XMET INC.

Interim Condensed
Financial Statements - Unaudited

For the Six Months Ended June 30, 2016 and 2015
(*Expressed in Canadian Dollars unless otherwise indicated)*

Management's responsibility for financial reporting

The accompanying interim condensed financial statements of Xmet Inc. (the "Company" or "Xmet") were prepared by management in accordance with International Financial Reporting Standards ("IFRS"). Management acknowledges responsibility for the preparation and presentation of the interim condensed financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances. The significant accounting policies of the Company are summarized in Note 3 of the interim condensed financial statements.

Management has established processes which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the interim condensed financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the interim condensed financial statements and (ii) the interim condensed financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of June 30, 2016 and for the periods presented by the interim condensed financial statements.

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

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

Management's assessment of internal control over financial reporting ("ICFR")

Management is also responsible for establishing and maintaining adequate internal control over the Company's financial reporting. The internal control system was designed to provide reasonable assurance to the Company's management regarding the preparation and presentation of the financial statements.

(signed)	*(signed)*
(Alex Stewart)	(Stephen Stewart)

NOTICE OF NO AUDITOR REVIEW OF REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS

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

The accompanying interim condensed financial statements of the Company have been prepared by and are the responsibility of the Company's management.

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

XMET INC.
Interim Condensed Statements of Financial Position
(Expressed in Canadian Dollars)

As at,	June 30, 2016 (unaudited)	December 31, 2015 (audited)
ASSETS		
Current Assets		
Cash	**$ 10,536**	$ 8,246
Sales taxes recoverable (note 11)	**9,832**	32,899
Exploration tax credits receivable (notes 7 and 8)	**262,433**	261,740
	282,801	302,885
Non-Current Assets		
Exploration and evaluation assets (note 7)	**2,167,191**	2,165,830
Total Assets	**$ 2,449,992**	$ 2,468,715
LIABILITIES		
Current Liabilities		
Trade and other payables (notes 10, 12 and 13(c))	**$ 624,992**	$ 576,605
Total Liabilities	**624,992**	576,605
SHAREHOLDERS' EQUITY		
Capital stock (note 9)	**8,720,706**	8,720,706
Share based payments (note 9(b))	**970,738**	970,738
Warrants (note 9(c))	**2,117,490**	2,117,490
Deficit	**(9,983,934)**	(9,916,824)
	1,825,000	1,892,110
Total Liabilities and Shareholders' Equity	**$ 2,449,992**	$ 2,468,715

Nature of operations and going concern (note 1)
Commitments, provisions and contingencies (note 13)

Approved by the Board of Directors August 29, 2016

(signed) Alexander G. Stewart, Director

(signed) Stephen Stewart, Director

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

XMET INC.

Interim Condensed Statements of Changes in Equity - Unaudited

For the Six Months Ended June 30, 2016 and 2015

(Expressed in Canadian Dollars)

	Capital Stock			Share Based			
	No. Shares	**Amount**		**Payments**	**Warrants**	**Deficit**	**Total**
Balance December 31, 2014	**106,222,048**	**$ 8,454,437**		**$ 970,738**	**$ 1,909,761**	**$ (9,258,805)**	**$ 2,076,131**
Hard dollar financing	2,700,000	135,000					135,000
Debt settlement with common shares and warrants	5,060,000	253,000					253,000
Acquisition of Win-Win property option	1,000,000	30,000					30,000
Less: cash share issuance costs		(10,800)					(10,800)
Value assigned to subscriber warrants		(191,092)			191,092		-
Value assigned to broker warrants		(11,839)			11,839		-
Net income (loss)						(76,356)	(76,356)
Balance June 30, 2015	**114,982,048**	**$ 8,658,706**		**$ 970,738**	**$ 2,112,692**	**$ (9,335,161)**	**$ 2,406,975**
Debt settlement with common shares and warrants		93,800					93,800
Value assigned to subscriber warrants		(7,608)			7,608		-
Value assigned to broker warrants		2,810			(2,810)		-
Less: cash share issuance costs		(27,002)					(27,002)
Net income (loss)						(581,663)	(581,663)
Balance December 31, 2015	**114,982,048**	**$ 8,720,706**		**$ 970,738**	**$ 2,117,490**	**$ (9,916,824)**	**$ 1,892,110**
Net income (loss)						**(67,110)**	**(67,110)**
Balance June 30, 2016	**114,982,048**	**$ 8,720,706**	#	**$ 970,738**	**$ 2,117,490**	**$ (9,983,934)**	**$ 1,825,000**

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

XMET INC.

