
KINGSMEN RESOURCES LTD.

(formerly Tumi Resources Limited)

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

(Expressed in Canadian Dollars)



Independent Auditor's Report

To the Shareholders of Kingsmen Resources Ltd. (formerly Tumi Resources Limited)

We have audited the accompanying consolidated financial statements of Kingsmen Resources Ltd. (formerly Tumi Resources Limited), which comprise the consolidated statements of financial position as at December 31, 2015 and December 31, 2014, and the consolidated statements of comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2015 and December 31, 2014, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Kingsmen Resources Ltd. (formerly Tumi Resources Limited) as at December 31, 2015 and December 31, 2014, and its financial performance and its cash flows for the years ended December 31, 2015 and December 31, 2014 in accordance with International Financial Reporting Standards.

Vancouver, B.C.
April 21, 2016

"D&H Group LLP"

Chartered Professional Accountants

KINGSMEN RESOURCES LTD. *(formerly Tumi Resources Limited)*
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	Note	December 31, 2015 \$	December 31, 2014 \$
ASSETS			
Current assets			
Cash		575,522	780,952
GST receivable		1,856	1,979
Prepaid expenses		867	1,390
Total current assets		578,245	784,321
Non-current assets			
Investment	4	-	7,500
Property, plant and equipment	5	-	1,603
Exploration and evaluation assets	6	1	1
Total non-current assets		1	9,104
TOTAL ASSETS		578,246	793,425
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	8	21,201	15,111
TOTAL LIABILITIES		21,201	15,111
SHAREHOLDERS' EQUITY			
Share capital	7	17,539,956	17,539,956
Share-based payment reserve		2,159,638	2,159,638
Deficit		(19,142,549)	(18,913,330)
Accumulated other comprehensive loss		-	(7,950)
TOTAL SHAREHOLDERS' EQUITY		557,045	778,314
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		578,246	793,425

Nature of Operations and Name Change - see Note 1

Events after the Reporting Period - see Note 12

These consolidated financial statements were approved for issue by the Board of Directors on April 21, 2015 and are signed on its behalf by:

/s/ Scott Emerson

Scott Emerson
Director

/s/ Nick DeMare

Nick DeMare
Director

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

KINGSMEN RESOURCES LTD. *(formerly Tumi Resources Limited)*
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

		Year Ended December 31	
	Note	2015	2014
		\$	\$
Expenses			
Accounting and administration	8(b)	28,701	44,782
Audit		17,340	24,608
Depreciation	5	-	6,097
Due diligence		-	1,062
General exploration		8,368	-
Investment conferences		-	1,370
Legal		7,582	29,830
Management fees	8(a)	96,000	96,000
Office		18,525	18,639
Professional fees	8	24,101	34,435
Regulatory		7,470	7,557
Rent		13,200	9,150
Shareholder costs		4,004	3,645
Transfer agent		5,945	5,342
Travel and related		5,137	4,358
		<u>236,373</u>	<u>286,875</u>
Loss before other items		<u>(236,373)</u>	<u>(286,875)</u>
Other items			
Interest income		7,178	10,793
Realized loss on sale of investment	4	(2,279)	(3,938)
Impairment of exploration and evaluation assets	6	-	(2,169,696)
Write-off of property, plant and equipment	5	(1,603)	-
Gain on disposal of property, plant and equipment		-	15,326
Foreign exchange		3,858	4,804
		<u>7,154</u>	<u>(2,142,711)</u>
Net loss for the year		<u>(229,219)</u>	<u>(2,429,586)</u>
Other comprehensive income (loss)		<u>7,950</u>	<u>(10,450)</u>
Comprehensive loss for the year		<u>(221,269)</u>	<u>(2,440,036)</u>
Basic and diluted loss per common share		<u>\$(0.02)</u>	<u>\$(0.28)</u>
Basic and diluted weighted average number of common shares outstanding		<u>8,894,376</u>	<u>8,606,704</u>

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

KINGSMEN RESOURCES LTD. *(formerly Tumi Resources Limited)*
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian Dollars)

Year Ended December 31, 2015						
	Share Capital		Share-Based Payment Reserve \$	Deficit \$	Accumulated Other Comprehensive Income (Loss) \$	Total Equity \$
	Number of Shares *	Amount \$				
Balance at December 31, 2014	8,894,376	17,539,956	2,159,638	(18,913,330)	(7,950)	778,314
Reversal of unrealized loss on investment	-	-	-	-	7,950	7,950
Net loss for the year	-	-	-	(229,219)	-	(229,219)
Balance at December 31, 2015	8,894,376	17,539,956	2,159,638	(19,142,549)	-	557,045

