PHOENIX METALS CORPORATION

Condensed Consolidated Financial Statements

Three Months Ended March 31, 2016 and 2015

(Expressed in Canadian Dollars)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by the auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

PHOENIX METALS CORPORATION

Consolidated Statements of Financial Position

As at March 31, 2016 and December 31, 2015

	Notes		March 31, 2016		December 31, 2015
ASSETS					
Current Assets					
Cash		$	**1,597**	$	8,813
GST receivable			**9,670**		-
			11,267		8,813
Exploration and evaluation assets	5		**1**		1
TOTAL ASSETS		$	**11,268**	$	8,814
LIABILITIES AND SHAREHOLDERS' DEFICIENCY					
Current Liabilities					
Accounts payable and accrued liabilities	6	$	**1,398,388**	$	1,321,315
Demand loan payable	7		**69,388**		81,171
			1,467,776		1,402,486
Shareholders' deficiency					
Share capital	8		**22,159,424**		22,159,424
Share subscriptions received	8		**50,688**		40,688
Contributed surplus			**1,724,224**		1,724,224
Deficit			**(25,390,844)**		(25,318,008)
			(1,456,508)		(1,393,672)
		$	**11,268**	$	8,814

"Brian Leeners" ____________________________ **Director**

"Gregory Pearson" ____________________________ **Director**

PHOENIX METALS CORPORATION

Consolidated Statements of Comprehensive Loss
For the Three Months Ended March 31, 2106 and 2015

	Notes		For the three months ended March 31, 2016		2015
Expenses					
Consulting and management fees	6	$	43,500	$	59,797
Foreign exchange loss (gain)			(31,593)		(3,527)
Impairment of property costs			-		12,400
Investor relations	6		22,500		22,500
Office and miscellaneous	6		27,038		8,375
Professional fees			6,500		-
Transfer agent and filing fees			4,891		6,187
			72,836		105,732
Net loss for the period			(72,836)		(105,732)
Comprehensive loss for the period		$	(72,836)	$	(105,732)
Basic and diluted loss per share		$	(0.01)	$	(0.00)
Weighted average number of common shares outstanding			11,878,381		43,859,443

PHOENIX METALS CORPORATION

Consolidated Statements of Cash Flows

For the Three Months Ended March 31, 2106 and 2015

	For the three months ended March 31, 2016	2015
Cash provided by (used in):		
Operating activities		
Comprehensive loss for the period	$ **(72,836)**	$ (105,732)
Items not affecting cash:		
Accrued interest	**1,437**	
Foreign exchange	**(13,220)**	(3,220)
Changes in non-cash working capital items:		
Accounts payable and accrued liabilities	**77,073**	110,633
GST receivable	**(9,670)**	(2,563)
Net cash provided by (used in) operating activities	**(17,216)**	(882)
Investing activities		
Exploration and evaluation expenditures	-	-
Net cash provided by (used in) investing activities	-	-
Financing activities		
Private placement funds received	**10,000**	
Net cash provided by (used in) financing activities	**10,000**	-
Net increase (decrease) in cash	**(7,216)**	(882)
Cash, beginning of the period	**8,813**	939
Cash, end of the period	$ **1,597**	$ 57

PHOENIX METALS CORPORATION

Consolidated Statements of Changes in Shareholder's Equity
For the Three Months Ended March 31, 2106 and 2015

	Number of common shares outstanding	Share capital	Subscriptions received	Contributed surplus	Deficit	Total shareholders' equity (deficit)
Balance, December 31, 2015	47,513,524	$ 22,159,424	$ 40,688	$ 1,724,224	$ (25,318,008)	$ (1,393,672)
Share consolidation	(35,635,143)	-	-	-	-	-
Subscription funds recevied	-	-	10,000	-	-	10,000
Loss for the period	-	-	-	-	(72,836)	(72,836)
Balance, March 31, 2016	**11,878,381**	**$ 22,159,424**	**$ 50,688**	**$ 1,724,224**	**$ (25,390,844)**	**$ (1,456,508)**
Balance, December 31, 2014	43,859,443	$ 22,068,073	$ 97,438	$ 1,724,224	$ (24,774,598)	$ (884,863)
Loss for the period	-	-	-	-	(105,632)	(159,690)
Balance, March 31, 2015	43,859,443	$ 22,068,073	$ 97,438	$ 1,724,224	$ (24,880,230)	$ (1,044,553)

