

STEM 7 CAPITAL INC.

CONDENSED INTERIM FINANCIAL STATEMENTS

**FOR THE THREE AND SIX MONTHS ENDED
JUNE 30, 2015
(Unaudited)**

Notice of No Auditor Review of Interim Financial Statements

The accompanying unaudited condensed interim financial statements have been prepared by management and approved by the Audit Committee.

The Company's independent auditors have not performed a review of these unaudited condensed interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditors

August 20, 2015

STEM 7 Capital Inc.
Condensed Interim Statements of Financial Position
(Unaudited - Expressed in Canadian Dollars)

	June 30, 2015	December 31, 2014
ASSETS		
Current assets		
Cash	\$ 585	\$ 3,577
Amounts receivable	2,022	386
	\$ 2,606	\$ 3,963
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities <i>(Note 9)</i>	\$ 276,846	\$ 185,359
	276,846	185,359
SHAREHOLDERS' DEFICIENCY		
Share capital <i>(Note 6)</i>	13,965,411	13,965,411
Share compensation reserve	1,882,142	1,882,142
Deficit	(16,121,793)	(16,028,949)
	(274,240)	(181,396)
	\$ 2,606	\$ 3,963

CORPORATE INFORMATION AND NATURE OF OPERATIONS *(Note 1)*

Approved on Behalf of the Board:

<u>"David McMillan"</u>	<u>"Al Fabbro"</u>
David McMillan, Director	Al Fabbro, Director

STEM 7 Capital Inc.
Condensed Interim Statements of Comprehensive Loss
For the three and six months ended June 30, 2015 and 2014
(Unaudited - Expressed in Canadian Dollars)

	For the three months ended		For the six months ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Expenses				
Accounting and audit fees	\$ 11,310	\$ 4,969	\$ 11,890	\$ 7,467
Consulting fees	-	(3,287)	-	(3,287)
Interest and bank charges	1,619	84	1,674	153
Investor relations	-	-	-	250
Legal	7,102	3,618	13,991	5,753
Office, rent and administrative	51,074	5,819	51,835	11,612
Transfer agent, listing and filing fees	4,364	8,510	13,454	19,302
Net loss and comprehensive loss for the period	75,469	19,713	92,845	41,250
Weighted average number of shares outstanding	2,633,342	2,288,095	2,633,342	2,288,095
Net loss per share - basic and diluted	\$ (0.03)	\$ (0.00)	\$ (0.04)	\$ (0.00)

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

STEM 7 Capital Inc.
Condensed Interim Statement of Changes in Equity
For the three and six months ended June 30, 2015 and 2014
(Unaudited - Expressed in Canadian Dollars)

	Number of Shares	Amount	Share Compensation Reserve	Deficit	Total
Balances, December 31, 2013	1,865,412	13,581,446	1,882,142	(15,953,706)	(490,118)
Shares issued for debt	767,930	383,965	-	-	383,965
Loss for the period	-	-	-	(41,250)	(41,250)
Balances, June 30, 2014	2,633,342	13,965,411	1,882,142	(15,994,956)	(147,403)
Loss for the period	-	-	-	(33,993)	(33,993)
Balances, December 31, 2014	2,633,342	13,965,411	1,882,142	(16,028,949)	(181,396)
Loss for the period	-	-	-	(92,845)	(92,845)
Balances, June 30, 2015	2,633,342	13,965,411	1,882,142	(16,121,793)	(274,240)

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

STEM 7 Capital Inc.
Condensed Interim Statements of Cash Flows
For the six months ended June 30, 2015 and 2014
(Expressed in Canadian Dollars)

	June 30, 2015	June 30, 2014
Cash resources provided by (used in)		
Operating activities		
Net loss for the period	\$ (92,845)	\$ (41,250)
Changes in non-cash working capital balances:		
Amounts receivable	(1,636)	216
Accounts payable and accrued liabilities	91,488	(225,931)
	(2,992)	(266,965)
Financing activities		
Shares issued for debt	-	383,965
Short-term loans advanced from related parties	-	(117,000)
	-	266,965
Net increase (decrease) in cash during the period	(2,992)	-
Cash - beginning of period	3,577	-
Cash - end of period	\$ 585	\$ -

Supplemental cash flow information:

Cash paid for interest	\$ 1,514	\$ -
Cash paid for income taxes	\$ -	\$ -

Non-cash transactions:

Shares issued for debt	\$ -	\$ 383,965
Shares issued to settle related party loans	\$ -	\$ -

STEM 7 Capital Inc.
Notes to the Condensed Interim Financial Statements
For the three and six months ended June 30, 2015
(Unaudited - Expressed in Canadian Dollars)

1. CORPORATE INFORMATION AND NATURE OF OPERATIONS

STEM 7 Capital Inc. (the “Company”, or “STEM 7”) is in the exploration stage and its principal business activity is in the exploration and evaluation of mineral properties. At June 30, 2015 and December 31, 2014, the Company had no exploration and evaluation assets.