Year Ended December 31, 2014						
	Share Capital		Share-Based Payment Reserve \$	Deficit \$	Accumulated Other Comprehensive Income (Loss) \$	Total Equity \$
	Number of Shares *	Amount \$				
Balance at December 31, 2013	7,894,376	17,341,806	2,159,638	(16,483,744)	2,500	3,020,200
Common shares issued for cash: - private placement	1,000,000	200,000	-	-	-	200,000
Share issue costs	-	(1,850)	-	-	-	(1,850)
Unrealized loss on investment	-	-	-	-	(10,450)	(10,450)
Net loss for the year	-	-	-	(2,429,586)	-	(2,429,586)
Balance at December 31, 2014	8,894,376	17,539,956	2,159,638	(18,913,330)	(7,950)	778,314

* The share numbers have been adjusted to reflect a consolidation of the Company's share capital on a one new for two old basis completed on January 12, 2016. See Note 7(b).

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

KINGSMEN RESOURCES LTD. *(formerly Tumi Resources Limited)*
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	Year Ended December 31.	
	2015	2014
	\$	\$
Operating activities		
Net loss for the year	(229,219)	(2,429,586)
Adjustments for:		
Depreciation	-	6,097
Realized loss on sale of investment	2,279	3,938
Impairment of exploration and evaluation assets	-	2,169,696
Write-off of property, plant and equipment	1,603	-
Gain on disposal of property, plant and equipment	-	(15,326)
Changes in non-cash working capital items:		
Amounts receivable	-	22,086
GST receivable	123	258
Prepaid expenses	523	765
Accounts payable and accrued liabilities	6,090	(9,779)
Net cash used in operating activities	(218,601)	(251,851)
Investing activities		
Expenditures on exploration and evaluation assets	-	(124,090)
Recovery on exploration and evaluation assets	-	27,320
Proceeds from sale of investment	13,171	32,112
Proceeds from disposal of property, plant and equipment	-	17,090
Net cash (used in) provided by investing activities	13,171	(47,568)
Financing activities		
Issuance of common shares	-	200,000
Share issue costs	-	(1,850)
Net cash provided by financing activities	-	198,150
Net change in cash	(205,430)	(101,269)
Cash at beginning of year	780,952	882,221
Cash at end of year	575,522	780,952

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

KINGSMEN RESOURCES LTD. (formerly *Tumi Resources Limited*)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Expressed in Canadian Dollars)

1. Nature of Operations and Name Change

The Company was incorporated on January 11, 2000 under the provisions of the Company Act (British Columbia). On July 6, 2015 the Company changed its name from Tumi Resources Limited to Kingsmen Resources Ltd. The Company's common shares are listed and trade on the TSX Venture Exchange ("TSXV") under the symbol "KNG". The Company's principal office is located at #1305 - 1090 West Georgia Street, Vancouver, British Columbia V6E 3V7.

The Company is engaged in the acquisition and exploration of precious metals on mineral properties. On the basis of information to date, the Company has not yet determined whether these properties contain economically recoverable ore reserves. The underlying value of the exploration and evaluation assets is entirely dependent on the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete development and upon future profitable production. Exploration and evaluation assets represent costs incurred to date, less amounts amortized and/or written off, and do not necessarily represent present or future values.

As at December 31, 2015 the Company had working capital in the amount of \$557,044 and an accumulated deficit of \$19,142,549. To date the Company has not earned any revenues and is considered to be in the exploration stage. These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business operations for the foreseeable future. The Company's ability to continue as a going concern is dependent upon the ability of the Company to obtain the necessary financing to develop properties and to establish future profitable production. The Company's operations are funded from equity financings which are dependent upon many external factors and may be difficult to impossible to secure or raise when required. The Company currently does not anticipate incurring significant exploration activities on its existing exploration and evaluation assets and management considers that the Company has adequate resources to maintain its core operations the next twelve months. The Company continues to conduct reviews and due diligence on prospective exploration and evaluation asset acquisitions. Completion of any acquisition and resultant exploration activities may require the Company to obtain additional financing. While the Company has been successful in securing financings in the past, there can be no assurance that it will be able to do so in the future.

2. Basis of Preparation

Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC").

Basis of Measurement

The Company's consolidated financial statements have been prepared on the historical cost basis except for the revaluation of certain financial assets and financial liabilities to fair value.

Details of the Group

In addition to the Company, the consolidated financial statements include all subsidiaries. Subsidiaries are all corporations over which the Company is able, directly or indirectly, to control financial and operating policies, which is the authority usually connected with holding majority voting rights. Subsidiaries are fully consolidated from the date on which control is acquired by the Company. Inter-company transactions and balances are eliminated upon consolidation. They are de-consolidated from the date that control by the Company ceases.