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 condensed 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 March 31, 2016, the Company had no source of operating cash flows and reported a comprehensive loss for three months of $72,836 (2015 - $105,732), working capital deficit of $1,456,509 (December 31, 2015 - $1,393,673), and has an accumulated deficit of $25,390844 (2014 - $25,318,008), 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 condensed consolidated interim financial statements have been prepared in accordance with IFRS, as issued by International Accounting Standards Board ("IASB") and Interpretations of the international Financial Reporting Interpretations Committee ("IFRIC") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. These condensed consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements for the year ended December 31, 2015, which have been prepared in accordance with IFRS and as issued by the IASB.

The Board of Directors approved these consolidated financial statements on May 27, 2016.

b) Functional and presentation currency

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

c) 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 or 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 or 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.

d) Comparative financial statements

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

3. Capital management

The Company classifies its share capital and contributed surplus as capital, which at March 31, 2016 totalled $23,883,648 (December 31, 2015 - 23,883,648). 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.

4. 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.

(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.

5. 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, March 31, 2016, December 31, 2015 and 2014	$ -	$ 1	$ 1

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) 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 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.

6. Related party transactions

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

Name	Relationship	Nature of Transaction	Fees incurred period ended March 31, 2016	Fees incurred period ended March 31, 2015	Balance payable at March 31, 2016	Balance payable at December 31, 2015
Nexvu Services Inc.	Owned by Nexvu Capital, of which Brian Leeners is a shareholder	Administrative services	$ **30,000**	$ 30,000	$ **305,725**	$ 279,779
Brian Leeners	Chief executive officer and director	Management services	**30,000**	30,000	**340,800**	309,300
ISG Professional Services Inc.	Annie Storey, former chief financial officer, who is a shareholder	Accounting services	**10,000**	15,000	**149,625**	139,125
KnowHowe Media	Brian Leeners is a shareholder	Advertising and promotion		-	**27,460**	27,460
Global Link Capital	Greg Pearson, director of the Company, is a shareholder	Investor relations	**22,500**	-	**225,725**	202,100
Tim Marsh	Former chief executive officer and director	Management and geological consulting	-	-	**64,381**	115,307
0733351 BC Ltd.	Brian Leeners	Property option	-	-	**9,524**	10,373
AE Finanancial Management Ltd.	Edward Low, chief financial officer, is a shareholder	Accounting services	**3,500**	-	**3,500**	-
			$ **96,000**	$ 75,000	$ **1,126,740**	$ 1,083,444

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

7. Demand loan payable

The demand loan payable in the amount of $69,388 (December 31, 2015 - $81,171) is from a third party, is unsecured and payable on demand, and bears interest at 10% per year. A portion of this loan is denominated in US dollars.

8. 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 March 31, 2016, the Company had received subscription funds in the amount of $50,688 (2015 - $40,688) to be applied towards a future private placement.

9. Options and warrants

a) Stock options

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

	Numer of options		Weighted average exercise price	Weighted average option life (years)
Balance, December 31, 2014	4,250,000	$	0.23	1.24
Expired/forfeited	(575,000)		0.25	-
Balance, December 31, 2015	3,675,000		0.23	1.24
Expired/forfeited	(450,000)		0.25	
Consolidation	(2,418,750)			
Balance, March 31, 2016	806,250	$	0.44	1.24
Options vested and exercisable	806,250	$	0.23	1.24

b) Warrants

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

	Numer of options		Weighted average exercise price	Weighted average warrant life (years)
Balance, December 31, 2014	-	$	-	-
Issued	3,640,000		0.05	1.00
Balance, December 31, 2015	3,640,000		0.05	0.65
Consolidation	(2,730,000)			
Balance, March 31, 2016	910,000	$	0.20	0.41

No value has been allocated to warrants.

10. Financial instruments

Financial assets and financial liabilities as at March 31, 2016 and December 31, 2015 are as follows:

As at March 31, 2016	Assets/liabilities at fair value through profit and loss	Other liabilities	Total
Cash	$ 1,597	$ -	$ 1,597
Accounts payable and acrrued liabilities	-	1,398,388	1,398,388
Demand loan payable	-	69,388	69,388

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

11. 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.

12. Subsequent events

a. The Company received $47,000 in private placement subscriptions subsequent to March 31, 2016.