

**SUNSET COVE MINING INC.**

**CONDENSED INTERIM CONSOLIDATED  
FINANCIAL STATEMENTS**

**JUNE 2015 AND 2014**

**FIRST QUARTER**

**(Unaudited, in Canadian dollars)**

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## **Notice of Disclosure of Non-auditor Review of Condensed Interim Financial Statements**

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

The accompanying unaudited condensed interim consolidated financial statements of the Company for the interim periods ended June 30, 2015 and 2014, have been prepared in accordance with International Financial Reporting Standards. The accompanying unaudited interim consolidated financial statements are the responsibility of the Company's management.

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

February 22, 2015.

*/s/ Lorne Woods*  
Chief Executive Officer

**SUNSET COVE MINING INC.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(Unaudited, in Canadian dollars)

As at,	June 30, 2015	March 31, 2015 (Audited) \$
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (note 6)	42	-
Receivables and other (note 7)	924	8,193
	<u>966</u>	<u>8,193</u>
<b>Non-current assets</b>		
Investment in an equity accounted investee (note 8)	37,382	37,389
<b>Total assets</b>	<u>38,348</u>	<u>45,582</u>
<b>Liabilities</b>		
Bank Indebtedness	-	18,801
Accounts payable and accrued liabilities (note 10, 15 & 22)	1,470,801	1,441,434
Due to associate (note 8)	57,883	57,883
Loan Payable (note 12)	99,255	98,725
<b>Total liabilities</b>	<u>1,627,939</u>	<u>1,616,843</u>
<b>Shareholders' Equity</b>		
Share Capital (note 13)	6,730,214	6,730,214
Contributed surplus	664,709	664,709
Accumulated or other comprehensive income	77,544	58,518
Deficit	(9,062,059)	(9,024,702)
Total shareholders' deficiency	<u>(1,589,592)</u>	<u>(1,571,261)</u>
Total liabilities and shareholders' deficiency	<u>38,348</u>	<u>45,582</u>

Going Concern, Commitments and Contingencies (Notes 2, 14, 21 and 22)

These condensed interim consolidated financial statements were approved by the Company's board of directors on February 22, 2016.

APPROVED BY THE BOARD OF DIRECTORS

Signed "Lorne Woods" Director

Signed "Mark Bilings", MBA Director

The accompanying notes form an integral part of the condensed interim consolidated financial statements

**SUNSET COVE MINING INC.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**  
(Unaudited, in Canadian dollars)

For the period ended June 30	2015 \$	2014 \$
<b>Revenues</b>	-	-
<b>Expenses</b>		
Bank charges	1,963	1,805
Depreciation of property and equipment	-	3,296
Exploration expenses ( <i>note 14</i> )	-	2,700
Foreign exchange (gain) loss	(14,758)	(19)
Operating expenses	7,262	3,815
Professional and consulting fees	42,883	102,100
	<b>37,350</b>	<b>113,697</b>
<b>Net loss before other income (expense)</b>	<b>(37,350)</b>	<b>(113,697)</b>
<b>Other income (expense)</b>		
Share of loss in an equity accounted investee	(7)	(20,376)
<b>Net loss before income taxes</b>	<b>(37,357)</b>	<b>(134,073)</b>
Deferred income taxes recovered	-	-
<b>Net loss for the year</b>	<b>(37,357)</b>	<b>(134,073)</b>
<b>Other comprehensive loss</b>		
Write off on bank overdrafts	19,026	-
Exchange on translation of foreign operations	-	5,933
<b>Net Comprehensive loss for the period</b>	<b>(18,331)</b>	<b>(128,140)</b>
<b>Basic and fully diluted loss per share</b>	<b>(0.00)</b>	<b>(0.01)</b>
<b>Weighted average number of shares outstanding</b>	<b>12,000,782</b>	<b>10,090,060</b>

The accompanying notes form an integral part of the condensed interim consolidated financial statements