Interim Condensed Statements of Operations and Comprehensive Loss - Unaudited

(Expressed in Canadian Dollars)

	For the Six months ended		For the Three months ended	
	June 30 2016	June 30 2015	**June 30 2016**	June 30 2015
Revenue	**$ -**	$ -	**$ -**	$ -
Expenses				
General and administrative	**12,870**	92,460	**10,656**	47,990
Management fees (note 10)	**36,750**	125,000	**-**	53,000
Professional fees	**17,490**	73,130	**15,609**	26,854
Loss before Income Taxes	**67,110**	290,590	**26,265**	127,844
Deferred income tax recovery (note 9(d))	**-**	(214,234)	**-**	(41,913)
Net (Loss) Income and Comprehensive (Loss) Income	**(67,110)**	(76,356)	**(26,265)**	(85,931)
Comprehensive (loss) income per weighted average number of common shares - basic and diluted	**$ (0.00)**	$ (0.00)	**$ (0.00)**	$ (0.00)
Weighted average number of common shares - basic and diluted	**114,982,048**	108,100,678	**114,982,048**	108,100,678

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

XMET INC.
Interim Condensed Statements of Cash Flows - Unaudited

(Expressed in Canadian Dollars)

	For the Six months ended		For the Three months ended	
	June 30	June 30	**June 30**	June 30
	2016	2015	**2016**	2015
Operations				
Net income (loss) for the period	**$ (67,110)**	$ (76,356)	**$ (26,265)**	$ (90,742)
Adjustments for non-cash items:				
Deferred income tax recovery	**-**	(214,234)	**-**	(41,913)
Net change in non-cash operating w orking capital items:				
Trade and other payables	**48,387**	(63,397)	**27,701**	(441,335)
Sales taxes recoverable	**23,067**	249	**(1,685)**	104,713
Prepaid expenses and deposits	**-**	6,104	**-**	172,968
Cash Flow From (Used in) Operating Activities	**4,344**	(347,634)	**(249)**	(296,309)
Investing				
Expenditures on exploration and evaluation assets	**(2,054)**	(943,548)	**-**	(222,162)
Cash Flow Used in Investing Activities	**(2,054)**	(943,548)	**-**	(222,162)
Financing				
Issuance of common shares	**-**	388,000	**-**	253,000
Share issuance costs	**-**	(10,800)	**-**	-
Cash Flow From Financing Activities	**-**	377,200	**-**	253,000
Increase (Decrease) in Cash for the Period	**2,290**	(913,982)	**(249)**	(265,471)
Cash at Beginning of Period	**8,246**	995,671	**10,785**	347,160
Cash at End of Period	**$ 10,536**	$ 81,689	**$ 10,536**	$ 81,689

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

GENERAL

Xmet Inc. ("Xmet" or the "Company") was incorporated under the Business Corporations Act (Ontario) on August 2, 2006. Xmet's stock is listed on the TSX Venture Exchange under the symbol XME. Its registered office is located at 120 Adelaide Street West, Suite 2500, Toronto, Ontario M5H 1T1.

On July 28, 2016, the Company was suspended from listing on the TSX Venture Exchange. (Note 14)

The Company is engaged in the business of exploration of its Canadian mineral properties in the provinces of Quebec and Ontario. Substantially all of the Company's efforts are devoted to financing and developing these properties and/or acquiring new ones.

1. GOING CONCERN

The Company is in the process of exploring its mineral properties and has not yet determined whether the properties contain reserves that are economically recoverable. The recoverability of the amounts shown as exploration and evaluation assets is dependent upon future profitable production or proceeds from the disposition of properties.

The business of mining and exploration involves a high degree of risk and there can be no assurance that the Company's exploration programs will result in profitable mining operations. The Company's continued existence is dependent upon the discovery of economically recoverable reserves and resources, securing and maintaining title and beneficial interest in its properties, making the required payments pursuant to mineral property option agreements and/or securing additional financing; all of which are uncertain.

