



FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of Metallum Resources Inc. (the "Company") are the responsibility of the management and Board of Directors of the Company.

The financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the statement of financial position date. In the opinion of management, the financial statements have been prepared within acceptable limits of materiality and are in accordance with International Financial Reporting Standards ("IFRS").

Management has established processes which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the financial statements and (ii) the financial statements fairly present in all material respects the financial condition, financial performance and cash flows of the Company, as of the date of and for the periods presented by the financial statements.

The Board of Directors is responsible for reviewing and approving the financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

April 29, 2016
Toronto, Canada

Independent Auditors' Report

To the Shareholders of Metallum Resources Inc.:

We have audited the accompanying financial statements of Metallum Resources Inc., which comprise the statements of financial position as at December 31, 2015 and 2014, and the statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory 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 audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits 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 Metallum Resources Inc. as at December 31, 2015 and 2014, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

MNP LLP

Chartered Professional Accountants
Licensed Public Accountants

Mississauga, Ontario
April 29, 2016

Metallum Resources Inc.
STATEMENTS OF FINANCIAL POSITION
(EXPRESSED IN CANADIAN DOLLARS)

As at December 31,	2015	2014
ASSETS		
Current		
Cash and cash equivalents	\$ 6,479,569	\$ 5,053,227
Sundry receivables	26,881	25,054
Prepaid expenses	11,185	46,652
Loan receivable (Note 5)	263,642	1,868,670
Income taxes recoverable (Note 13)	125,896	-
TOTAL ASSETS	6,907,173	6,993,603
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 10)	\$ 325,876	\$ 78,530
Income taxes payable	-	82,850
	325,876	161,380
EQUITY		
Capital stock (Note 6)	8,119,404	8,119,404
Reserves	2,303,912	2,303,912
Deficit	(3,842,019)	(3,591,093)
	6,581,297	6,832,223
TOTAL LIABILITIES AND EQUITY	\$ 6,907,173	\$ 6,993,603

Nature of Operations (Note 1)

Subsequent Event (Note 14)

Approved on Behalf of the Board:

"Carl Hansen"
Director

"Kevin Bullock"
Director

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

Metallum Resources Inc.
STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(EXPRESSED IN CANADIAN DOLLARS)

For the years ended December 31,	2015	2014
EXPENSES		
General and administrative (Note 8)	\$ 304,678	\$ 282,401
Gain on foreign exchange	(12,456)	(2,990)
Operating loss before the following	(292,222)	(279,411)
Finance fee (Note 5)	-	150,000
Interest income (Note 5)	153,843	390,661
Loss on disposition of equipment	-	(1,741)
Write-down of exploration and evaluation expenditures	-	(17,629)
Gain on disposal of subsidiary	11,425	-
Due diligence costs (Note 11)	(250,727)	(177,480)
Net (loss) income before income taxes	(377,681)	64,400
Recovery of (Provision for) income taxes	126,755	(91,765)
TOTAL LOSS AND COMPREHENSIVE LOSS	\$ (250,926)	\$ (27,365)
Basic and diluted loss per share (Note 9)	\$ (0.00)	\$ (0.00)
Weighted average number of shares outstanding - basic and diluted	70,945,009	70,945,009

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

Metallum Resources Inc.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(EXPRESSED IN CANADIAN DOLLARS)

	Common Shares	Share Capital	Equity Settled Share-based Payments Reserve	Deficit	Total
Balance, December 31, 2013	7,045,009	\$8,119,404	\$ 2,270,192	\$(3,563,728)	\$ 6,825,868
Stock-based compensation	-	-	33,720	-	33,720
Net loss for the year	-	-	-	(27,365)	(27,365)
Balance, December 31, 2014	7,045,009	\$ 8,119,404	\$ 2,303,912	\$(3,591,093)	\$ 6,832,223
Net loss for the year	-	-	-	(250,926)	(250,926)
Balance, December 31, 2015	7,045,009	\$ 8,119,404	\$ 2,303,912	\$(3,842,019)	\$ 6,581,297

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

Metallum Resources Inc.
STATEMENTS OF CASH FLOWS
(EXPRESSED IN CANADIAN DOLLARS)

