

PHOENIX METALS CORPORATION

Consolidated Financial Statements

Year Ended December 31, 2015 and 2014

(Expressed in Canadian Dollars)

Management's Responsibility

To the Shareholders of Phoenix Metals Corporation (the "Company"):

Management is responsible for the preparation and presentation of the accompanying consolidated 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 consolidated 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 consolidated financial statements.

The Board of Directors and Audit Committee are composed primarily of Directors who are neither management nor employees of the Company. 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 Board fulfills these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. 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 Board of Directors is also responsible for recommending the appointment of the Company's external auditors.

MNP LLP is appointed by the shareholders to audit the consolidated 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.

April 29, 2016

(signed)

Drian Leeners
Director

(signed)

Lewis Dillman
Director

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Phoenix Metals Corporation:

We have audited the accompanying financial statements of Phoenix Metals Corporation, which comprise the statement of financial position as at December 31, 2015 and December 31, 2014, and the statements of comprehensive loss, statement of changes in equity and statements of cash flows for the years then ended, and 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 these 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 auditors' 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 is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Phoenix Metals Corporation as at December 31, 2015 and December 31, 2014 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 of these financial statements, which states that Phoenix Metals Corporation incurred significant losses from operations, negative cash flows from operating activities and has an accumulated deficit. This, along with other matters described in Note 1, indicates the existence of a material uncertainty which may cast significant doubt about the ability of Phoenix Metals Corporation to continue as a going concern.



Other Matter

The financial statements of Phoenix Metals Corporation for the year ended December 31, 2014 was audited by another auditor who expressed an unmodified opinion on these statements on June 8, 2015

Vancouver, British Columbia

MNP LLP

April 29, 2016

Chartered Professional Accountants



PHOENIX METALS CORPORATION

Consolidated Statements of Financial Position

As at December 31, 2015 and 2014

	Notes	December 31, 2015	December 31, 2014
ASSETS			
Current assets			
Cash		\$ 8,813	\$ 939
GST receivable		-	33,125
		8,813	34,064
Reclamation bonds		-	34,533
Exploration and evaluation assets	6	1	1
TOTAL ASSETS		\$ 8,814	\$ 68,598
LIABILITIES AND SHAREHOLDERS' DEFICIENCY			
Current liabilities			
Accounts payable	7	1,321,315	\$ 891,607
Demand loan payable	8	81,171	61,854
		1,402,486	953,461
Shareholders' deficiency			
Share capital	9	22,159,424	22,068,073
Share subscriptions received	7	40,688	97,438
Contributed surplus	10	1,724,224	1,724,224
Deficit		(25,318,008)	(24,774,598)
Total shareholders' deficiency		(1,393,672)	(884,863)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY		\$ 8,814	\$ 68,598

Nature of operations and going concern (Note 1)

Subsequent events (Note 14)

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

Approved on behalf of the directors on April 29, 2016

"Brian Leeners"

Director

"Gregory Pearson"

Director

PHOENIX METALS CORPORATION

Consolidated Statements of Comprehensive Loss For the Years Ended December 31, 2015 and 2014

	Notes	Year ended December 31, 2015	Year ended December 31, 2014
Expenses			
Consulting and management fees	7	\$ 312,206	\$ 312,056
Foreign exchange loss		54,345	20,642
Impairment of property costs		41,545	-
Investor relations		90,000	90,000
Office and miscellaneous		13,651	7,133
Professional fees		7,731	20,225
Transfer agent and filing fees		23,932	12,235
Comprehensive loss for the period		\$ (543,410)	\$ (462,291)
Basic and diluted loss per share		\$ (0.01)	\$ (0.01)
Weighted average number of common shares outstanding		45,130,890	43,859,443

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

PHOENIX METALS CORPORATION

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2015 and 2014

	Year ended December 31, 2015	Year ended December 31, 2014
Cash provided by (used in):		
Operating activities		
Comprehensive loss for the period	\$ (543,410)	\$ (462,291)
Items not affecting cash:		
Accrued interest	6,818	-
Impairment of property costs	46,933	-
Foreign exchange	12,499	318
Changes in non-cash working capital items:		
Accounts payable and accrued liabilities	429,708	404,791
GST receivable	33,125	(27,387)
	-	-
Net cash (used in) provided by operating activities	(14,327)	(84,569)
Investing activities		
Exploration and evaluation expenditures	(12,400)	-
Net cash (used in) provided by investing activities	(12,400)	-
Financing activities		
Shares issued for cash	34,601	-
Subscription funds received	-	48,638
Proceeds from demand loan payable	-	36,104
Net cash (used in) provided by financing activities	34,601	84,742
Net decrease in cash	7,874	173
Cash, beginning of the period	939	766
Cash, end of the period	\$ 8,813	\$ 939