The Company has raised funds throughout the current and prior fiscal years and has utilized these funds for its exploration programs and working capital requirements. The ability of Xmet to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Company. There can be no assurance that Xmet will be successful in its efforts to arrange additional financing on terms satisfactory to the Company. If additional financing is raised by the issuance of shares from the treasury of the Company, control of Xmet may change and existing shareholders may have their interest diluted. If adequate financing is not available, the Company may be required to relinquish rights to certain of its interests or terminate its operations.

As at June 30, 2016, the Company had yet to generate operating revenues, had a working capital deficiency of $342,191 (December 31, 2015 – $273,720) and an accumulated deficit of $9,983,934 (December 31, 2015 - $9,916,824). Xmet has no proven history of performance, earnings or success. These conditions raise material uncertainties which cast significant doubt as to whether the Company will be able to continue as a going concern over the next 12 months should it not be able to obtain the necessary financing to fund exploration programs and working capital requirements.

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. Accordingly, it does not give effect to adjustments, if any that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than in the normal course of business and at amounts that may differ from those shown in these financial statements.

2. BASIS OF PREPARATION

Statement of Compliance
These interim condensed financial statements have been prepared in accordance with International Accounting Standard 34 (IAS 34) using accounting policies in full compliance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC")

The policies applied in these interim condensed financial statements are based on IFRS issued and outstanding as of August 29, 2016, the date these financial statements were authorized for issuance by the Board of Directors, and were consistently applied to all the periods presented unless otherwise noted.

Basis of Presentation
These interim condensed financial statements have been prepared on a historical cost basis except for certain financial instruments, which are carried at fair value, as explained in the accounting policies set out in note 3. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Functional and Presentation Currency
The interim condensed financial statements are presented in Canadian dollars, which is the Company's functional currency.

Recent Accounting Pronouncements
At the date of authorization of these Financial Statements, the International Accounting Standards Board ("IASB") has issued the following new and revised Standards and Interpretations which are not yet effective for the relevant reporting periods.

The Company has not early adopted these standards, amendments and interpretations; however, it is currently assessing what impact, if any, the application of these standards or amendments will have on future financial statements.

IFRS 9 – Financial Instruments - This standard is the first step in the process to replace IAS 39, Financial Instruments: Recognition & Measurement. IFRS 9 introduces new requirements for classifying and measuring financial assets. IFRS 9 establishes two primary measurement categories for financial assets: (i) amortized cost, and (ii) fair value; establishes criteria for classification of financial assets within the measurement category based on business model and cash flow characteristics; and eliminates existing fair-value-through-profit-loss, held to maturity, available for sale, loans and receivables and other financial liabilities categories. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting. IFRS 9 has an effective date of January 1, 2018, with early adoption permitted. The Company continues to monitor and assess the impact of this standard.

3. SIGNIFICANT ACCOUNTING POLICIES

These interim condensed financial statements have been prepared by management in accordance with IFRS. Outlined below are those policies considered particularly significant:

Significant Accounting Judgments and Estimates
The preparation of these interim condensed financial statements requires management to make judgements and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

during the reporting period. On an ongoing basis, management evaluates its judgements and estimates in relation to assets, liabilities, revenue and expenses.

Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgements and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. The most significant estimates relate to: recoverability of exploration and evaluation assets, the valuation of share-based payments and the provision resulting from flow through financing. The most significant judgements relate to the determination of the economic viability of an exploration project, the assumptions used in impairment testing of non-financial assets and the allocation of management fees as exploration and evaluation assets.

Exploration and Evaluation ("E&E") Expenditures

E&E consist of expenditures on exploration, evaluation, mining claim acquisition and preservation costs, property options payments and exploration contracts. E&E costs are capitalized and deferred until such time as the technical feasibility and commercial viability of extracting a mineral resource is demonstrable or the properties are disposed of either through sale or abandonment. If it is determined that capitalized costs are not recoverable, these costs are charged to operations in the current period.

If commercially profitable reserves are developed and put into production, capitalized costs of the related property are reclassified as mining assets following an impairment review and amortized using the unit of production method.

E&E costs consist of:

- Acquisition of exploration properties;
- Gathering exploration data through topographical and geological studies;
- Exploratory drilling, trenching and sampling;
- Determining the volume and grade of the resource;
- Test work on geology, metallurgy, mining, geotechnical and environmental; and
- Conducting engineering, marketing and financial studies.