The Company was incorporated in British Columbia. The Company is listed on the NEX Board of the TSX Venture Exchange (“TSX.V”) in Canada, the Frankfurt Stock Exchange in Germany and the OTC Bulletin Board in the United States.

The records office is located at 1200 - 750 West Pender Street, Vancouver, BC, V6C 2T8 and head office at 202 – 750 West Pender Street, Vancouver, BC, V6C 2T7.

The unaudited condensed interim financial statements have been prepared on a going concern basis, which assumes that the Company will continue its operations for a reasonable period of time. The Company has incurred losses since its inception, has negative working capital of \$274,240 (December 31, 2014 - \$181,396) and had an accumulated deficit of \$16,121,793 as at June 30, 2015 (December 31, 2014 - \$16,028,949) which has been funded primarily by the issuance of shares. There is a material uncertainty related to these conditions that casts significant doubt about the Company’s ability to continue as a going concern and therefore it may be unable to realize its assets and discharge its liabilities in the normal course of business. The Company’s ability to continue as a going concern depends upon its ability to raise adequate financing and to generate profitable operations in the future. The Company has been successful in the past in raising funds for operations by issuing shares, but there is no assurance that it will be able to continue to do so in the future.

2. BASIS OF PREPARATION

a) Statement of compliance

These unaudited condensed interim financial statements of the Company have been prepared in accordance with IAS 34 ‘Interim Financial Reporting’ (“IAS 34”) using accounting policies consistent with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). These unaudited condensed interim financial statements follow the same accounting policies and methods of application as our most recent annual financial statements. Accordingly, they should be read in conjunction with our most recent annual financial statements.

The unaudited condensed interim financial statements were authorized for issue by the Board of Directors on August 20, 2015.

b) Basis of measurement

The unaudited condensed interim financial statements have been prepared on a historical cost basis except for certain non-current assets and financial instruments, which are measured at fair value, as explained in the accounting policies set out in Note 3.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Exploration and evaluation assets

Pre-exploration Costs

Pre-exploration costs are expensed in the period which they are incurred.

Exploration and Evaluation Expenditures

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures are recognized and capitalized, in addition to the acquisition costs.

STEM 7 Capital Inc.
Notes to the Condensed Interim Financial Statements
For the three and six months ended June 30, 2015
(Unaudited - Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Exploration and evaluation assets (continued)

Exploration and Evaluation Expenditures (continued)

These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors and depreciation on plant and equipment used during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the period in which they occur.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to the statement of comprehensive loss/income.

As the Company currently has no operating income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

Mineral exploration and evaluation expenditures are classified as intangible assets.

b) Impairment of non-financial assets

Exploration and evaluation assets are regularly tested for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. Impairment of an exploration and evaluation assets is generally considered to have occurred if one of the following factors are present: the rights to explore have expired or are near expiry with no expectation of renewal, no further substantive expenditures are planned, exploration and evaluation work is discontinued in an area for which commercially viable quantities have not been discovered, or indications that the carrying amount is unlikely to be recovered in full by development or by sale.

The recoverable amount is the higher of the fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs. The cash generating unit is the lowest group of assets in which the asset belongs for which it generates cash inflows that are independent of the cash inflows from other assets.

Where an impairment subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate and its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

c) Decommissioning, restoration and similar liabilities

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of exploration and evaluation assets. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the year in which the liability is incurred. Upon initial recognition of the liability, a corresponding amount is added to the carrying amount of the related asset. At the end of each period, these capitalized asset retirement costs are amortized as an expense over the economic life of the asset and the liability is increased to reflect the passage of

STEM 7 Capital Inc.
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Decommissioning, restoration and similar liabilities (continued)

time (accretion expense). Over time, the discounted liability is adjusted for changes in present value based on current market discount rate and the amount or timing of the underlying cash flows needed to settle the obligation.