On June 12, 2015 the Company's wholly-owned subsidiary, Tumi Resources Inc., ("Tumi US"), an Idaho U.S.A. corporation, was dissolved. Tumi U.S. was incorporated to pursue exploration in the United States, as described in Note 6(b).

As at December 31, 2015 the Company had one wholly-owned subsidiary, TMXI Resources S.A. de C.V., a company incorporated in Mexico.

KINGSMEN RESOURCES LTD. (formerly Tumi Resources Limited)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies

Critical Judgments and Sources of Estimation Uncertainty

The preparation of these consolidated 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 consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates which, 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.

Critical Judgments

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the financial statements:

- (i) The determination of categories of financial assets and financial liabilities has been identified as an accounting policy which involves judgments or assessments made by management.
- (ii) Management is required to assess the functional currency of each entity of the Company. In concluding that the Canadian dollar is the functional currency of the parent and its subsidiary companies, management considered the currency that mainly influences the cost of providing goods and services in each jurisdiction in which the Company operates. As no single currency was clearly dominant the Company also considered secondary indicators including the currency in which funds from financing activities are denominated and the currency in which funds are retained.
- (iii) Management is required to assess impairment in respect of intangible exploration and evaluation assets. The triggering events are defined in IFRS 6. In making the assessment, management is required to make judgments on the status of each project and the future plans towards finding commercial reserves. The nature of exploration and evaluation activity is such that only a proportion of projects are ultimately successful and some assets are likely to become impaired in future periods.
- (iv) Although, the Company takes steps to verify title to exploration and evaluation assets in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.
- (v) The assessment of the probability of future taxable income in which deferred tax assets can be utilized is based on the Company's estimate of future profits or losses adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. The tax rules in the jurisdictions in which the Company operates are also carefully taken into consideration. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilized without a time limit, that deferred tax asset is usually recognized in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances. Details of these can be found in Note 10.

Estimation Uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year:

- (i) Depreciation expense is allocated based on assumed useful life of property, plant and equipment. Should the useful life differ from the initial estimate, an adjustment would be made in the statement of operations.

KINGSMEN RESOURCES LTD. (formerly Tumi Resources Limited)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies (continued)

- (ii) The assessment of any impairment of evaluation and exploration assets, and property, plant and equipment is dependent upon estimates of the recoverable amount that take into account factors such as reserves, economic and market conditions and the useful lives of assets. In fiscal 2015 the Company recorded a write-off of \$1,603 on its property, plant and equipment. In fiscal 2014 the Company recorded an impairment charge of \$2,169,696 on its exploration and evaluation assets.
- (iii) The cost estimates are updated periodically during the life of a mine to reflect known developments, (e.g. revisions to cost estimates and to the estimated lives of operations), and are subject to review at regular intervals. Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities. As at December 31, 2015 and 2014 there were no decommissioning liabilities.

Cash and Cash Equivalents

Cash includes cash on hand and demand deposits. Cash equivalents include short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. The Company is not exposed to significant credit or interest rate risk although cash is held in excess of federally insured limits with a major financial institution. As at December 31, 2015 and 2014, the Company did not have any cash equivalents.

Amounts Receivable

Receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. Receivables are classified as loans and receivables. A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

Accounts Payable and Accrued Liabilities

Payables are obligations to pay for materials or services that have been acquired in the ordinary course of business from suppliers. Payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Payables are classified as other financial liabilities initially at fair value and subsequently measured at amortized cost using the effective interest method.

Exploration and Evaluation Assets

The Company is in the exploration stage with respect to its investment in exploration and evaluation assets and, accordingly, follows the practice of capitalizing all costs relating to the acquisition of, exploration for and development of mineral properties and crediting all proceeds received against the cost of the related properties. Such costs include, but are not exclusive to, geological, geophysical studies, exploratory drilling and sampling. The aggregate costs related to abandoned mineral properties are charged to operations at the time of any abandonment, or when it has been determined that there is evidence of a permanent impairment. An impairment charge relating to a mineral property is subsequently reversed when new exploration results or actual or potential proceeds on sale or farmout of the property result in a revised estimate of the recoverable amount, but only to the extent that this does not exceed the original carrying value of the property that would have resulted if no impairment had been recognized.

The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development of the properties, and on future production or proceeds of disposition.

KINGSMEN RESOURCES LTD. (formerly *Tumi Resources Limited*)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies (continued)

The Company recognizes in income costs recovered on mineral properties when amounts received or receivable are in excess of the carrying amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets. At such time as commercial production commences, these costs will be charged to operations on a unit-of-production method based on proven and probable reserves.