Receipts from optioned E&E properties are recorded as a reduction of the corresponding property. If and when the carrying value of a particular E&E property has been reduced to $nil, the offsetting credit is to property option revenue in operations.

Impairment of Non-Financial Assets

At each reporting date of the statement of financial position, the Company reviews the carrying amounts of its tangible and intangible non-financial assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the assets belong.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments 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 (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of comprehensive income/loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government Assistance
Exploration tax credits receivable are recorded as a reduction of the corresponding E&E property at the time the expenditure giving rise to the credit is incurred. If and when the carrying value of a particular E&E property has been reduced to $nil, the offsetting credit is to exploration tax credit revenue in operations.

Loss per Share and Comprehensive Loss per Share
Loss per share and comprehensive loss per share is based on the weighted average number of common shares outstanding for the period. In a period when the Company reports a loss and comprehensive loss, the effect of potential issuances of shares under options and warrants outstanding would be anti-dilutive and, therefore basic and diluted loss and comprehensive loss per share are the same.

Flow-through Share Issuances
The Company finances a portion of its exploration activities through the issue of flow-through shares issued pursuant to the Canadian Income Tax Act ("Tax Act"). Proceeds received from the issuance of flow-through shares are restricted to be used only for qualifying Canadian exploration and development expenses (as defined in the Tax Act).

Pursuant to the terms of the flow-through share subscription agreements, these shares transfer the tax deductibility of qualifying expenditures to flow-through investors. On issuance, the Company allocates a portion of the subscription proceeds as a flow-through share premium, equal to the estimated premium, if any, that investors pay for the flow-through feature, which is recognized as a premium liability. As expenditures are incurred and applied against the Company's associated flow-through commitment, the premium liability is reduced proportionately, charged as a deferred income tax recovery in operations. A deferred income tax liability is recognized for the estimated foregone tax benefit as a result of the renunciation to the shareholders, offset as a deferred income tax expense, to the extent no deferred income tax assets are on hand and eligible to offset. The Company considers renunciation to have occurred when reported for income tax purposes.

The Company may also be subject to Part XII.6 tax on flow-through proceeds renounced under the Look Back Rule, but not yet expended, in accordance with the Tax Act. When applicable, this tax is accrued as a financing expense until paid.

Income Taxes
Income tax on profit or loss for the period comprises current and deferred tax and is recognized in the statement of operations.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates substantively enacted at period end.

Deferred tax is provided using the asset and liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be realized, it provides a valuation allowance against the excess.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through operations.

Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss). If an available-for-sale asset is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from accumulated other comprehensive income (loss) to operations. Reversals in respect of equity instruments classified as available-for-sale are not recognized in operations.

Financial assets classified as loans-and-receivables and held-to-maturity are measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial instrument and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial instrument, or, where appropriate, a shorter period.

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.

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

Other-financial-liabilities are subsequently measured at amortized cost using the effective interest method.

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 unless they are designated as effective hedging instruments. Unrealized gain and losses are recognized through operations.

Financial Instruments Fair Value Hierarchy
Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Inputs for the assets or liabilities that are not based on observable market data.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related Party Transactions
Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions that are in the normal course of business and have commercial substance are measured at the exchange amount.

Share-based Payments and Equity-settled Transactions
The fair value of share options granted to employees is measured at the grant date and recognized over the period during which the options vest. No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied provided that all other performance and/or service conditions are satisfied.

The fair value of options granted is measured using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the options were granted. At each statement of financial position date, the amount recognized as an expense, together with a corresponding increase in equity, is adjusted to reflect the actual number of share options that are expected to vest.

An individual is classified as an employee when the individual is an employee for legal, tax purposes (direct employee), or provides services similar to those performed by a direct employee, including directors of the Company.

The fair value of share-based payments to non-employees and other share-based payments are based on 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 services.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Share Capital
Financial instruments issued by the Company are treated as equity only to the extent that they do not meet the definition of a financial liability. The Company's ordinary shares are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares are shown in equity as a reduction, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

4. CAPITAL MANAGEMENT

The Company's capital structure is adjusted based on managements' and the Board of Directors' decision to fund expenditures with the issuance of debt or equity such that it may complete the acquisition, exploration and development of properties for the mining of minerals that are economically recoverable. The Board of Directors does not establish quantitative return on capital criteria, but rather relies on the expertise of management and other professionals to sustain future development of the business.