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

PHOENIX METALS CORPORATION

Consolidated Statements of Changes in Shareholder's Equity

For the Years Ended December 31, 2015 and 2014

	Number of common shares outstanding	Share capital	Contributed surplus	Subscription funds received	Deficit	Total shareholders' deficit
Balance, December 31, 2013	43,859,484	\$ 22,068,073	\$ 1,724,224	\$ 48,800	\$ (24,312,307)	\$ (471,210)
Subscription funds received				48,638		48,638
Comprehensive loss for the period	-	-	-	-	(462,291)	(462,291)
Balance, December 31, 2014	43,859,484	\$ 22,068,073	\$ 1,724,224	\$ 97,438	\$ (24,774,598)	\$ (884,863)
Shares issued for cash	3,654,040	91,351	-	(56,750)	-	34,601
Comprehensive loss for the period	-	-	-	-	(543,410)	(543,410)
Balance, December 31, 2015	47,513,524	\$ 22,159,424	\$ 1,724,224	\$ 40,688	\$ (25,318,008)	\$ (1,393,672)

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

PHOENIX METALS CORPORATION

Notes to the Consolidated Financial Statements For the Years Ended December 31, 2015 and 2014

1. Nature of operations and going concern

Phoenix Metals Corporation (“the Company”) was incorporated in British Columbia on October 21, 1980 and is a public company listed on the TSX Venture Exchange (“TSX-V”). The principal business activity of the Company is the exploration and evaluation of mineral property interests in North America. The corporate head office of the Company is located at 14th Floor, 1040 West Georgia Street, Vancouver, B.C., V6E 4H8.

The Company’s assets are in the exploration and evaluation stage and the Company has not yet determined whether the properties contain ore reserves that are economically recoverable. The ability of the Company to complete the acquisition, exploration and development of its properties will be affected principally by its ability to raise adequate amounts of capital through equity financings, debt financings, joint venturing of projects and or other means.

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) applicable to a going concern which contemplates that the Company will be able to realize its assets and settle its liabilities in the normal course as they come due for the foreseeable future. As at December 31, 2015, the Company had no source of operating cash flows and reported a comprehensive loss for the year of \$543,410 (2014 - \$462,291), working capital deficit of \$1,393,673 (December 31, 2014 - \$919,397), and has an accumulated deficit of \$25,318,008 (2014 - \$24,774,598), and the Company expects to incur further losses in the development of its business. These factors cast substantial doubt about the Company’s ability to continue as a going concern. Management has estimated that the Company will require additional financing to meet its obligations for the next fiscal year. Continued operations are dependent on the Company’s ability to complete equity financings and secure project debt financing.

These consolidated financial statements do not include adjustments or disclosures that may result should the Company not be able to continue as a going concern.

2. Basis of preparation

a) Statement of compliance

These consolidated financial statements are audited and represent the annual consolidated financial statements of the Company prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by International Accounting Standards Board (“IASB”), applicable to the preparation of consolidated financial statements. These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary AKA Ventures USA Inc. All inter-company transactions have been eliminated upon consolidation.

The Board of Directors approved these consolidated financial statements on April 29, 2016.

b) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company and its subsidiary.

c) Critical accounting estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities and contingency liabilities as at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Estimates and judgments 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. Actual results may differ from these estimates.

The key critical judgment and sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the consolidated financial statements are as follows:

PHOENIX METALS CORPORATION

Notes to the Consolidated Financial Statements For the Years Ended December 31, 2015 and 2014

Critical judgment in applying accounting policies:

Determination of functional currency

The Canadian dollar has been determined as the functional currency of the Company, because Canadian dollar is the currency of financing activities. Significant management judgment was exercised, since the second primary indicator related to the currency influencing the sales price was not applicable and did not produce conclusive evidence. Effects of changes in foreign exchange rates on the consolidation of the financial statements are reflected in net loss as foreign exchange gain (loss) on the statement of comprehensive loss.

Key sources of estimation uncertainty:

Impairment of exploration and evaluation assets

In the determination of impairment charges, management looks at the higher of recoverable amount or fair value less costs to sell. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

Estimation of decommissioning and restoration costs and the timing of expenditure

The Company recognizes the liability for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of exploration and evaluation assets, when those obligations result from the exploration or development of its properties. The Company assesses its provision for site reclamation at each reporting date. Significant estimates and assumptions are made in determining the provision for site reclamation as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to inflation rates, and discount rates. Those uncertainties may result in future actual expenditures differing from the amounts currently provided. The provision at the reporting date represents management's best estimate of the present value of any future reclamation costs required. The Company has not recognized any decommissioning liabilities to date.