All capitalized exploration and evaluation expenditures are monitored for indications of impairment. Where a potential impairment is indicated, assessments are performed for each area of interest. To the extent that exploration expenditures are not expected to be recovered, they are charged to the results of operations.

Property, Plant and Equipment

Property, plant and equipment are carried at cost, less accumulated depreciation and accumulated impairment losses.

The cost of an item of property, plant and equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Property, plant and equipment are depreciated annually on a straight-line basis over the estimated useful life of the assets, at a rate of 20% - 30% for office furniture and equipment and vehicles.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss in the consolidated statement of comprehensive income or loss.

Where an item of plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of plant and equipment. Expenditures incurred to replace a component of an item of plant and equipment that is accounted for separately, including major inspection and overhaul expenditures are capitalized.

The Company compares the carrying value of property, plant and equipment to estimated net recoverable amounts, based on estimated future cash flows, to determine whether there is any indication of impairment whenever events or circumstances warrant.

Impairment of Long-Lived Assets

At each financial position reporting date, the carrying amounts of the Company's long-lived assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An asset's recoverable amount is the higher of 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 pre-tax 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 or cash generating unit 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 the profit or loss for the period.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount

KINGSMEN RESOURCES LTD. (formerly Tumi Resources Limited)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies (continued)

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.

Decommissioning Provision

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral interest by or on behalf of the Company. Costs for restoration of site damage which is created on an ongoing basis during exploration and evaluation are provided for at their net present values and charged against profits in the period such exploration and evaluation occurs. Discount rates using a pre-tax risk-free rate that reflects the time value of money are used to calculate the net present value. The related liability is adjusted for each period for the unwinding of the discount rate, the changes to the current market-based discount rate and the amount or timing of the underlying cash flows needed to settle the obligation. As at December 31, 2015 and 2014 the Company does not have any decommissioning obligations.

Financial Instruments

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through comprehensive income (loss). Cash is classified as FVTPL.

Financial assets classified as loans and receivables and held to maturity are measured at amortized cost. At December 31, 2015 and 2014 the Company has not classified any financial assets as held to maturity or loans and receivable.

Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary. Investment is classified as available-for-sale.

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

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities.

Financial liabilities classified as FVTPL are measured at fair value with unrealized gains and losses recognized through comprehensive income (loss). At December 31, 2015 and 2014 the Company has not classified any financial liabilities as FVTPL.

Share Capital

Common shares issued by the Company are classified as equity. Costs directly attributable to the issue of common shares, share purchase warrants and share options are recognized as a deduction from equity, net of any related income tax effects.

Equity Financing

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate mineral properties. These equity financing transactions may involve issuance of common shares or units. Units typically comprise a certain number of common shares and share purchase warrants. Depending on the terms and conditions of each equity financing transaction, the warrants are exercisable into additional common shares at a price prior

KINGSMEN RESOURCES LTD. (formerly *Tumi Resources Limited*)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies (continued)

to expiry as stipulated by the terms of the transaction. The Company has adopted the residual value method with respect to the allocation of proceeds received on sale of units to the underlying common shares and share purchase warrants issued as private placement units. The fair value of the common shares issued in private placements is determined by the closing quoted bid price on the announcement date. The balance, if any, is allocated to the attached share purchase warrants.

Share-Based Payment Transactions

The share option plan allows Company employees and consultants to acquire shares of the Company. The fair value of share options granted is recognized as a share-based compensation expense with a corresponding increase in the equity settled share-based payments reserve 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.

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

Equity-settled share-based payment transactions with non-employees are measured at the fair value of the goods or services received. However, if the fair value cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the equity instruments granted at the date the Company receives the goods or the services.

Current and Deferred Income Taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in the statement of comprehensive loss, except to the extent that it relates to items recognized in other comprehensive loss or directly in equity. In this case the income tax is also recognized in other comprehensive loss or directly in equity, respectively.

Current Income Tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the statement of financial position date in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred Income Tax

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and

KINGSMEN RESOURCES LTD. (formerly *Tumi Resources Limited*)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies (continued)

liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Loss Per Share

Basic loss per share is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding during the period. The computation of diluted loss per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on loss per share. The dilutive effect of convertible securities is reflected in diluted earnings per share by application of the “if converted” method. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted earnings per share by application of the treasury stock method.

Foreign Currency Translation

Functional and Presentation Currency

The financial statements of each of the Company’s subsidiaries are prepared in the local currency of their home jurisdictions. Consolidation of each subsidiary includes re-measurement from the local currency to the subsidiary’s functional currency. Each subsidiary’s functional currency, being the currency of the primary economic environment in which the subsidiary operates, is the Canadian dollar. The consolidated financial statements are presented in Canadian dollars.