For the years ended December 31,	2015	2014
CASH (USED IN) PROVIDED BY:		
OPERATING ACTIVITIES		
Net loss for the year	\$ (250,926)	\$ (27,365)
Items not affecting cash:		
Depreciation	-	307
Write-down of exploration and evaluation expenditures	-	33,720
Loss on disposition of equipment	-	1,741
Net change in non-cash working capital:		
Accrued interest on loan receivable	(74,972)	(188,670)
Accrued finance fee	180,000	(150,000)
Sundry receivables	(1,827)	(9,048)
Prepaid expenses	35,467	(32,548)
Accounts payable and accrued liabilities	247,346	(62,065)
Income taxes recoverable (payable)	(208,746)	236,850
	(73,658)	(197,078)
INVESTING ACTIVITIES		
Loan receivable	1,500,000	-
	1,500,000	-
CHANGE IN CASH	1,426,342	(197,078)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	5,053,227	5,250,305
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 6,479,569	\$ 5,053,227
SUPPLEMENTARY CASH FLOW INFORMATION:		
Interest received	\$ 78,871	\$ 201,991

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

Metallum Resources Inc.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(EXPRESSED IN CANADIAN DOLLARS)

1. NATURE OF OPERATIONS

Metallum Resources Inc. (the "Company" or "Metallum") is involved in the business involving the acquisition, exploration and development of properties for the mining of precious and base metals. The primary office of the Company is located at 67 Yonge Street, Suite 602, Toronto, Ontario, Canada, M5E 1J8.

As at December 31, 2015, the Company had cash and cash equivalents of \$6,479,569 (December 31, 2014 - \$5,053,227) and working capital of \$6,581,297 (December 31, 2014 - \$6,832,223). Management of the Company believes that it has sufficient funds to pay its ongoing administrative expenses and its liabilities for the ensuing twelve months as they normally fall due.

Pursuant to an agreement entered into on March 31, 2015, the Company sold its Argentinian subsidiary, Metallum S.A. to an Argentinian consortium for cash consideration of 80,000 Argentinian Pesos (CAD\$8,291), resulting in a net gain on disposition reported on the Company's statement of operations of \$11,425. The subsidiary held no significant assets and a nominal cash balance. Pursuant to the negotiated terms, all costs associated with the sale were borne by the acquirer.

On July 27, 2015 and amended October 19, 2015, the Company signed a definitive arrangement agreement ("Arrangement Agreement") with 2315257 Ontario Inc., a corporation existing under the laws of Ontario, which is the holding company for its operating subsidiary OneUp Games, LLC (collectively, "OneUp Sports"). The Arrangement outlined the terms and conditions of the business combination pursuant to which OneUp Sports will complete a reverse take-over of Metallum by the shareholders of OneUp Sports (the "Transaction"). The Arrangement Agreement was negotiated at arm's length.

On December 23, 2015, the Company filed a lawsuit in the Ontario Superior Court of Justice against 2315257 Ontario Inc. ("OneUp") alleging that OneUp is in breach of the terms of the arrangement agreement (the "Arrangement Agreement") dated July 27, 2015 between Metallum and OneUp. Metallum was, among other things, seeking specific performance under the Arrangement Agreement.

On March 29, 2016, the Company settled the litigation, resulting in OneUp agreeing to pay or issue Metallum a combination of cash and shares of OneUp. Accordingly, the Arrangement Agreement was terminated. See Note 14 for details of the settlement.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") and their interpretations adopted by the International Accounting Standards Board ("IASB"). These financial statements were authorized for issuance by the Board of Directors of the Company on April 29, 2016.

Basis of Presentation

These financial statements have been prepared on a historical cost basis. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Financial Instruments

Financial Assets

All financial assets are recognized and derecognized on the trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the time frame established by the market concerned, and are initially measured at fair value, plus transaction costs.

Financial assets are classified as 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Loans and receivables are subsequently measured at amortized cost using the effective interest method, with interest recognized on an effective yield basis. Loan finance fees are amortized to income over the term of the loan. They are accounted for as an adjustment to the effective interest rate and are included in the carrying value of loans receivable.

Metallum Resources Inc.
NOTES TO FINANCIAL STATEMENTS
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(EXPRESSED IN CANADIAN DOLLARS)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (Continued)

Financial Assets (Continued)

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest, when applicable, over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial asset or to the net carrying amount on initial recognition.

As of December 31, 2015 the fair values of cash and cash equivalents, sundry receivables and loan receivable approximates their amortized costs due to their short-term nature.