Income taxes and recoverability of potential deferred tax assets

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities.

Share-based payments

The Company has an equity-settled share-based scheme for directors, officers, employees and consultants. Management determines values for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based non-vested share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and for stock based compensation, future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain, and any changes in these assumptions affect the fair value estimates.

Going concern

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.

PHOENIX METALS CORPORATION

Notes to the Consolidated Financial Statements For the Years Ended December 31, 2015 and 2014

3. Significant accounting policies

The significant accounting policies of the Company are as follows:

a) Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned and controlled subsidiary. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of the subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases. All inter-company transactions and balances have been eliminated upon consolidation.

b) Foreign currency translation

The functional and reporting currency of the Company and its subsidiary is the Canadian dollar. In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Foreign exchange gains and losses are included in comprehensive loss.

c) Cash and cash equivalents

Cash is comprised of cash on hand and deposits in banks. Cash equivalents are short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

d) Reclamation bond

The Company maintains cash deposits, as and when required by regulatory bodies, as assurance for the funding of reclamation work. These funds are restricted to that purpose and are not available to the Company until the reclamation obligations have been fulfilled, and are therefore classified as long term assets.

e) Exploration and evaluation assets

General exploration and evaluation expenditures incurred prior to acquiring the legal right to explore are charged to the statement of comprehensive loss as incurred.

Exploration and evaluation assets represent the costs incurred on the exploration and evaluation of potential mineral resources and include costs such as exploratory drilling, sample testing, activities in relation to evaluation of technical feasibility and commercial viability of extracting a mineral resource, surveying, geological and geotechnical expenditures, land maintenance, sampling and storage, mineral claims and permits, and general and administrative costs relating to the support of exploration and evaluation activities. If economically recoverable ore reserves are developed, capitalized costs of the exploration and evaluation assets are reclassified as mining assets and amortized using the unit of production method. No amortization charge is recognized in respect of exploration and evaluation assets. When an exploration and evaluation asset is abandoned, all related costs are written off to profit or loss.

The amounts shown for exploration and evaluation assets do not necessarily represent present or future values. The recoverability of these assets is dependent upon successful development or sale of the undeveloped project. All capitalized exploration and evaluation expenditures are assessed for impairment if facts and circumstances indicate that impairment may exist. If a project does not prove viable or is abandoned, all unrecoverable costs associated with the project, net of any impairment provisions are recognized in comprehensive loss.

PHOENIX METALS CORPORATION

Notes to the Consolidated Financial Statements For the Years Ended December 31, 2015 and 2014

f) Provisions

Provisions are recognized when (a), the Company has a present obligation (legal or constructive) as a result of a past event, and (b), it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is included in comprehensive loss, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

The Company records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these decommissioning activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas.

The obligation generally arises when the asset is installed or the ground / environment is disturbed at the production location. When the liability is initially recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related mining assets to the extent that it was incurred prior to the production of related ore. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognized in comprehensive loss as a finance cost. Additional disturbances or changes in decommissioning costs will be recognized as additions or charges to the corresponding assets and decommissioning liability when they occur. For closed sites, changes to estimated costs are recognized immediately in comprehensive loss.

The Company does not currently have any such significant legal or constructive obligations and therefore no reclamation provisions have been recorded to date.

g) Impairment of non-financial assets

Non-financial assets are evaluated at the end of each reporting period by management for indicators that carrying value is impaired and may not be recoverable. 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 group of assets, where the recoverable amount of the CGU is the greater of the CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments to the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of comprehensive loss.

Where an impairment loss subsequently reverses for assets with a finite useful life, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior periods. A reversal of an impairment loss is recognized immediately in the statement of comprehensive loss.

h) Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date using the Black-Scholes option pricing model.

The fair value is estimated at grant date and each tranche is recognized on a graded-vesting basis over the period the options vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in comprehensive loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to contributed surplus.

PHOENIX METALS CORPORATION

Notes to the Consolidated Financial Statements For the Years Ended December 31, 2015 and 2014

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

i) Earnings (loss) per share

Basic earnings (loss) per share ("EPS") is calculated by dividing profit or loss attributable to ordinary equity holders (numerator) by the weighted average number of ordinary shares outstanding (denominator) during the period. The denominator is calculated by adjusting the shares issued at the beginning of the period by the number of shares bought back during the period, multiplied by a time-weighting factor.

Diluted EPS is calculated by adjusting the earnings and number of shares for the effects of dilutive options and other dilutive potential units. The effects of anti-dilutive potential units are ignored in calculating diluted EPS. All options and warrants are considered anti-dilutive when the Company is in a loss position.

j) Income taxes

Tax expense comprises current and deferred tax. Tax expense is recognized in profit or loss except to the extent it relates to items recognized in other comprehensive income or directly in equity.

Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to tax authorities.

Deferred taxes are the taxes expected to be payable or recoverable on differences between the carrying amount of assets in the statement of financial position and their corresponding tax bases used in the computation of taxable profit or loss, and are accounted for using the liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences between the carrying amounts of assets and their corresponding tax bases. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. However, deferred tax liabilities are not recognized for taxable temporary differences arising on investments in subsidiary where the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future, or on temporary differences that arise from goodwill which is not deductible for tax purposes.

Deferred tax assets are recognized to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilized. Deferred tax assets are reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

l) Financial instruments

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. Management determines the classification of its financial assets at initial recognition.

Fair value through profit or loss

Financial assets at fair value through profit or loss are initially recognized at fair value with changes in fair value recorded through the statement of comprehensive loss. Cash is included in this category of financial assets.

PHOENIX METALS CORPORATION

Notes to the Consolidated Financial Statements For the Years Ended December 31, 2015 and 2014

Available-for-sale financial assets

Available-for-sale financial assets are financial assets that are designated as available-for-sale and that are not classified in any of the other categories. Subsequent to initial recognition at fair value, they are measured at fair value and changes therein are recognized in accumulated other comprehensive income (loss) and presented within equity in accumulated other comprehensive loss. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to comprehensive loss. The Company does not have any available-for-sale financial assets.

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 classified as current assets or non-current assets based on their maturity date, and are carried at amortized cost, using the effective interest method, less any impairment. Loans and receivables are comprised of receivable from related party, and reclamation bonds.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, held with the intention of holding these investments to maturity and subsequently measured at amortized cost. These investments are included in non-current assets, except for those which are expected to mature within twelve months after the end of the reporting period. The Company has no financial assets classified as held-to-maturity investments.

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 indicating that one or more events have had a negative impact on the estimated future cash flows of that asset. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

An impairment loss in respect of a financial assets measured at amortized cost is calculated as the difference between its carrying amount and the net present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale asset is calculated by reference to its fair value and any amounts in other comprehensive income (loss) are transferred to net loss.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

Financial assets are de-recognized when the contractual rights to the cash flows from the financial asset expire or when the contractual rights to those assets are transferred.

Gains or losses related to impairment or de-recognition are recognized in the statement of comprehensive loss in the period in which they occur. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

Financial liabilities

The Company classifies its financial liabilities as other financial liabilities. Management determines the classification of its financial liabilities at initial recognition. Other financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs incurred and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in the statement of comprehensive loss over the period to maturity using the effective interest method. Financial liabilities are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Other financial liabilities include accounts payable and accrued liabilities, payable to related parties, and demand loan payable.

PHOENIX METALS CORPORATION

Notes to the Consolidated Financial Statements For the Years Ended December 31, 2015 and 2014

Equity instruments

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 Company are recorded at the proceeds received net of direct issuance costs.

m) New accounting standards, amendments and interpretations

New accounting standards adopted:

The following standards, amendments and interpretations have been adopted by the Company as of January 1, 2014. There was no material impact on the financial statements as a result of the adoption of these standards, amendments and interpretations:

- (i) IFRS 7 Financial Instruments: Disclosures (Amendment): Standard amended to clarify requirements for mandatory effective dates and transition disclosures, effective for annual periods beginning on or after January 1, 2015.

Issued but not yet effective:

The IASB issued the following standards, which are not yet effective and have not been applied in the preparation of these financial statements. The Company is in the process of determining the extent of the impact on its financial statements.

On May 6, 2014 the IASB issued Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11). The amendments apply prospectively for annual periods beginning on or after January 1, 2016. Earlier application is permitted. The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitute a business. The impact of adoption of the amendment has not yet been determined.

On July 24, 2014 the IASB issued the complete IFRS 9. The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight. The impact of adoption of the amendment has not yet been determined.

On May 12, 2014 the IASB issued amendments to IAS 16 Property, Plant and Equipment. The amendments made to IAS 16 explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. This is because such methods reflect factors other than the consumption of economic benefits embodied in the asset. The Company intends to adopt the amendments to IAS 16 in its financial statements for the annual period beginning on November 1, 2016. The impact of adoption of the amendment has not yet been determined.

In May 2014, the IASB issued IFRS 15, "Revenue from Contracts with Customers". IFRS 15 replaces IAS 18, "Revenue", IAS 11, "Construction Contracts", and some revenue related Interpretations. IFRS 15 establishes a new control-based revenue recognition model and provides a comprehensive framework for recognition, measurement and disclosure of revenue from contracts with customers, excluding contracts within the scope of the standards on leases, insurance contracts and financial instruments. The new standard is effective for annual periods beginning on or after January 1, 2018 and is to be applied retrospectively. IFRS 15 allows for early adoption, but the Company does not intend to do so at this time.