Exchange rates published by the Bank of Canada were used to translate subsidiary financial statements into the consolidated financial statements. Income and expenses for each statement of comprehensive loss presented are translated using the rates prevailing on the transaction dates. All resulting foreign exchange differences are recognized in comprehensive loss.

Foreign Currency Transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in comprehensive loss.

New and Amended Accounting Pronouncements

The following new and amended standards adopted by the Company during fiscal 2015 did not result in a significant impact on the Company’s financial statements:

- (i) IFRS 2 *Share-based Payment* amendment clarifies vesting conditions by separately defining a performance condition and a service condition, both of which were previously incorporated within the definition of a vesting condition.
- (ii) IAS 24 *Related Party Disclosures* amendments clarify that a management entity, or any member of a group of which it is a part, that provides key management services to a reporting entity, or its parent, is a related party of the reporting entity. The amendments also require an entity to disclose amounts incurred for key management personnel services provided by a separate management entity. This replaces the more detailed disclosure by category required for other key management personnel compensation. Tentatively effective for annual periods beginning on or after January 1, 2018.

KINGSMEN RESOURCES LTD. (formerly Tumi Resources Limited)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies (continued)

Accounting Standards and Interpretations Issued but Not Yet Adopted

As at the date of these financial statements, the following standard has not been applied in these financial statements:

- (i) The completed version of IFRS 9, *Financial Instruments*, was issued in July 2014. The completed standard provides for revised guidance on the classification and measurement of financial assets. It also introduces a new expected credit loss model for calculating impairment for financial assets. The new hedging guidance that was issued in November 2013 is incorporated into this new final standard. This final version of IFRS 9 will be effective for periods beginning on or after January 1, 2018, with early adoption permitted.
- (ii) IFRS 15 outlines the principles for recognizing revenue from contracts with customers. The new standard establishes a new five-step model for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new standard is effective for annual periods beginning on or after January 1, 2018, and is applicable to all entities and will supersede all current revenue recognition requirements under IFRS.

Management is currently assessing the impact of these new standards on the Company's accounting policies and financial statement presentation.

4. Investment

During fiscal 2013 the Company received 50,000 common shares of Tasman Metals Ltd. ("Tasman"), at a value of \$51,500, as partial consideration under the terms of a sale agreement with Tasman.

During fiscal 2014 the Company sold 35,000 Tasman common shares for net proceeds of \$32,112 and recorded a realized loss of \$3,938. As at December 31, 2014 the remaining 15,000 Tasman common shares were recorded at a carrying value of \$7,500, comprised of an original cost of \$15,450, less a \$7,950 unrealized holding loss.

During fiscal 2015 the Company sold the remaining 15,000 Tasman common shares for net proceeds of \$13,171 and recorded a realized loss of \$2,279 and a reversal of \$7,950 of previously recorded unrealized holding loss.

5. Property, Plant and Equipment

Cost:	Office Furniture and Equipment \$	Vehicles \$	Total \$
Balance at December 31, 2013	6,278	23,441	29,719
Disposal	-	(23,441)	(23,441)
Balance at December 31, 2014	6,278	-	6,278
Write-off	(6,278)	-	(6,278)
Balance at December 31, 2015	-	-	-

KINGSMEN RESOURCES LTD. (formerly Tumi Resources Limited)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Expressed in Canadian Dollars)

5. Property, Plant and Equipment (continued)

	Office Furniture and Equipment \$	Vehicles \$	Total \$
Accumulated Depreciation:			
Balance at December 31, 2013	(3,875)	(16,380)	(20,255)
Depreciation	(800)	(5,297)	(6,097)
Disposal	-	21,677	21,677
	<u>-</u>	<u>21,677</u>	<u>21,677</u>
Balance at December 31, 2014	(4,675)	-	(4,675)
Write-off	4,675	-	4,675
	<u>4,675</u>	<u>-</u>	<u>4,675</u>
Balance at December 31, 2015	<u>-</u>	<u>-</u>	<u>-</u>
Carrying Value:			
Balance at December 31, 2014	1,603	-	1,603
	<u>1,603</u>	<u>-</u>	<u>1,603</u>
Balance at December 31, 2015	<u>-</u>	<u>-</u>	<u>-</u>

During fiscal 2015 the Company reviewed its remaining office furniture and equipment in Mexico and determined that the estimated salvage values of the individual assets were nominal. Accordingly, the Company has recorded a write-off of \$1,603.