Impairment of financial assets:

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

Financial Liabilities

Financial liabilities are classified as 'other financial liabilities'.

Other Financial Liabilities

Other financial liabilities including borrowings are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or to the net carrying amount on initial recognition.

As of December 31, 2015 the fair value of accounts payable and accrued liabilities approximates their amortized cost due to their short-term nature.

De-recognition of Financial Liabilities

The Company de-recognizes financial liabilities when the obligations are discharged, cancelled or expire.

The Company's financial instruments consist of the following:

Financial Assets:	Classification:
Cash and cash equivalents	Loans and receivables
Sundry receivables	Loans and receivables
Loan receivable	Loans and receivables
Financial Liabilities:	Classification:
Accounts payable and accrued liabilities	Other financial liabilities

The carrying amount of financial assets is reduced by any impairment loss directly for all financial assets with the exception of accounts or loans receivable, where the carrying amount is reduced through the use of an allowance account. When an account or loan receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

Metallum Resources Inc.
NOTES TO FINANCIAL STATEMENTS
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(EXPRESSED IN CANADIAN DOLLARS)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (Continued)

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

Financial Instruments Recorded at Fair Value

Financial instruments recorded at fair value on the statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels: Level 1 - valuation based on unadjusted quoted prices in active markets for identical assets or liabilities; Level 2 - valuation techniques based on 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 - valuation techniques using inputs for the asset or liability that are not based on observable market data [unobservable inputs].

Cash and Cash Equivalents

Cash and cash equivalents in the statements of financial position comprise cash at banks and on hand, and short-term deposits with an original maturity of three months or less, and which are readily convertible into a known amount of cash. The Company's cash and cash equivalents are invested with major financial institutions in business accounts and higher yield investment and savings accounts that are available on demand by the Company.

Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

The Company had no material provisions at December 31, 2015 or December 31, 2014.

Share-Based Payment Transactions

The fair value of share options granted to employees is recognized as an expense over the vesting period with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company.

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

Metallum Resources Inc.
NOTES TO FINANCIAL STATEMENTS
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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

Income tax on the profit or loss for the years 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 in equity.

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

Deferred tax is provided using the asset and liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted during the period.

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.

Income (Loss) Per Share

The Company presents basic and diluted income (loss) per share data for its common shares outstanding, 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 income (loss) per share is determined by adjusting the income (loss) attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all warrants and options outstanding that may add to the total number of common shares. As at December 31, 2015 and 2014, basic and diluted income (loss) per share were the same.

Foreign Currencies

The functional currency of the Company, as determined by management, is the Canadian dollar and this is also the currency in which it presents these financial statements. The Company recognizes transactions in currencies other than the Canadian dollar (foreign currencies) at the rates of exchange prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the end of reporting period exchange rates are recognized in the statements of loss and comprehensive loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Significant Accounting Judgments and Estimates

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Metallum Resources Inc.
NOTES TO FINANCIAL STATEMENTS
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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Critical Accounting Estimates

Significant assumptions about the future that management has made that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Stock-Based Compensation

Management is required to make certain estimates when determining the fair value of stock options awards, and the number of awards that are expected to vest. These estimates affect the amount recognized as stock-based compensation in the statements of loss and comprehensive loss based on estimates of forfeiture and expected lives of the underlying stock options. For the year ended December 31, 2015, the Company recognized \$nil in stock-based compensation expenses (December 31, 2014 - \$33,720).

The inputs used in measurement for stock option based transactions in profit or loss include:

Expected term: the Company used the expected term of five years for the options granted, which is the maximum term ascribed to the stock options issued. The Company chose the maximum term because it is difficult to determine with any reasonable degree of accuracy when these stock options will be exercised.

Volatility: the Company used historical information on the market price of its common shares to determine the degree of volatility at the date the stock options were granted. Therefore, depending on when the stock options are granted and the period of historical information examined, the degree of volatility can be different when calculating the value of different stock options.

Risk-free interest rate: the Company used the interest rate available for government securities of an equivalent expected term at the date of the grant of the stock options. The risk-free interest rate will vary depending on the date of grant of the stock options and their expected term.

Dividend yield: the Company has not paid dividends in the past because it is in the exploration stage and has not yet earned any income from operations. Also, the Company does not expect to pay dividends in the foreseeable future. Therefore, a dividend rate of 0% was used to value the stock options.