The Company recognizes its environmental liabilities on a site-by-site basis when it can be reliably estimated. Environmental expenditures related to existing conditions resulting from past or current operations and from which no current or future benefit is discernible are charged to the statement of comprehensive loss. As at June 30, 2015, the Company has not incurred any decommissioning, restoration and environmental liabilities related to the exploration of its resource properties.

c) Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions for environmental restoration, legal claims, onerous leases and other onerous commitments are recognized at the best estimate of the expenditure required to settle the Company's liability at the reporting date.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the obligation. The increase in the provision due to passage of time is recognized as an interest expense.

d) Share-based payments

The Company records all share-based payment at fair value. Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in profit or loss over the vesting period, described as the period during which all the vesting conditions are to be satisfied. Agent stock options or warrants issued in connection with common share placements are recorded at their fair value on the date of issuance as share issuance costs.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the good or services received in the statement of comprehensive loss. When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model.

At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of stock options expected to vest. On the exercise of stock options and agents' warrants, share capital is credited for consideration received and for fair value amounts previously credited to share compensation reserve. The Company uses the Black-Scholes option pricing model to estimate the fair value of share-based payments.

e) Foreign currency translation

The Company's reporting currency and the functional currency of all of its operations is the Canadian dollar as this is the principal currency of the economic environment in which they operate.

Transactions in foreign currencies are translated to the functional currency at the exchange rate in effect at the date of the transaction. Foreign denominated monetary assets and liabilities are translated to the presentation currency using foreign exchange rates prevailing at the end of each reporting period.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Foreign currency translation (continued)

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Exchange gains or losses arising on foreign currency translation are reflected in profit or loss.

g) Income taxes

The Company provides for income taxes using the liability method of tax allocation. Under this method, deferred income tax assets and liabilities are determined based on temporary differences between the accounting and tax bases of existing assets and liabilities, and are measured using enacted or substantially enacted tax rates expected to apply when these differences are reversed.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

h) Loss per share

The Company presents basic and diluted loss per common share at each reporting period. The basic loss per common share is calculated by dividing the loss available to common shareholders by the weighted average number of common shares outstanding during the year. Diluted loss per common share is computed by dividing the net loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted. Diluted loss per share excludes all dilutive potential common shares because their effect is anti-dilutive.

i) Financial instruments

All financial assets are initially recorded at fair value and classified into one of four categories: held to maturity, available-for-sale, loans and receivables or at fair value through profit or loss ("FVTPL"). All financial liabilities are initially recorded at fair value and classified as either FVTPL or other financial liabilities. All transactions related to financial instruments are recorded on a settlement date basis.

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit or loss. The Company's cash is classified as FVTPL.

Financial assets classified as loans and receivables and held to maturity assets are measured at amortized cost. The Company does not have any amount classified as loans and receivables.

Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income and loss except for losses in value that are considered other than temporary which are recognized in profit or loss. The Company does not have any amount classified as available-for-sale.

Transactions costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Financial instruments (continued)

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable and short-term loans are classified as other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held for trading and recognized at fair value with changes in fair value recognized in profit or loss unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in profit or loss. The Company does not have any amount classified as FVTPL.

j) Significant accounting estimates and judgments

The preparation of these unaudited condensed interim financial statements in conformity with IFRS requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the unaudited condensed interim financial statements and the reported amount of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its estimates and underlying assumptions. Significant areas requiring the use of management estimates include determination of the fair value of share based payments and estimate of deferred income tax assets and liabilities. Significant judgements include the Company's ability to continue as a going concern. Actual results could differ from these estimates.

4. NEW ACCOUNTING STANDARDS

New accounting standards issued but not yet effective

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or the International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting periods beginning on or after January 1, 2016, or later periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

New accounting standards effective January 1, 2016

IAS 1 – *Presentation of Financial Statements*

These amendments clarify financial statement presentation requirements. The Company is evaluating the effect, if any, the amendments to IAS 1 will have on the Company's financial statements.

IAS 16 – *Property, plant and equipment*

In May 2014, the IASB amended IAS 16, which is effective for annual periods beginning on or after January 1, 2016. The amendment clarifies that a depreciation method for property, plant and equipment that is based on revenue that is generated by an activity that includes the use of an asset is not allowed. The Company is evaluating the effect, if any, the amendment to IAS 16 will have on the Company's financial statements.

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IAS 34 – Interim Financial Reporting

The amendment clarifies disclosure requirements and cross-referencing in interim financial reporting. The Company is evaluating the effect, if any, the amendments to IAS 34 will have on the Company's financial statements.

IAS 38 – Intangible assets

In May 2014, the IASB amended IAS 38, which is effective for annual periods beginning on or after January 1, 2016. The amendment clarifies that a depreciation method for intangible assets that is based on revenue that is generated by an activity that includes the use of an intangible asset is not allowed. Exceptions are allowed where the intangible asset is expressed as a measure of revenue or revenue and the consumption of the economic benefits of the intangible asset are highly correlated. The Company is evaluating the effect, if any, the amendment to IAS 38 will have on the Company's financial statements.