4. CAPITAL MANAGEMENT (Continued)

The Company's mineral properties are in the exploration stage and, as a result, the Company does not currently generate cash flow from operations. The Company intends to raise such funds as and when required to complete its exploration projects. There is no assurance that the Company will be able to raise additional funds on reasonable terms. The only sources of future funds presently available to Xmet are through the exercise of outstanding stock options and/or warrants, the sale of equity capital of the Company, the issuance of loans and/or debentures or the sale of an interest in any of its mineral properties in whole or in part. The ability of the Company to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Company. There can be no assurance that Xmet will be successful in its efforts to arrange additional financing, if needed, on terms satisfactory to the Company.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the six month periods ended June 30, 2016 and 2015. The Company is not subject to externally imposed capital restrictions.

5. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company has designated its cash as fair value through profit and loss. It designated its trade and other payables as other financial liabilities as they were not acquired for the purpose of selling or repurchasing in the near term.

The carrying value of cash and other payables approximates fair value due to the short-term or demand nature of these financial instruments.

Cash is classified as a level 1 under the fair value hierarchy.

The Company's major financial instrument risk factors and their impact are summarized below:

Liquidity Risk
Liquidity risk is the risk that the Company cannot meet a demand for cash or fund its obligations as they come due. The Company's main source of liquidity is its cash. These funds are used to finance working capital, exploration programs and to a lesser extent exploration property acquisitions and capital expenditures.

The Company manages its liquidity risk by regularly monitoring its cash flows from operating activities. At June 30, 2016, the Company had a working capital deficiency of $342,191 (December 31, 2015 – $273,720). As the Company does not generate revenues, it has and will continue to rely primarily on equity financing to meet its liquidity and capital requirements.

Credit Risk
Credit risk is the risk of loss associated with a counter-party's inability to fulfill its payment obligations. The Company's sole credit risk is with respect to its cash. To minimize this risk, cash has been deposited with major Canadian chartered banks. Management therefore believes this risk to be remote.

6. EXPLORATION AND EVALUATION ASSETS

Grasset Property
The Grasset Property was staked to cover the eastern extension of the Sunday Lake deformation zone in the vicinity of historic gold and copper mineral occurrences. The Grasset Property is located in the northern part of the Abitibi greenstone belt, west of Matagami, Quebec. The property is comprised of 114 contiguous exploration licenses.

Authier Property
The Authier Property was staked by the Company to cover the Macamic Deformation Zone and also to cover the volcanic rocks that form the Poularies-Privat volcanic complex. The Authier Property is located mainly in Poularies and Privat townships in the western Abitibi Region of Quebec, northeast of Rouyn-Noranda. The property is composed of exploration licenses totaling 27 claims.

During the year ended December 31, 2015, management made the decision to abandon the Authier property and recorded a write-off in the amount of $106,378.

Blackflake Property
The Blackflake Property was acquired by the Company based on a search and evaluation of historical data in the region hosting Zenyatta Ventures Inc.'s Albany graphite deposit.

The Company signed an exploration agreement effective January 23, 2014 (the "EA") with the Constance Lake First Nation ("CLFN") which will enable the exploration and development of Xmet's Blackflake project. The EA outlines the working relationship between Xmet and CLFN with respect to exploration activities within the CLFN's traditional territory which includes all claims forming the Blackflake project. The EA remains in effect until such time as Xmet and the CLFN enter into an impact benefits agreement prior to the commencement of any mine development. The EA includes terms outlining Xmet's and CLFN's mutual respect for the land and a responsible and sustainable approach to exploring the land. As consideration, the Company shall issue 200,000 common shares (paid), pay 2% of the Company's annual exploration costs that are incurred plus $2,000 per drill hole on the property, up to an aggregate maximum of $50,000 per year for a four-year period, and issue 200,000 common share purchase warrants annually beginning one year from the date of the agreement for three years. In addition, the Company will pay $2,500 per year for an annual community information session with members of the CLFN.