Critical Accounting Judgments

Income Taxes and Recovery of Deferred Tax Assets

The measurement of income taxes payable and deferred tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the financial statements.

Future Accounting Changes

The following standards have not yet been adopted and are being evaluated to determine their impact on the Company's financial statements.

- (i) IFRS 9 – Financial Instruments (“IFRS 9”) was issued by the IASB in October 2010 and in its final form in June 2014 and will replace IAS 39 - Financial Instruments: Recognition and Measurement (“IAS 39”). 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. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 will be effective as at January 1, 2018. The Company intends to adopt the standard on its effective date.

Metallum Resources Inc.
NOTES TO FINANCIAL STATEMENTS
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(EXPRESSED IN CANADIAN DOLLARS)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Future Accounting Changes (Continued)

- (ii) In January 2016, the IASB issued IFRS 16, Leases (IFRS 16). IFRS 16 is effective for periods beginning on or after January 1, 2019, with early adoption permitted. IFRS 16 eliminates the current dual model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. The extent of the impact of adoption of IFRS 16 has not yet been determined.

3. CAPITAL MANAGEMENT

The Company manages its capital with the following objectives:

- to ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, and pursuit of accretive acquisitions; and
- to maximize shareholder return through enhancing the share value.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by management and the Board of Directors on an ongoing basis.

The Company considers its capital to be equity, comprising share capital, equity settled share-based payments reserve, and deficit, which at December 31, 2015 totaled \$6,581,297 (December 31, 2014 - \$6,832,223). The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. The forecast is updated based on activities related to its mineral properties. Information is provided to the Board of Directors of the Company. The Company's capital management objectives, policies and processes have remained unchanged during the year ended December 31, 2015. The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than Policy 2.5 of the TSXV Venture Exchange ("TSXV") which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months. As of December 31, 2015, the Company was compliant with Policy 2.5.

4. FINANCIAL RISK FACTORS

Financial Risk

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk, market risk (including interest rate, foreign exchange rate, and commodity and equity price risk).

Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfil its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents, sundry receivables and its loan receivable. The Company has no significant concentration of credit risk arising from operations. Cash and cash equivalents consist of cash at banks and on hand, short-term deposits with an original maturity of three months or less. The cash on hand and short-term deposits have been invested and held with reputable financial institutions, from which management believes the risk of loss to be remote. As at December 31, 2015, the Company held \$6,419,582 (2014 - \$5,014,799) in short-term deposits.

Metallum Resources Inc.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(EXPRESSED IN CANADIAN DOLLARS)

4. FINANCIAL RISK FACTORS (Continued)

Financial Risk (Continued)

Sundry receivables consist of harmonized sales tax due from the Federal Government of Canada, interest and other receivables. Sundry receivables are in good standing as of December 31, 2015. Management believes that the credit risk concentration with respect to sundry receivables is remote.

Liquidity Risk

Liquidity risk refers to the risk that the Company will not be able to meet its financial obligations as they become due, or can only do so at excessive cost. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or as a result of conditions specific to the Company. As at December 31, 2015, the Company had a cash balance and cash equivalents of \$6,479,569 (December 31, 2014 - \$5,053,227) to settle current liabilities of \$325,876 (December 31, 2014 - \$161,380). The Company regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance of liquidity.

Most of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

(i) Interest Rate Risk

The Company has cash balances, a loan receivable and no interest-bearing debt. The loan receivable bears interest at a fixed rate (Note 5). The Company regularly monitors its cash management policy.

(ii) Foreign Exchange Risk

The Company's functional currency is the Canadian dollar and it transacts major purchases in Canadian dollars and Argentinian Pesos. To fund exploration expenses, it maintains an Argentine Peso denominated bank account containing sufficient funds to support monthly forecasted cash outflows. Management believes the foreign exchange risk derived from currency conversions is minimal, and therefore does not hedge its foreign exchange risk.

(iii) Price Risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of precious metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

Sensitivity Analysis

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are reasonably possible over a twelve month period:

- (i) Cash and cash equivalents are subject to floating interest rates. Sensitivity to a plus or minus one percentage point change in interest rates would not have a material impact on the reported net income for the year ended December 31, 2015.
- (ii) The Company is exposed to foreign currency risk on fluctuations of financial instruments related to cash, and accounts payable denominated in Argentine Pesos. A plus or minus 5% change in foreign exchange rates applied to the financial instruments held at the end of the reporting period would affect net loss by approximately \$1,144 (December 31, 2014 - \$480).