In December 2014, the IASB amended IAS 1, "Presentation of Financial Statements", providing guidance on the application of judgment in the preparation of financial statements and disclosures. The amendments are effective for annual periods beginning on or after November 1, 2016 with early adoption permitted, but the Company does not intend to do so at this time.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

PHOENIX METALS CORPORATION

Notes to the Consolidated Financial Statements For the Years Ended December 31, 2015 and 2014

n) Comparative financial statements

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

4. Capital management

The Company classifies its share capital and contributed surplus as capital, which at December 31, 2015 totalled \$23,924,336. When managing capital, the Company's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management adjusts the capital structure as necessary in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish qualitative 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 is dependent upon external financing to fund its activities. In order to carry out exploration activity and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is appropriate. There were no changes in the Company's approach to capital management during the period. The Company is not subject to any externally imposed capital requirements.

5. Financial instruments and financial risk management

a) Fair value

The fair value of financial instruments is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. Fair values are determined by reference to quoted market prices, as appropriate, in the most advantageous market for that instrument to which the Company has immediate access. Where quoted market prices are not available, the Company uses the closing price of the most recent transaction for that instrument. In the absence of an active market, fair values are determined based on prevailing market rates for instruments with similar characteristics. The fair value of current financial instruments approximates their carrying values as long as they are short term in nature or bear interest at market rates.

b) Fair value hierarchy

Financial instruments that are held at fair value are categorized based on a valuation hierarchy which is determined by the valuation methodology utilized:

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

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

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

There were no transfers between levels 1 and 2 during the period.

d) Financial risks

(i) Interest rate risk

The Company's interest rate risk arises primarily from the interest received on cash, which is invested on a short term basis to enable adequate liquidity for payment of operational and capital expenditures. Interest rate risk is considered minimal.

PHOENIX METALS CORPORATION

Notes to the Consolidated Financial Statements For the Years Ended December 31, 2015 and 2014

(ii) Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to cash, reclamation bonds, and accounts payable and accrued liabilities that are denominated in US dollars. Management also recognizes that the Company is exposed to financial risks arising from fluctuations in foreign exchange rates and the degree of volatility of these rates, as its exploration activities are conducted in United States dollars. The Company does not use derivative instruments to reduce its exposure to foreign exchange risk. A 10% increase in the value of the US dollar against the Canadian dollar would not be expected to have a significant impact on the comprehensive loss of the Company.

(iii) Commodity price risk

The Company will be exposed to price risk with respect to commodity prices. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company. The Company's future operations will be significantly affected by changes in the market prices of these commodities. Prices fluctuate on a daily basis and are affected by numerous factors beyond the Company's control. The supply and demand for commodities, the level of interest rates, the rate of inflation and stability of exchange rates can all cause significant fluctuations in prices. Such external economic factors may in turn be influenced by changes in international investment patterns and monetary systems and political developments.

(iv) Credit risk

Credit risk is the risk of loss if counterparties do not fulfill their contractual obligations. The Company's credit risk is primarily attributable to cash, and due from related parties. The Company limits its exposure to credit risk on cash as these financial instruments are held with major Canadian and international banks, from which management believes the risk of loss to be remote. Credit risk on due from related parties is considered to be minimal given the relatively immaterial values. The carrying amount of financial assets recorded in the financial statements, net of any allowances, represents the Company's maximum exposure to credit risk.

(v) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages liquidity risk by maintaining cash. Liquidity requirements are managed based on expected cash flow to ensure there is capital to meet short term and long term obligations. As at December 31, 2015, the Company did not have sufficient cash on hand to pay its short term creditors and does not generate cash from its operations. Accordingly, liquidity risk is considered high.

6. Exploration and evaluation assets

a) Exploration and evaluation assets - reconciliation

A reconciliation of exploration and evaluation assets is as follows:

	Peace River Frac Sands, Alberta	Copper Joe, Arizona	Total
Balance, December 31, 2013	\$ -	\$ 1	\$ 1
Acquisition costs	10,000	-	10,000
Claims maintenance fees	15,000	-	15,000
Recovery of expenditures	(25,000)	-	(25,000)
Balance, December 31, 2015 and 2014	\$ -	\$ 1	\$ 1