On May 22, 2014 the Company signed a definitive option agreement (the "Agreement") with Metals Creek Resources Corp. ("MCR") to acquire up to a sixty percent interest in the Feagan Lake Project. In order to earn a fifty percent interest in the claims from the Optionor, MCR., Xmet has agreed (a) to make a cash payment of $5,000 (paid) and issue 1,000,000 common shares to the Optionor (issued), forthwith after receiving the approval of the TSX-V Exchange (the "Exchange"); (b) carry out $60,000 in work obligations (met), make a cash payment of $15,000 (paid) and issue a further 1,000,000 common shares to the Optionor (issued) within five months of Exchange approval; (c) carry out $150,000 in work obligations within twelve months of Exchange approval (met); (d) carry out $250,000 in cumulative work obligations and issue 500,000 common shares to the Optionor within two years of Exchange approval; and (e) carry out $425,000 in cumulative work obligations and issue 500,000 common shares to the Optionor within three years of Exchange approval. Xmet may then increase its interest from fifty percent to sixty percent within 90 days after earning its fifty percent interest by making a cash payment of $100,000, issuing 1,500,000 common shares to the Optionor and conducting $1,000,000 in exploration work obligations within one year of the election. Xmet may at any time accelerate its obligations to earn its interest earlier. Once Xmet's interest is earned, the project will continue as a joint venture with the Optionor.

7. EXPLORATION AND EVALUATION ASSETS (Continued)

On June 18th, 2014, the Company signed a definitive option agreement with Alibaba Graphite Corp ("AGC") to acquire up to 65% in 29 claim units in four claims on the western boundary of the Blackflake West property. Xmet immediately earned a 50% interest by releasing Alibaba of a prior obligation to issue Xmet 1,500,000 common shares. For Xmet to increase its interest to 65%, it is required to flying a VTEM survey over the new claims within the four months of earning its 50% interest (completed).

On September 17 2014, the Company signed a definitive option agreement with AGC to acquire up to a 65% interest in 36 claim units in four claims located along trend from Xmet's optioned Blackflake West 'All Channel' EM anomaly. The new ground is located approximately south of the Blackflake West property. Xmet has earned an initial 50% interest in these claims by conducting an airborne VTEM survey, which commenced on September 17th, 2014. Xmet can increase its interest to 65% in the claims by (a) issuing 300,000 common shares to AGC or (b) spending an additional $15,000 worth of work on the property.

During the year ended December 31, 2015, management determined it would no longer pursue its option agreements with AGC. Accordingly, a write-off of the acquisition costs related to the option in the amount of $20,000 was recorded in operations.

Win-Win Property

During the December 31, 2015 year, management determined that it would no longer pursue its option on the Win-Win property. Accordingly, a full write-off of costs incurred in the amount of $32,850 was recorded for the year ended December 31, 2015.

Exploration Properties

	Grasset	Authier	Blackflake	Win-Win	Total
Balance December 31, 2014	$ 224,109	$ 106,378	$ 1,102,441	$ -	$ 1,432,928
Exploration costs	647,731	-	295,817	30,000	888,251
Exploration tax credits	(189,473)	-	-	-	(189,473)
Balance June 30, 2015	$ 682,367	$106,378	$ 1,398,258	30,000	$2,217,003
Acquisition/option payments	6,133	-	-	850	6,983
Exploration costs	109,156	-	38,951	2,000	150,107
Exploration tax credits	(49,035)	-	-	-	(49,035)
Write-down of property	-	(106,378)	(20,000)	(32,850)	(159,228)
Balance December 31, 2015	$ 748,621	$ -	$ 1,417,209	$ -	$ 2,165,830
Acquisition/option payments	-	-	-	-	-
Exploration costs	2,054	-	-	-	2,054
Exploration tax credits	(693)	-	-	-	(693)
Write-down of property	-	-	-	-	-
Balance June 30, 2016	**$ 749,982**	**$ -**	**$ 1,417,209**	**$ -**	**$ 2,167,191**

8. EXPLORATION TAX CREDITS RECEIVABLE

Certain exploration expenditures incurred on the Company's Quebec exploration and evaluation properties are eligible for a refundable 28% exploration tax credit pursuant to the Quebec Income Tax Act and a refundable 16% (with certain deductions) exploration tax credit pursuant to the Quebec Mining Act. The amounts reported represent the Company's associated entitlement to these tax credits. The offset has been recorded as a reduction in the carrying value of the related exploration and evaluation property asset.