Metallum Resources Inc.
NOTES TO FINANCIAL STATEMENTS
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(EXPRESSED IN CANADIAN DOLLARS)

5. LOAN RECEIVABLE

On November 20, 2013, the Company announced it had entered into an agreement to loan (the "Loan") \$1.5 million to 2390110 Ontario Inc. (the "Borrower"), an arm's length entity incorporated to acquire a property located at 321 University Avenue, Belleville, Ontario (the "Property"). The Borrower raised additional funds to complete the purchase of the Property.

The Company received TSXV approval to undertake the loan and has committed not to undertake additional loans without further TSXV approval.

Under the terms of the Loan, the Loan and a finance fee (the "Finance Fee") of \$180,000, payable to Metallum by Borrower, bore interest at a rate of 2% monthly, commencing on March 31, 2014.

The Loan was secured by a mortgage on the Property, a general security granted from the Borrower in favour of Metallum, and a guarantee and pledge of securities by the principal of the Borrower in favour of Metallum, all of which ranked pari passu with another lender of the Borrower.

On February 10, 2015, the Company received repayment of \$1.715 million in settlement of this loan. In addition to interest payments of \$135,057 received during the term of the Loan, the Company received a financing fee of \$180,000, and a promissory note ("the Note") for \$238,262, representing the net interest balance as at February 10, 2015. The Note bears interest at a rate of 12% per annum, maturing on December 31, 2015. As at December 31, 2015, the note remained outstanding and continued to accrue interest. Furthermore, the Company received an additional \$35,000 as repayment of costs associated with the transaction. For the year ended December 31, 2015, interest of \$74,971 was recognized on the statements of loss in respect to the Note.

6. CAPITAL STOCK

(a) AUTHORIZED

Unlimited number of common shares

(b) ISSUED

	Shares	Amount
Balance - December 31, 2013 and December 31, 2014	70,945,009	\$ 8,119,404
Balance - December 31, 2014 and December 31, 2015	70,945,009	\$ 8,119,404

7. STOCK OPTIONS

The following table reflects the continuity of stock options for the years ended December 31, 2015 and 2014:

	Number of Stock Options Outstanding	Weighted Average Exercise Price
Balance - December 31, 2013	-	\$ 0.13
Granted	400,000	0.10
Balance - December 31, 2014	4,550,000	\$ 0.13
Expired	(2,700,000)	0.15
Balance - December 31, 2015	1,850,000	\$ 0.10

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7. STOCK OPTIONS (Continued)

On November 30, 2014, the Company granted 400,000 stock options with an exercise price of \$0.10 to two directors of the Company, expiring November 21, 2019. The options were assigned a fair value of \$33,720 using the Black-Scholes pricing model with the following assumptions: a dividend yield and forfeiture rate of 0%, expected volatility of 124.77%, risk free interest rate 1.51%, and an expected life of 5 years. These options vested immediately in accordance with the Company's stock option plan.

The following table reflects the stock options outstanding as at December 31, 2015:

Expiry Date	Exercise Price	Weighted Average Life Remaining	Options Outstanding	Black-Scholes Value
November 21, 2019	\$ 0.10	3.89 years	400,000	\$ 33,720
March 2, 2017	0.16	1.17 years	150,000	22,665
May 24, 2018	0.10	2.40 years	1,300,000	71,500
	\$ 0.13	2.62 years	1,850,000	\$ 127,885

As at December 31, 2015, all of the 1,850,000 issued and outstanding stock options were fully vested and exercisable.

8. GENERAL AND ADMINISTRATIVE

	2015	2014
Consulting and wages (Note 10)	\$ 60,822	\$ 60,000
Professional fees	129,923	40,080
Stock-based compensation	-	33,720
Directors fees	65,377	72,596
Insurance	23,148	26,212
Stock exchange and maintenance fees	15,868	21,894
Office and administration	950	18,202
Travel	5,590	2,590
Rent (Note 10)	3,000	6,800
Depreciation	-	307
	\$ 304,678	\$ 282,401

9. BASIC AND DILUTED EARNINGS (LOSS) PER SHARE

Basic loss per share is computed using the weighted average number of common shares outstanding during the period. Diluted loss per share, which reflects the maximum possible dilution from the potential exercise of stock options, is the same as basic loss per share for the year ended December 31, 2015 and 2014.

