments: Disclosures***

In September 2011, the IASB issued amendments to IFRS 7 *Financial Instruments: Disclosures*. The Company does not believe the changes resulting from these amendments are relevant to its financial statements. The amended standard is effective for annual periods beginning on or after July 1, 2013.

#### **4. Accounts payable and accrued liabilities**

Accounts payable and accrued liabilities have been adjusted to include amounts advanced to the Company on a long-term basis by shareholders in order to sustain operations.

#### **5. Convertible Promissory Notes and Loans**

At June 30, 2015 the Company had a loan payable in the form of a convertible promissory note to an unrelated third party, in principal amount of \$700,000 (U.S.), dated July 31, 2012 (the "Note"). The Note was a restatement of a prior series of loan advances from 2009 through 2010 originally repayable on September 31, 2011. The loans were subsequently refinanced without penalty, and aggregated into the Note. The Note accrues interest at the rate of 3.772% per annum and has an outstanding balance, adjusted for Canadian dollars, of \$1,007,320 (Canadian) as of June 30, 2015. During 2013, portions of the Note were assigned to unaffiliated third parties.

At June 30, 2015, the Company also has a loan payable to an unaffiliated, third party, in the form of a convertible promissory note, dated January 1, 2014, in principal amount of \$250,000 (U.S.). Said note matured on January 1, 2015 and has been renewed for an additional one year period. The Note accrues interest at the rate of 10% per annum. As of June 30, 2015, the note had an outstanding balance, including principal and interest, of \$360,262 (Canadian).

#### **6. Share capital**

##### **(a) Authorized share capital**

The Company authorized share capital consisted of unlimited number of common shares, without par value.

##### **(b) Share purchase warrants**

No warrants were issued during the six months ended June 30, 2015 or the year ended December 31, 2014.

## **7. Net gain (loss) per share**

The calculation of basic and diluted gain (loss) per share for the six months ended June 30, 2015 was based on the gain attributable to common shareholders of \$175,803 (Canadian) for the period and the weighted average number of common shares outstanding at the end of the period of 310,485,300.

## **8. Financial Instruments**

The Company's financial instruments consist of cash, investment, accounts payable and accrued liabilities and a short-term loan. The investment is classified as at fair value through profit or loss, which is measured at fair value. The accounts payable and accrued liabilities and short-term loan are classified as other financial liabilities, which are measured at amortized cost. The fair value of the Company's accounts payable and accrued liabilities approximate their carrying values due to the short-term nature of these instruments.

The Company's financial instruments are exposed to certain financial risks, credit risk, liquidity risk, interest risk and market risk.

### **(a) Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Company's credit rate risk is not considered significant.

### **(b) Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet contractual commitments and commitments associated with financial instruments.

At June 30, 2015, the Company had accounts payable and accrued liabilities and notes payable of \$1,380,067 (December 31, 2014 - \$1,254,955), and cash and cash equivalents of \$nil (December 31, 2014- \$nil).

### **(c) Market risk**

Market risk consists of interest rate risk, foreign currency risk and other price risk. These are discussed further below.

#### ***Interest rate risk***

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates.

Interest rate risk consists of two components:

- (i) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk; and
- (ii) To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

Current financial assets and financial liabilities are generally not exposed to interest rate risk because of their short-term nature and maturity.

## **ZOLOTO RESOURCES LTD.**

### **Notes to the Financial Statements**

**For the six months ended June 30, 2015**

(Unaudited; Expressed in Canadian Dollars)

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#### **8. Financial instruments (continued)**

##### ***Foreign currency risk***

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to foreign currency risk to the extent that monetary assets and liabilities are denominated in foreign currency.

The Company is exposed to foreign currency risk with respect to accounts payable and accrued liabilities and short-term loan, as a portion of these amounts are denominated in US dollars.

The Company manages foreign currency risk by minimizing the value of financial instruments denominated in foreign currency by making currency exchange rate adjustments to such entries per period. The Company has not entered into any foreign currency contracts to mitigate this risk.

##### ***Other price risk***

The Company's ability to raise capital is subject to risks associated with fluctuations in mineral resource prices.

#### **(d) Classification of financial instruments**

IFRS 7 *Financial Instruments: Disclosures* establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs) The

Company's investment is classified at level one of the fair value hierarchy.

#### **Related party balances and transactions**

At June 30, 2015 prepaid expenses and deposits is comprised of advances made by shareholders of the Company.

#### **9. Management of capital**

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to pursue the development of its business interests and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

#### **10. Subsequent Events**

In 2014, the company announced that it had agreed to a 49% interest in a project located in Ecuador. The mill went into production in November, 2014 but further upgrades were required in December 2014 and January 2015. The upgrades have been finished and the plant has gone back into production in March 2015. Current production is 30 tons of ore per day with an average grade of 5 gms per ton.