PHOENIX METALS CORPORATION

Notes to the Consolidated Financial Statements For the Years Ended December 31, 2015 and 2014

b) Copper Joe, Arizona, USA

On May 12, 2010, the Company entered into an option agreement with 0733351 BC Ltd. ("0733351"), a company controlled by current and past directors, to acquire up to a 60% interest in the Copper Joe property in Mohave County, Arizona. In order to exercise the option, the Company was required to pay 0733351 \$100,000 USD in cash, issue 6,000,000 pre-consolidation common shares, and incur \$4,500,000 USD in exploration expenditures over a four year period, as follows:

- i. on completion of financing, pay \$20,000 USD in cash (paid);
- ii. within 3 days of TSX-V approval, pay \$80,000 USD in cash (paid) and issue 500,000 shares (issued);
- iii. upon completion of a positive 43-101 report, issue 1,500,000 shares (issued);
- iv. upon first anniversary of closing, issue 1,000,000 shares (issued) and incur \$200,000 USD in exploration expenditures (incurred);
- v. upon second anniversary of closing, issue 1,000,000 shares (issued) and incur \$1,000,000 USD in exploration expenditures (contractually extended for one year and subsequently incurred);
- vi. upon third anniversary of closing, issue 1,000,000 (issued) shares and incur \$1,500,000 USD in exploration expenditures (contractually extended for one year); and
- vii. upon fourth anniversary of closing, issue 1,000,000 of shares and incur \$1,800,000 USD in exploration expenditures (contractually extended for one year).

During the year ended December 31, 2013, the Company recorded an impairment allowance on the Copper Joe property in the amount of \$1,918,901 as the Company has decided to discontinue exploration on this property, bringing the carrying value to \$1.

c) Quebec, Canada

During the year ended December 31, 2014, the Company entered into a binding letter of intent pursuant to which the Company was granted an option to acquire a cumulative 100% interest in the Dissimieux Lake property from Jourdan Resources Inc. by making a cash payment of \$5,000; issuance of 2.3 million common shares on or before expiry of the due diligence period; and issuance of 2.3 million common shares upon commencement of production from the property. The Company had a period of 180 days after receipt of regulatory approval to carry out due diligence procedures relating to the property. The property is subject to a 5% administrative fee payable to the optionor. The property is subject to a 4% gross royalty in favour of the optionor.

In addition, in July 2014, the Company staked a 100% interest in the Chambord Hydrothermal Quartz property.

The Company also entered into binding letters of intent with Prime Meridian Resources Corp. ("PMR") whereby PMR will acquire a 10% interest in the Dissimieux Lake property and the Chambord hydrothermal quartz property. PMR will have an exclusive right to test the mineralization from the properties for its suitability as a mineral source for the production of hydraulic fracturing proppants. PMR can exercise the option by expending a minimum of \$100,000 per property on the testing process on each project. Upon the successful completion of the testing process, the parties will form joint ventures to develop the properties.

During the year ended December 31, 2014, no consideration was paid and PMR decided to abandon this project.

d) Alberta, Canada

In October 2014, the Company entered into a binder letter of intent with Zimtu Capital Corp. and DG Resource Management Ltd. to acquire a 100% interest in four metallic and industrial mineral permits in northwestern Alberta, collectively known as the Peace River Frac Sand Project. The agreement requires a payment of \$10,000 (paid) on signing of the letter of intent, and payment of a further \$15,000 and issuance of 2.25 million common shares on exchange approval. The vendors will retain a 2% royalty on production, 1% of which can be purchased for \$1,000,000 at the option of the Company.

In November 2014, the Company entered into a binding letter of intent with PMR to option a 60% interest in the above-noted Peace River Frac Sand permits. The agreement requires a one-time cash payment of \$50,000 and cumulative work

PHOENIX METALS CORPORATION

Notes to the Consolidated Financial Statements For the Years Ended December 31, 2015 and 2014

expenditures of \$500,000 over 24 months. Prime Meridian Resources Corp. paid \$25,000 in 2014, but during the year ended December 31, 2015, decided to terminate the option.

7. Related party transactions

Compensation paid to key management, including amounts noted above, is as follows:

Individual	Relationship	Nature of Transactions	Fees incurred period ended December 31, 2015	Fees incurred period ended December 31, 2014	Balance payable at December 31, 2015	Balance payable at December 31, 2014
Nexvu Services Inc.	Owned by Nexvu Capital, of which Brian Leeners is a shareholder	Administrative services	\$ 120,000	\$ 120,000	\$ 279,779	\$ 127,799
Brian Leeners	Chief executive officer and director	Management services	120,000	120,000	309,300	191,550
ISG Professional Services Inc.	Annie Storey, chief financial officer, is shareholder	Accounting services	60,000	60,000	139,125	81,375
KnowHowe Media	Brian Leeners is a shareholder	Advertising and promotion	12,000	12,000	27,460	14,860
Global Link Capital	Greg Pearson is a shareholder	Investor relations	90,000	90,000	202,100	113,850
Tim Marsh	Former chief executive officer and director	Management and geological consulting	-	-	115,307	96,653
0733351 BC Ltd.	Brian Leeners is a shareholder	Property option	-	-	10,373	8,828
			\$ 402,000	\$ 402,000	\$ 1,083,444	\$ 634,915