6. Exploration and Evaluation Assets

	Mexico La Trini \$	United States Ajax Property \$	Total \$
Balance at December 31, 2013	<u>2,072,927</u>	<u>-</u>	<u>2,072,927</u>
Exploration costs			
Consulting	-	24,888	24,888
Property holding costs	12,581	-	12,581
Travel	-	4,683	4,683
	<u>12,581</u>	<u>29,571</u>	<u>42,152</u>
Acquisition costs	-	81,938	81,938
Recovery	<u>-</u>	<u>(27,320)</u>	<u>(27,320)</u>
	<u>-</u>	<u>54,618</u>	<u>54,618</u>
Balance before impairment	2,085,508	84,189	2,169,697
Impairment	<u>(2,085,507)</u>	<u>(84,189)</u>	<u>(2,169,696)</u>
Balance at December 31, 2014 and 2015	<u>1</u>	<u>-</u>	<u>1</u>

(a) *La Trini, Mexico*

The Company owns a 100% interest in the La Trini and Mololoa mineral claims ("La Trini Project"). The La Trini Project is located in the Jalisco silver belt approximately 100 kilometres northwest of Guadalajara, Jalisco State, Mexico.

The La Trini Project is subject to a 1% net smelter return royalty ("NSR") and the Company has the right to reduce the NSR to 0.5% through a cash payment of US \$1,000,000.

KINGSMEN RESOURCES LTD. (formerly Tumi Resources Limited)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Expressed in Canadian Dollars)

6. Exploration and Evaluation Assets (continued)

During fiscal 2014 the Company determined to record an impairment charge of \$2,085,507 to reduce the carrying value of the La Trini Project to a nominal amount of \$1.

(b) *Ajax Property, USA*

On April 23, 2014 the Company entered into an agreement (the "Ajax Agreement"), whereby the Company agreed to acquire a 100% interest in 11 unpatented claims covering the Ajax Gold Mine and the West Ajax Gold Prospect (collectively the "Ajax Property") located southwest of Wisdom, Montana, USA. The Company was required to make cash payments to the Vendors totalling US \$825,000 over a period of seven years. On June 7, 2014 the Company received final TSXV approval and made an initial property payment of US \$75,000. An initial work program was conducted and, on August 20, 2014, the Company terminated the Ajax Agreement and a recovery of \$27,320 was received from the Vendors. The Company wrote-off the remaining \$84,189 of exploration and evaluation costs in fiscal 2014.

7. Share Capital

(a) *Authorized Share Capital*

The Company's authorized share capital consists of an unlimited number of common shares without par value. All issued common shares are fully paid.

(b) *Share Consolidation*

On January 12, 2016 the Company completed a consolidation of its share capital on a one new for two old basis. The share and per share amounts have been adjusted within these financial statements to reflect the share consolidation.

(c) *Equity Financings*

(i) No equity financings were conducted by the Company during fiscal 2015.

(ii) During fiscal 2014 the Company completed a non-brokered private placement of 1,000,000 common shares, at a price of \$0.20 per share, for proceeds of \$200,000. The Company paid \$1,850 for filing fees incurred on the private placement.

Certain family members of the Company's directors purchased 225,000 common shares of the private placement.

(d) *Warrants*

A summary of the number of common shares reserved pursuant to the Company's outstanding warrants at December 31, 2015 and 2014 and the changes for the years ended on those dates is as follows:

	2015		2014	
	Number	Weighted Average Exercise Price \$	Number	Weighted Average Exercise Price \$
Balance, beginning and end of year	<u>1,562,500</u>	0.80	<u>1,562,500</u>	0.80

KINGSMEN RESOURCES LTD. (formerly *Tumi Resources Limited*)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Expressed in Canadian Dollars)

7. Share Capital (continued)

The following table summarizes information about the number of common shares reserved pursuant to the Company's warrants outstanding and exercisable at December 31, 2015:

Number	Exercise Price \$	Expiry Date
1,437,500	0.80	January 17, 2016
<u>125,000</u>	0.80	January 22, 2016
<u>1,562,500</u>		

The weighted average remaining contractual life of the outstanding warrants at December 31, 2015 was 0.05 years.

See also Note 12.

(e) Share Option Plan

The Company has established a rolling share option plan (the "Plan"), in which the maximum number of common shares which can be reserved for issuance under the Plan is 10% of the issued and outstanding shares of the Company. The exercise price of the options is set at the Company's closing share price on the day before the grant date, less allowable discounts in accordance with the policies of the TSXV. Options granted may be subject to vesting provisions as determined by the Board of Directors and have a maximum term of five years.

The Company did not grant any share options during fiscal 2015 and 2014.