New accounting standards effective January 1, 2018

IFRS 9 – Financial instruments, classification and measurement

IFRS 9 was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: Amortized cost and fair value through profit or loss. Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, *Financial Instruments – Recognition and Measurement*, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income.

IFRS 9 was subsequently amended in November 2013 to add new general hedge accounting requirements. The final version of IFRS 9 was issued in July 2014 and adds a new expected loss impairment model and amends the classification and measurement model for financial assets by adding a new fair value through other comprehensive income category for certain debt instruments and additional guidance on how to apply the business model and contractual cash flow characteristics.

The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its financial statements or whether to early adopt any of the new requirements.

5. MANAGEMENT OF CAPITAL

The Company's objective is to safeguard its ability to continue as a going concern in order to maintain a flexible capital structure which will optimize the costs of capital.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk of characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company issues new shares through private placements.

The Company currently must rely on equity financing to fund its operations and continue exploration work.

As at June 30, 2015, the Company's capital structure consists of equity. The Company does not pay dividends and is not subject to any externally imposed capital requirements since its shares are listed on the NEX Board which does not impose specific capital requirements.

6. SHARE CAPITAL

a) **Authorized:** Unlimited number of common shares without par value

STEM 7 Capital Inc.
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- b) Issued and outstanding:** 2,633,342 (December 31, 2014 – 2,633,342) - see Statement of Changes in Equity.

On January 12, 2015, the Company consolidated its issued and outstanding common shares on a ten (10) existing shares for one (1) new share basis. Following the share consolidation, the Company had 2,633,342 common shares issued and outstanding. The consolidated financial statements have been retroactively adjusted to reflect the share consolidation. The consolidated shares will trade on the NEX Board of the TSX Venture Exchange under the new trading symbol STS.H. All share and per share amounts in these unaudited condensed interim financial statements have been adjusted to give retroactive effect to the share consolidation.

During the year ended December 31, 2014 the Company issued 767,930 common shares at a deemed price of \$0.50 per share which was equivalent to its fair value at the time of issuance to settle outstanding debts amounting to \$383,965.

c) Stock Options

On March 31, 2014, the Company adopted a stock option plan pursuant to which the directors may authorize the issuance of options to directors, officers, employees and consultants of the Company and its subsidiaries to a maximum of 10% of the issued and outstanding shares on any grant date. Options granted under the plan are subject to vesting terms determined by the Board of Directors of the Company.

The Company did not grant options during the six months ended June 30, 2015, or the year ended December 31, 2014.

A summary of the Company's outstanding options is as follows:

	June 30, 2015		December 31, 2014	
	Options Outstanding	Weighted Average Exercise Price	Options Outstanding	Weighted Average Exercise Price
Opening balance	59,000	\$1.00	59,000	\$1.00
Granted	-	-	-	-
Expired/Cancelled	(59,000)	\$1.00	-	-
Ending balance	-	\$ -	59,000	\$1.00

On February 5, 2015, a total of 59,000 stock options with an exercise price of \$1.00 expired unexercised. The Company currently has no share purchase options outstanding and exercisable:

The Company uses the Black-Scholes Option Pricing Model (the "Model") to calculate the fair value of stock options granted. The Model requires management to make estimates, which are subjective and may not be representative of actual results. Changes in assumptions can materially affect estimates of fair values.

No share-based compensation was recorded for the six months ended June 30, 2015 or the year ended December 31, 2014 as there were no options granted and all previously granted options were fully vested on the date of grant.

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6. SHARE CAPITAL (continued)

d) Warrants

The Company did not issue warrants during the six months ended June 30, 2015 or for the year ended December 31, 2014. On March 15, 2015, a total of 214,000 share purchase warrants priced at \$1.00 expired unexercised.

Warrant transactions are summarized as follows:

	Number of Warrants		Weighted Average Exercise Price	
	June 30, 2015	December 31, 2014	June 30, 2015	December 31, 2014
Balance - Beginning of period	482,000	482,000	\$1.00	\$1.00
Warrants expired	(214,000)	-	\$1.00	-
Warrants granted	-	-	-	-
Balance - End of period	268,000	482,000	\$1.00	\$1.00

Details of the warrants outstanding as of June 30, 2015 are as follows:

Number of Warrants Outstanding and Exercisable	Exercise Price	Expiry Date
188,000	\$1.00	August 6, 2015
80,000	\$1.00	September 19, 2015
268,000		

7. RELATED PARTY TRANSACTIONS AND BALANCES

Related party transactions not disclosed elsewhere in these unaudited condensed interim financial statements, are as follows:

- During the six months ended June 30, 2015 management fees of \$Nil (June 30, 2014: \$Nil) were incurred by directors and officers, or companies controlled by directors/officers of the Company.
- During the six months ended June 30, 2015, accounting fees of \$Nil (June 30, 2014: \$8,400) were paid to a company controlled by an officer of the Company. As at June 30, 2015, \$8,400 (December 31, 2014: \$8,400) remains payable and is included in accounts payable and accrued liabilities.
- During the six months ended June 30, 2015, no debt was settled via issuance of shares. During the year ended December 31, 2014, a total of \$117,000 in short-term loans advanced from directors/officers and companies controlled by directors/officers of the Company was settled by issuance of 234,000 common shares.
- During the year ended December 31, 2014, a total of \$112,558 in amounts owing to directors/officers and companies controlled by directors/officers of the Company was settled by issuance of 225,116 common shares.
- During the year ended December 31, 2014, a total of \$42,060 in amounts owing to former directors/officers and companies controlled by former directors/officers of the Company was settled by issuance of 84,120 common shares.

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7. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Included on the statement of financial position at June 30, 2015 is \$102,776 (December 31, 2014 - \$64,895) due to both current and former officers, directors or companies with a director in common for cash advances, unpaid consulting fees and unpaid expenses.

Key management personnel consist of the officers of the Company and the Company's Board of Directors.

Key management personnel compensation:

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Short-term benefits	\$ -	\$ 8,400
Share-based payments	-	-
Total remuneration	<u>\$ -</u>	<u>\$ 8,400</u>

8. CONTINGENT LIABILITY

On March 5, 2015, the Company received notice it had been named as a co-defendant in a civil claim (the "Claim") seeking amounts of \$60,223 plus costs of \$43,841 relating to a lease agreement and subsequent sublease agreement. A settlement has been reached with the plaintiff in the amount of \$50,000. This amount has been recorded as a rental expense.

9. FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are measured on an ongoing basis at fair value or amortized cost. The disclosures in the notes to these unaudited condensed interim financial statements describe how the categories of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognized.

As at June 30, 2015, the classification of the financial instruments, as well as their carrying value and fair values, with comparative figures for December 31, 2014 are shown in the table below:

	<u>June 30, 2015</u>		<u>December 31, 2014</u>	
	<u>Fair Value</u>	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Carrying Value</u>
Financial assets				
Cash	\$ 585	\$ 585	\$ 3,577	\$ 3,577
Financial liabilities				
Accounts payable	\$ 276,846	\$ 276,846	\$ 185,359	\$ 185,359
Short-term loans	-	-	-	-

Certain of the Company's financial assets and liabilities are measured at fair value on a recurring basis and classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Certain non-financial assets and liabilities may also be measured at fair value on a non-recurring basis. There are three levels of the fair value hierarchy that prioritize the inputs to valuation techniques used to measure fair value, with Level 1 inputs having the highest priority. The levels and the valuation techniques used to value our financial assets and liabilities are described below.

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9. FINANCIAL INSTRUMENTS (continued)

Level 1 - Quoted Prices in Active Markets for Identical Assets

Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Cash is valued using quoted market prices in active markets. Accordingly, these items are included in Level 1 of the fair value hierarchy.

Level 2 - Significant Other Observable Inputs

Quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

There are no items in Level 2 of the fair value hierarchy.

Level 3 - Significant Unobservable Inputs

Unobservable (supported by little or no market activity) prices

There are no items in Level 3 of the fair value hierarchy.

Interest rate and credit risk

Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash. To minimize the credit risk the Company places the cash with rated financial institutions.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's objective to managing liquidity risk is to ensure that it has sufficient liquidity available to meet its liabilities when due. Currently the Company does not have sufficient cash to pay its accounts payable.

Market risks

Market risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate due to changes in market prices. The Company is exposed to market risk in holding its marketable securities, and unfavourable market conditions could result in dispositions of investments at less than favourable prices. The significant market risks to which the Company is exposed include commodity price risk and foreign exchange risk.

Commodity price risk

The Company's ability to raise capital to fund exploration or evaluation activities is subject to risk associated with fluctuations in the market prices of gold. The Company's ability to raise capital is affected by the prices of commodities that the Company is exploring for on its mineral property interests. The Company does not have any hedging or other derivative contracts respecting its operations.

Market prices for these metals have historically fluctuated widely and are affected by numerous factors outside of the Company's control, including, but not limited to, levels of worldwide production, short-term changes in supply and demand, industrial and retail demand, central bank lending, and forward sales by producers and speculators. The Company has elected not to actively manage its commodity price risk.