During the periods ended December 31, 2015 and 2014, the Company entered into transactions, including compensation for key management, with the following related parties:

	December 31, 2015	December 31, 2014
Management fees paid to directors or officers	\$ 192,000	\$ 192,000
Administrative fees paid to Nexvu Services Inc.	120,000	120,000
Investor relations fees paid to directors	90,000	90,000
Total	\$ 402,000	\$ 402,000

Balances owing are unsecured, non-interest bearing and have no specified terms of repayment.

As discussed in note 6, the Company also entered into binding letters of intent with PMR, a company with directors and officers in common, whereby PMR agreed to acquire a 10% interest in the Dissimieux Lake property and the Chambord hydrothermal quartz property, and a 60% interest in the Peace River Frac Sand permits. The Dissimieux and Chambord properties were subsequently abandoned by both parties, and while PMR made a payment of \$25,000 towards the Peace River Frac Sand property, they decided to terminate the option.

8. Demand loan payable

The demand loan payable in the amount of \$81,171 (December 31, 2014 - \$61,854) is from a third party, is unsecured and payable on demand, and bears interest at 10% per year.

PHOENIX METALS CORPORATION

Notes to the Consolidated Financial Statements For the Years Ended December 31, 2015 and 2014

9. Share capital

Authorized: unlimited common voting shares, without par value.

Private placements

On September 10, 2015, the Company announced a non-brokered private placement of up to 15,000,000 units at a price of \$0.05 per unit to raise gross proceeds of up to \$750,000. Each unit consists of one common share and one share purchase warrant enabling the holder to acquire one additional common share at a price of \$0.10 per share for one year from closing. The warrants are subject to the right of the Company to accelerate the exercise price for the warrants if the common shares of the Company trade about 20 cents for a period of 10 consecutive trading days.

During the year ended December 31, 2015, the Company closed a private placement at \$0.025 per unit raising gross proceeds of \$91,351. Each unit consisted of one common share and one share purchase warrant enabling the holder to acquire one additional common share at a price of \$0.05 per share for one year from closing. The warrants are subject to the right of the Company to accelerate the exercise price for the warrants if the common shares of the Company trade about 10 cents for a period of 10 consecutive trading days.

As at December 31, 2015, the Company had received subscription funds in the amount of \$40,688 (2014 - \$97,438) to be applied towards a future private placement.

10. Options and warrants

a) Stock options

The Company has adopted an incentive stock option plan (the "SOP"), as amended, under the rules of the TSX-V pursuant to which it is authorized to grant options to executive officers, directors, employees and consultants, enabling them to acquire up to 5,828,186 common shares of the Company. Under the SOP, the option exercise price of any option granted shall be equal to the greater of either the amount designated by the administrator at the time of grant, or the discounted market price of the Company's common shares for the 10 trading days immediately preceding the day on which the TSX-V received notice that options have been granted under this SOP. For the purpose of the SOP, the discounted market price is calculated in accordance with the policies of the TSX-V at the time of grant of the options. The administrator may also determine that the option exercise price per common share may escalate at a specified rate or rates. The options can be granted for a maximum term of 5 years and certain options vest 25% on the date of grant and 25% every 6 months thereafter for 18 months, while others vest immediately. No individual may hold options to purchase common shares of the Company exceeding 5% of the total number of common shares outstanding from time to time. Pursuant to the policies of the TSX Venture Exchange, shares issued upon the exercise of options are restricted from trading during the 4 month period subsequent to the exercise of the options. For stock options granted to employees, officers, directors and consultants, the Company recognizes stock based compensation expense based on the estimated fair value of the stock options granted as calculated using the Black-Scholes option-pricing model on the date of the grant.

A summary of changes in options outstanding during the period is as follows:

	Number of options	Weighted average exercise price	Weighted average option life (years)
Balance, December 31, 2013	4,300,000	\$ 0.23	3.06
Expired / forfeited	(50,000)	0.25	
Balance, December 31, 2014	4,250,000	\$ 0.23	1.24
Expired / forfeited	(575,000)	0.25	
Balance, December 31, 2015	3,675,000	\$ 0.22	1.24
Options vested and exercisable	3,675,000	\$ 0.22	1.24

PHOENIX METALS CORPORATION

Notes to the Consolidated Financial Statements For the Years Ended December 31, 2015 and 2014

b) Warrants

Concurrent with the private placement discussed in note 9, the Company issued 3,640,000 warrants exercisable at \$0.05, expiring on August 26, 2016.