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10. RELATED PARTY TRANSACTIONS AND BALANCES

Remuneration of Directors and key management personnel of the Company was as follows:

	2015	2014
CEO and CFO remuneration	\$ 60,000	\$ 60,000
Director remuneration	63,500	70,548
Stock-based compensation	-	33,720
	\$ 123,500	\$ 164,268

- i) During the year ended December 31, 2015, the Company expensed \$93,496 (2014 - \$88,360) to Marrelli Support Services Inc. ("Marrelli Support") and DSA Corporate Services Inc. (the "DSA"), together known as the "Marrelli Group" for:

- (i) Robert D.B. Suttie, Vice President of Marrelli Support, to act as Chief Financial Officer ("CFO") and Chief Executive Officer ("CEO") of the Company;
- (ii) Bookkeeping and office support services; and
- (iii) Regulatory filing services.

The Marrelli Group is also reimbursed for out of pocket expenses.

As of December 31, 2015, the Marrelli Group was owed \$17,873 (2014 - \$7,350). These amounts are included in accounts payable and accrued liabilities.

- ii) During the year ended December 31, 2015, the Company paid head office rent of \$nil (2014 - \$6,800), to Volta Resources Inc. ("Volta"). The Chairman and a Director of Metallum was the CEO of Volta in 2014.

The above noted transactions are in the normal course of business and are measured at the exchange amount, as agreed to by the parties, and approved by the Board of Directors in strict adherence to conflict of interest laws and regulations.

11. DUE DILLIGENCE COSTS

	2015	2014
Financial due diligence	\$ 70,246	\$ 90,000
Legal due diligence	180,481	67,230
Fairness opinion	-	20,250
	\$ 250,727	\$ 177,480

During the year ended December 31, 2015, the Company incurred legal and financial due diligence costs of \$250,727 pertaining to the proposed transaction with OneUp. (see Notes 1 and 14)

During the year ended December 31, 2014, the Company incurred due diligence costs of \$177,480 with respect to a prospective opportunity involving a private company in the technology sector. On October 14, 2014, upon conclusion of a comprehensive due diligence program, the Company elected not to pursue the opportunity, advising the private company accordingly.

12. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with current period financial statement presentation.

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13. INCOME TAXES

The reconciliation of the combined Canadian federal and provincial statutory income tax rate on the net loss for the years ended December 31, 2015 and 2014, is as follows:

	2015	2014
Income (loss) before recovery of income taxes	\$ (377,681)	\$ 64,400
Expected income tax recovery	\$ 100,085	\$ (17,066)
Permanent differences	78,553	(1,190)
Tax rate changes and other adjustments	859	(13,010)
Non-deductible expenses	(264,234)	(36,869)
Change in tax benefits not recognized	211,492	(23,630)
Income tax recovery (expense) reflected in the statements of loss and comprehensive loss	\$ 126,755	\$ (91,765)

Unrecognized Deferred Tax Assets

Deferred income taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred income tax assets have not been recognized with respect to the following deductible temporary differences:

Deferred Income Tax Assets	2015	2014
Exploration and evaluation assets	\$ 442,276	\$ 2,705,750
Undeducted share issue costs	-	29,870
Intangible asset	290,008	123,790
Net capital losses carried forward	2,532,729	-
	\$ 3,265,013	\$ 2,859,410

The net capital loss carry forward may be carried forward indefinitely, but can only be used to reduce capital gains. The remaining deductible temporary differences may be carried forward indefinitely. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize the benefits therefrom.

14. SUBSEQUENT EVENT

On March 29, 2016, the Company and OneUp settled the litigation pertaining to the terms of an arrangement agreement (the "Arrangement Agreement") dated July 27, 2015 and amended October 19, 2015.

Under the terms of the settlement, OneUp Canada will pay or issue to Metallum consideration consisting of:

1. Cash in the amount of CDN \$570,000, to be paid in two tranches over a period not to exceed eighteen months as OneUp Canada closes current and future offerings of equity and/or debt securities;
2. 1,562,500 class A common shares of OneUp Canada (received in April 2016); and
3. 800,000 warrants exercisable for a period of two (2) years into class A common shares of OneUp Canada, at an exercise price of USD \$0.25 per share (received in April 2016).