Option-pricing models require the use of estimates and assumptions including the expected volatility. Changes in the underlying assumptions can materially affect the fair value estimates and, therefore, existing models do not necessarily provide a reliable measure of the fair value of the Company's share options.

A summary of the Company's share options at December 31, 2015 and 2014, and the changes for the years ended on those dates, is as follows:

	2015		2014	
	Options Outstanding	Weighted Average Exercise Price \$	Options Outstanding	Weighted Average Exercise Price \$
Balance, beginning of year	174,375	0.99	205,000	0.97
Expired	<u>(174,375)</u>	0.99	<u>(30,625)</u>	0.85
Balance, end of year	<u>-</u>	-	<u>174,375</u>	0.99

8. Related Party Disclosures

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. Certain of these entities transacted with the Company during the reporting period.

(a) Key Management Personnel Disclosures

During fiscal 2015 and 2014 the following amounts were incurred with respect to the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") of the Company:

KINGSMEN RESOURCES LTD. (formerly Tumi Resources Limited)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Expressed in Canadian Dollars)

8. Related Party Disclosures (continued)

	2015 \$	2014 \$
Management fees - CEO	96,000	96,000
Professional fees - CFO	<u>6,000</u>	<u>6,000</u>
	<u>102,000</u>	<u>102,000</u>

As at December 31, 2015, \$nil (2014 - \$500) remained unpaid and has been included in accounts payable and accrued liabilities.

(b) *Other Related Party Disclosures*

- (i) During fiscal 2015 and 2014 the following amounts were incurred with respect to non-management directors of the Company:

	2015 \$	2014 \$
Professional fees	<u>18,000</u>	<u>18,000</u>

As at December 31, 2015, \$12,500 (2014 - \$6,500) remained unpaid and has been included in accounts payable and accrued liabilities.

- (ii) During fiscal 2015 the Company incurred a total of \$20,400 (2014 - \$25,700) to Chase Management Ltd. ("Chase"), a private corporation owned by the CFO of the Company, for accounting and administration services provided by Chase personnel excluding the CFO. As at December 31, 2015, \$2,400 (2014 - \$3,100) remained unpaid and has been included in accounts payable and accrued liabilities.

- (iii) During fiscal 2015 the Company incurred \$5,525 (2014 - \$13,848) for legal services provided by Axiom Law Corporation ("Axiom"), a firm of which a non-executive officer of the Company is a partner.

- (c) See also Note 7(c).

9. Segmented Information

The Company is in the exploration stage and, accordingly, has no reportable segment revenues or operating results. The Company's total assets are segmented geographically as follows:

	As at December 31, 2015		
	Canada \$	Mexico \$	Total \$
Current assets	577,180	1,065	578,245
Exploration and evaluation assets	<u>-</u>	<u>1</u>	<u>1</u>
	<u>577,180</u>	<u>1,066</u>	<u>578,246</u>

KINGSMEN RESOURCES LTD. (formerly Tumi Resources Limited)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Expressed in Canadian Dollars)

9. Segmented Information (continued)

	As at December 31, 2014		
	Canada	Mexico	Total
	\$	\$	\$
Current assets	782,998	1,323	784,321
Investment	7,500	-	7,500
Property, plant and equipment	-	1,603	1,603
Exploration and evaluation assets	-	1	1
	<u>790,498</u>	<u>2,927</u>	<u>793,425</u>

10. Income Taxes

Deferred income tax assets and liabilities of the Company as at December 31, 2015 and 2014 are as follows:

	2015	2014
	\$	\$
Deferred income tax assets		
Non-capital losses	2,138,400	2,100,500
Capital losses	514,700	502,200
Share issue costs	800	1,500
Mineral resource interests	<u>829,600</u>	<u>916,100</u>
	3,483,500	3,520,300
Valuation allowance	<u>(3,483,500)</u>	<u>(3,520,300)</u>
Net deferred income tax asset	<u>-</u>	<u>-</u>

The recovery of income taxes shown in the consolidated statements of loss and comprehensive loss and deficit differs from the amounts obtained by applying substantively enacted statutory rates to the loss before provision for income taxes due to the following:

	2015	2014
Combined federal and provincial income tax rate	<u>26.0%</u>	<u>26.0%</u>
	2015	2014
	\$	\$
Expected income tax recovery	(59,600)	(631,700)
Foreign income tax rate differences	(400)	(34,600)
Unrecognized benefit of income tax losses	47,600	666,500
Other	<u>12,400</u>	<u>(200)</u>
Actual income tax recovery	<u>-</u>	<u>-</u>

As at December 31, 2015, the Company has non-capital losses of approximately \$4,530,200 (2014 - \$4,852,200), capital losses of approximately \$3,959,600 (2014 - \$3,862,800) and accumulated pools of approximately \$2,525,900 (2014 - \$2,528,700) for Canadian income tax purposes to offset against future income. The non-capital losses expire commencing 2016 to 2035. The capital losses can be carried forward indefinitely.