A summary of changes in warrants outstanding during the period is as follows:

	Number of warrants	Weighted average exercise price	Weighted average warrant life (years)
Balance, December 31, 2013	10,404,764	\$ 0.26	
Expired	(10,404,764)	0.26	-
Balance, December 31, 2014	-	-	-
Issued - expiring August 26, 2016	3,640,000	0.05	-
Balance, December 31, 2015	3,640,000	0.05	0.65

No value has been allocated to warrants.

11. Financial instruments

Financial assets and financial liabilities as at December 31, 2015 and 2014 are as follows:

As at December 31, 2015	Loans and receivables	Assets/liabilities at fair value			Total
		through profit and loss	Other liabilities		
Cash	\$ -	\$ 8,813	\$ -	\$ -	8,813
Accounts payables and accrued liabilities	-	-	1,321,315	-	1,321,315
Demand loan payable	-	-	81,171	-	81,171

At December 31, 2014	Loans and receivables	Assets/liabilities at fair value			Total
		through profit and loss	Other liabilities		
Cash	\$ -	\$ 939	\$ -	\$ -	939
Reclamation bonds	34,533	-	-	-	34,533
Accounts payables and accrued liabilities	-	-	891,607	-	891,607
Demand loan payable	-	-	61,854	-	61,854

12. Segmented information

The Company has one reportable operating segment, being the acquisition and exploration and future development of mineral properties. The Company's exploration and evaluation assets are located in Canada and the United States.

PHOENIX METALS CORPORATION

Notes to the Consolidated Financial Statements For the Years Ended December 31, 2015 and 2014

13. Income taxes

The following table reconciles the expected income taxes expense (recovery) at the Canadian statutory income tax rates to the amounts recognized in the statements of operations for the years ended December 31, 2015 and 2014:

	2015	2014
Loss before income taxes	\$ (543,410)	\$ (462,291)
Statutory tax rate	26.00%	26.00%
Expected income tax expense (recovery)	(141,287)	(120,196)
Differences due to recognition of items for tax purposes:		
Non-deductible items	11,116	(342,095)
Change in estimates	(264,680)	-
Expiring losses	22,215	-
Functional currency adjustments	(54,747)	-
Foreign tax rate difference	(3,434)	-
Change in deferred tax asset not recognized	430,816	462,291
Deferred tax (recovery) expense	\$ -	\$ -

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used in the calculation of taxable income. Deferred tax assets (liabilities) at December 31, 2015 and 2014 are comprised of the following:

	2015	2014
Non-capital losses carry forwards	\$ 1,184,650	\$ 1,459,620
Capital losses	1,131,243	1,131,212
Financing costs	10,936	-
Property and equipment	6,594	6,594
Mineral properties	2,206,210	2,206,210
	4,539,633	4,810,557
Deferred tax asset not recognized	4,539,633	4,810,557
Net deferred tax asset (liability)	\$ -	\$ -

The Company has non-capital loss carryforwards of approximately \$4,530,838 (2014: \$4,113,247) which may be applied against future year taxable income for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

PHOENIX METALS CORPORATION

Notes to the Consolidated Financial Statements For the Years Ended December 31, 2015 and 2014

14. Income taxes - continued

2016	\$	304,041
2017		506,549
2028		357,043
2029		282,341
2030		383,947
2031		507,230
2032		646,267
2033		556,498
2034		483,891
2035		503,031
		<hr/>
	\$	4,530,838

In addition, the Company has net capital losses of \$4,350,934 (2014: \$4,350,816), which may be used to apply against taxable capital gains in Canada, and which may be carried forward indefinitely.

The Company also has net operating losses \$2,063,943 (2014: \$1,722,017) for United States tax purposes which may be applied against future year taxable income, subject to the final determination by taxation authorities, expiring in various years through 2035.

14. Subsequent events

Subsequent to December 31, 2015, the Company announced the consolidation of its common shares on a 4 to 1 basis.

Also subsequent to December 31, 2015, the Company announced a non-brokered private placement of up to 10,000,000 units at a post-consolidated price of \$0.05 per unit to raise gross proceeds of up to \$500,000. Each unit consists of one common share and one share purchase warrant enabling the holder to acquire one additional common share at a price of \$0.10 per share for one year from closing. The warrants are subject to the right of the Company to accelerate the exercise price for the warrants if the common shares of the Company trade about 20 cents for a period of 10 consecutive trading days.