9. SHARE CAPITAL

a) Share Capital

The Company's authorized share capital consists of an unlimited number of common shares without par value.

b) Stock Options

The Company has a stock option plan in place under which the board of directors may grant options to acquire common shares of the Company to qualified directors, officers and employees and other service providers. The stock options vest according to the provisions of the underlying directors' resolution approving the issuance and have a maximum life of up to ten years. The plan allows for the issuance of up to 10% of the number of issued and outstanding common shares of the Company at any time on a non-diluted basis. As at June 30, 2016, the Company had 5,798,205 (December 31, 2015 – 5,548,205) options available for issuance.

	June 30, 2016		December 31, 2015	
	No. of Options	**Weighted Average Exercise Price**	**No. Of Options**	**Weighted Average Exercise Price**
Outstanding at beginning of period	5,950,000	$ 0.11	8,950,000	$ 0.14
Transactions during period:				
Granted	-	-	-	-
Expired	(250,000)	(0.20)	2,500,000	0.21
Cancelled	-	-	500,000	0.13
Balance at end of period	5,700,000	$ 0.10	5,950,000	$ 0.11
Exercisable at end of period	5,700,000		5,950,000	

9. SHARE CAPITAL (Continued)

The following table provides information about outstanding stock options at June 30, 2016:

Expiry	No. of Options outstanding	Weighted average remaining life (years)	Weighted average exercise price $	No. of options currently exercisable
March 28, 2017	700,000	0.74	0.10	700,000
December 15, 2018	1,450,000	2.46	0.15	1,450,000
March 28, 2019	900,000	2.74	0.12	900,000
May 27, 2019	450,000	3.91	0.12	450,000
July 30, 2019	200,000	3.08	0.06	200,000
December 23, 2019	2,000,000	3.48	0.06	2,000,000
	5,700,000	**2.96**	**0.10**	**5,700,000**

During the period ended June 30, 2016, Nil stock options were issued (December 31, 2015 – Nil). The fair value of the incentive stock options granted is estimated on the date of grant using the Black-Scholes option pricing model. In determining the fair value of the options, management is required to make assumptions that could have a material impact on the valuation.

(c) Warrants
The following table provides information about warrants issued and outstanding at June 30, 2016:

Description	Expiry Date	Exercise Price	No. of Warrants	Fair Value
Subscriber Warrants	November 21, 2017	0.055	11,915,000	265,600
Broker Warrants	November 21, 2017	0.05	1,402,800	33,200
Subscriber Warrants	December 24, 2017	0.055	1,040,000	15,600
Broker Warrants	December 24, 2017	0.055	75,600	1,200
Subscriber Warrants	July 23, 2019	0.05	2,700,000	77,400
Broker Warrants	July 23, 2016	0.05	216,000	6,200
Subscriber Warrants	February 27, 2020	0.05	2,700,000	129,408
Broker Warrants	February 27, 2017	0.05	216,000	9,029
Subscriber Warrants	May 1, 2020	0.05	5,060,000	198,700
			25,325,400	**$ 736,337**

During the period ended June 30, 2016, nil warrants were issued (December 31, 2015 – 7,976,000). The fair value of the warrants issued during the year ended December 31, 2015 was estimated on the date of grant using the Black-Scholes option pricing model. In determining the fair value of the warrants, management is required to make assumptions that could have a material impact on the valuation. The following are the assumptions used during the year ended December 31, 2015: expected term 2 - 5 years; expected volatilities (based on Company's historical prices) 100%; expected dividend yield 0%; risk free rates 0.47% - 1.05%; the exercise price $0.05. The fair value of warrants granted during the year ended December 31, 2015 ranged from $0.015 – 0.029 resulting in a total fair value of $337,137.

9. SHARE CAPITAL (Continued)

(d) Private Placements

(i)On February 27, 2015 the Company completed a non-brokered private placement of 2,700,000 units at a price of $0.05 per unit, with each unit consisting of one common share and one common share purchase warrant for aggregate gross proceeds of $135,000. Each warrant entitles the holder thereof to acquire one common share of the Company at a price of $0.05 at any time until February 27, 2020.

The Company paid a cash finder's fee of $10,800 equal to 8% of the gross proceeds raised and issued 216,000 compensation options totaling 8% of the units issued. Each compensation option entitles the holder to acquire one common share of the Company at a price of $0.05 at any time until February 27, 2017, and one additional warrant exercisable into one common share with the same terms. Legal fees associated with the placement were $27,002.