The Company also has non-capital losses of approximately \$3,430,400 (2014 - \$2,996,000) for Mexican income tax purposes.

Income tax benefits which may arise as a result of these losses have not been recognized in the financial statements as their realization is unlikely.

KINGSMEN RESOURCES LTD. (formerly Tumi Resources Limited)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Expressed in Canadian Dollars)

11. Financial Instruments and Risk Management

Categories of Financial Assets and Financial Liabilities

Financial instruments are classified into one of the following categories: FVTPL; held-to-maturity investments; loans and receivables; available-for-sale; and other financial liabilities. The carrying values of the Company's financial instruments are classified into the following categories:

Financial Instrument	Category	December 31, 2015 \$	December 31, 2014 \$
Cash	FVTPL	575,522	780,952
Investment	Available-for-sale	-	7,500
Accounts payable and accrued liabilities	Other financial liabilities	(21,201)	(15,111)

The Company's financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.

Level 2 - Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the market place.

Level 3 - Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The recorded amounts for amounts receivable and accounts payable and accrued liabilities approximate their fair value due to their short-term nature. The Company's fair value of cash and investment under the fair value hierarchy are measured using Level 1 inputs.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and amounts receivable. Management believes that the credit risk concentration with respect to financial instruments included in cash is remote.

Liquidity Risk

Liquidity risk is the risk that the Company will not have the resources to meet its obligations as they fall due. The Company manages this risk by closely monitoring cash forecasts and managing resources to ensure that it will have sufficient liquidity to meet its obligations. All of the Company's financial liabilities are classified as current and are anticipated to mature within the next fiscal period. The following table is based on the contractual maturity dates of financial assets and the earliest date on which the Company can be required to settle financial liabilities.

KINGSMEN RESOURCES LTD. (formerly Tumi Resources Limited)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Expressed in Canadian Dollars)

11. Financial Instruments and Risk Management (continued)

Contractual Maturity Analysis at December 31, 2015				
	Less than 3 Months \$	3 - 12 Months \$	1 - 5 Years \$	Over 5 Years \$
Cash	575,522	-	-	-
Accounts payable and accrued liabilities	(21,201)	-	-	-
				Total \$
				575,522
				(21,201)
Contractual Maturity Analysis at December 31, 2014				
	Less than 3 Months \$	3 - 12 Months \$	1 - 5 Years \$	Over 5 Years \$
Cash	780,952	-	-	-
Investment	7,500	-	-	-
Accounts payable and accrued liabilities	(15,111)	-	-	-
				Total \$
				780,952
				7,500
				(15,111)

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. These fluctuations may be significant.

Interest Rate Risk

The Company is exposed to interest rate risk to the extent that the cash bears floating rates of interest. The interest rate risk on cash and on the Company's obligations are not considered significant.

Foreign Currency Risk

The Company has operations in Mexico subject to foreign currency fluctuations. The Company's operating expenses are incurred in Canadian Dollars and Mexican Pesos. The fluctuation of the Canadian Dollar in relation to the Mexican Peso will have an impact upon the profitability of the Company and may also affect the value of the Company's assets and the amount of shareholders' equity. The Company also maintains US Dollar bank accounts with its Canadian bank. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks. At December 31, 2015, 1 Canadian Dollar was equal to 12.44 Mexican Pesos and 0.72 US Dollar.

Balances are as follows:

	Mexican Pesos	US Dollars	CDN \$ Equivalent
Cash	13,241	30,426	43,174
Accounts payable and accrued liabilities	(49,512)	-	(3,980)
	<u>(36,271)</u>	<u>30,426</u>	<u>39,194</u>

Based on the net exposures as of December 31, 2015 and assuming that all other variables remain constant, a 10% fluctuation on the Canadian Dollar against the Mexican Peso and the US Dollar would result in the Company's net loss being approximately \$4,500 higher (or lower).

KINGSMEN RESOURCES LTD. *(formerly Tumi Resources Limited)*
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Expressed in Canadian Dollars)

11. Financial Instruments and Risk Management (continued)

Capital Management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and exploration of exploration and evaluation assets. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain development of the business. The Company defines capital that it manages as share capital. 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 reasonable.

12. Events after the Reporting Period

Subsequent to December 31, 2015 warrants to purchase a total of 1,562,500 common shares at an exercise price of \$0.80 per share, expired without exercise.

See also Note 7(b).