## SUNSET COVE MINING INC.

### CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN DEFICIENCY

For the periods ended June 30, 2015 and 2014  
(Unaudited, in Canadian dollars)

	SHARE CAPITAL		ACCUMULATED OTHER		DEFICIT	TOTAL
	#	\$	CONTRIBUTED SURPLUS	COMPREHENSIVE INCOME(LOSS)		
<b>Balance - March 31, 2014</b>	<b>104,399,614</b>	<b>6,446,714</b>	<b>664,709</b>	<b>72,627</b>	<b>(8,243,124)</b>	<b>(1,059,074)</b>
Consolidation 10 : 1	(93,959,654)					
Private placements	2,970,000	148,500				148,500
Acquisition of property	2,700,000	135,000				135,000
Warrants revalued						
Net income and other comprehensive (loss)				(14,109)	(781,578)	(795,687)
<b>Balance - March 31, 2015</b>	<b>16,109,960</b>	<b>6,730,214</b>	<b>664,709</b>	<b>58,518</b>	<b>(9,024,702)</b>	<b>(1,571,261)</b>
Net income and other comprehensive (loss)				19,026	(37,357)	(18,331)
<b>Balance - June 30, 2014</b>	<b>16,109,960</b>	<b>6,730,214</b>	<b>664,709</b>	<b>77,544</b>	<b>(9,062,059)</b>	<b>(1,589,592)</b>

The accompanying notes form an integral part of the condensed interim consolidated financial statements

**SUNSET COVE MINING INC.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited, in Canadian dollars)

For the period ended June 30,	2015 \$	2014 \$
<b>Operating Activities</b>		
Net Loss for the year	(18,331)	(134,073)
<i>Adjustments for items not involving cash:</i>		
Change in fair value of warrant liabilities	-	
Depreciation	-	3,296
Deferred income taxes	-	-
Shares issued for exploration	-	-
Gain on sale of equipment	-	-
Share-based payments	-	-
Share of loss in an equity accounted investee	7	20,376
Write-off	-	
<i>Changes in non-cash working capital items:</i>		
Receivables and other	7,269	(313)
Prepaid Expenses	-	-
Bank Indebtedness	(18,801)	
Accounts payable and accrued liabilities	29,367	84,274
<b>Cash used in operating activities</b>	<b>(488)</b>	<b>(26,440)</b>
<b>Investing Activities</b>		
Acquisition of Equipment	-	-
<b>Financing Activities</b>		
Proceeds from issue of shares (net)	-	-
Advances from associate	-	35,591
Loans	530	-
Payment on loan payable	-	(10,000)
<b>Cash provided by financing activities</b>	<b>530</b>	<b>25,591</b>
Effect of exchange rate changes on cash	-	(8)
Decrease in cash	42	(857)
Cash beginning of the year	-	1,481
<b>Cash, end of the year</b>	<b>42</b>	<b>624</b>

The accompanying notes form an integral part of the condensed interim consolidated financial statements

**SUNSET COVE MINING INC.**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**  
(Unaudited, in Canadian dollars)

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**1. GENERAL INFORMATION**

Sunset Cove Mining Inc. ("Sunset" or the "Company") was incorporated as a private company by Certificate of Incorporation issued pursuant to the provisions of the British Columbia Business Corporation Act on December 4, 2007. On December 3, 2010 the Company changed its name to Sunset Cove Mining Inc. The principal activities of Sunset and its subsidiaries are the exploration and evaluation of mineral properties in Peru and Quebec, Canada.

The Company's shares are listed under the symbol SSM on the TSX Venture Exchange. Sunset announced on October 9, 2014 that it has decided to end its listing on the Bolsa de Valores de Lima ("BVL") in Peru. The registered office of the Company is located at 36 Toronto Street, Suite 1000, Toronto, Ontario, Canada.

These interim consolidated financial statements were approved and authorized for issuance by the Board of Directors on February 22, 2016.