(ii)On May 1, 2015, the Company effected a conversion of $253,000 of trade debt into Units of the Company, each Unit comprising of one common share and one warrant exercisable at $0.05 per share and expiring May 1, 2020. The debt conversion resulted in the issuance of 5,060,000 common shares and 5,060,000 warrants. The debt was related to exploration and evaluation costs payable to arm's length companies. The transaction resulted in a loss on debt settlement of $93,000 which was charged to operations in the year ended December 31, 2015.

During the period ended June 30, 2016, $Nil (2015 - $214,234) of premiums related to prior years' flow through share financings were derecognized and recorded in the statement of operations and comprehensive loss.

10. KEY MANAGEMENT COMPENSATION AND RELATED PARTY TRANSACTIONS

The Company defines key management personnel as its Executive Chairman, President and Board of Directors. For the six months ended June 30, 2016, key management compensation which was accrued consisted of management fees of $36,750 (2015 - $125,000) and share based payments valued at $Nil (2015 - $Nil).

Unless disclosed elsewhere, related party transactions for the periods ended June 30, 2016 and 2015 include:

	June 30, 2016 $	June 30 2015 $
Management fees	**36,750**	125,000
Exploration and evaluation assets	**-**	29,950

11. SALES TAXES RECOVERABLE

Sales taxes recoverable arise from Harmonized Sales Tax ("HST") paid and refundable from the Canada Revenue Agency. The balance comprises the following:

As at,	**June 30, 2016**	December 31 2015
	$	$

GST/HST recoverable	**9,832**	32,899
Total	**9,832**	32,899

12. TRADE AND OTHER PAYABLES

Trade and other payables are principally comprised of amounts outstanding for trade purchases relating to exploration activities, financing activities, general and administrative expenses and professional fees. The usual credit period taken for trade purchases is between 30 to 90 days.

The following is an analysis of the trade and other payables by type of expenditure:

As at,	**June 30, 2016**	December 31, 2015
	$	$
Exploration activities	**72,403**	72,403
Other trade payables	**164,500**	135,934
Professional fees	**166,849**	138,268
Provision resulting from flow through financing (Note 13)	**230,000**	230,000
Total	**624,992**	576,605

13. COMMITMENTS, PROVISIONS AND CONTINGENCIES

(a)Pursuant to the terms of flow-through share agreements entered into during the year ended December 31, 2014, the Company was committed to incurring Canadian Exploration Expenditures of $1,128,500 by December 31, 2015. The Company did not meet this obligation giving rise to a related provision being recognized in these financial statements.

(b)As a result of a 2015 CRA audit of the Company's 2010 to 2012 flow-through share issuances, the Company is facing a potential tax reassessment for non-compliance. The December 31, 2015 audited financial statements contain a provision of $230,000 to reflect the taxes, interest charges and penalties that have been assessed under the Income Tax Act. The Company intends to approach CRA with a proposal to minimize payments associated with the above. While some relief may be obtained, any such amount is uncertain. The $230,000 accrual amount has been included in accounts payable and other liabilities (Note 12) as at June 30, 2016 (December 31, 2015 - $230,000)

(c)The underlying share subscription agreements from 2010 to 2012 flow-through issuances contain full indemnity for loss resulting from reassessment due to non-compliance by the issuer, Xmet, or a remittance to subscribers of the reduction of eligible expenditures due to receipt of government assistance. Any payouts on the indemnity provisions are contingent upon the investors taking legal action against the Company. Management believes that the likelihood of such an action is not probable given the current state of operations. Management considers the matter a contingency given considerable uncertainty surrounding the timing and extent of any payout; and further management believes that there is no best estimate as to the potential payout, if any.

14. SUBSEQUENT EVENTS

On July 28, 2016, the Company was suspended from listing on the TSX Venture Exchange. The Company will continue to be a reporting issuer and will continue to file financial statements as mandated by securities laws. This action is being taken because management's efforts to refinance in order to further develop its projects and to acquire a new financeable project have not been successful to date in the current market environment. As such the direct and indirect costs of maintaining the listing cannot be justified. The Company continues to hold its interests in its Blackflake and Grasset projects and management continues to look for new viable projects for Xmet to acquire, finance and develop. If the Company is successful in acquiring a financeable project, it will make an application to relist on one of the Canadian stock exchanges.