**2. GOING CONCERN DISCLOSURE**

The business of mining exploration involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of exploration properties and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability to raise alternative financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values. Although Sunset has taken steps to verify title to the properties on which it is conducting exploration and has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements, aboriginal claims and non-compliance with regulatory requirements.

Several adverse conditions and events may cast significant doubt upon the validity of this assumption. Sunset is not currently generating any revenue from its operations and for the quarter ended June 30, 2015, the Company recorded a net comprehensive loss of \$18,331 (June 30, 2014 - \$128,140) and an accumulated deficit of \$9,062,059 (March 30, 2015 - \$9,024,702). Its ability to continue as a going concern is uncertain and is dependent upon its ability to fund its working capital, complete the development of its explorations, and eventually to generate positive cash flows from operations. Management plans to explore all alternatives possible, including joint ventures, debt and equity financings, and merger opportunities.

These interim consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and financial statement classifications that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

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**3. SIGNIFICANT ACCOUNTING POLICIES**

***Statement of compliance***

International Financial Reporting Standards (“IFRS”) has replaced Canadian generally accepted accounting principles (Canadian GAAP) for publicly accountable enterprises, including the Company, effective for the fiscal year beginning on or after April 1, 2011. These interim consolidated financial statements of the Company have been prepared by the management in accordance with IFRS effective as of June 30, 2015.

***Basis of presentation***

The interim consolidated financial statement of the Company has been prepared using historical costs and fair values of certain items. Items measured at fair value include cash held in foreign currencies, warrant liability, and share based payments. Certain comparative figures have been reclassified to conform to the current year's presentation.

***Basis of consolidation***

The subsidiaries are fully consolidated from the date of acquisition and continue to be consolidated until the date control over the subsidiaries ceases. The interim consolidated financial statements of the Company include the accounts of its 100% wholly owned subsidiaries, 7712898 Canada Inc. located in Canada and Minera Sunset Del Peru SAC (“Minera”) located in Peru. All significant inter-company transactions and balances have been eliminated upon consolidation.

***Investment in associate***

Investments over which the Company exercises significant influence are accounted for using the equity method. The equity method is basis of accounting for investments whereby the investment is initially recorded at cost and the carrying value, adjusted thereafter to include the investor's pro rata share of post acquisition earnings of the investee, as computed by the consolidation method. Profit distributions receivable from an investee reduce the carrying value of the investment. The Company's investment in B&W Milling Inc. is accounted for under this method.

***Functional and presentation currency***

The presentation and functional currency of the Company is the Canadian dollar.

***Foreign currency transactions*** – Transactions denominated in foreign currencies are initially recorded in the functional currency of the related entity using the exchange rates in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the closing exchange rates. Any resulting exchange difference is recognized in income except for exchange differences related to retirement benefits assets and liabilities, as well as financial liabilities designated as hedges of the Company's net investments in foreign operations, which are recognized in other comprehensive income (“OCI”). Non-monetary assets and liabilities denominated in foreign currencies and measured at historical cost are translated using historical exchange rates, and those measured at fair value are translated using the exchange rate in effect at the date the fair value is determined. Revenues and expenses are translated using the average exchange rates for the period or the exchange rate at the date of the transaction for significant items.

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*Foreign operations* – Assets and liabilities of foreign operations whose functional currency is other than the Canadian dollar are translated into Canadian dollars using exchange rates in effect at period-end. Revenues and expenses, as well as cash flows, are translated using the average exchange rates for the period. Translation gains or losses are recognized in OCI. The functional currency of the subsidiary is Peruvian Nuevo Soles ("PNS") and the PNS is freely convertible into foreign currencies. The exchange rates adopted are as follows:

	<b>June 30, 2015</b>		March 31, 2015		June 30, 2014	
	<b>PNS</b>	<b>USD</b>	PNS	USD	PNS	USD
End of period exchange rate	<b>0.386</b>	<b>1.247</b>	0.410	1.268	0.382	1.068
Average exchange rate	<b>0.392</b>	<b>1.140</b>	0.392	1.138	0.391	1.091

***Financial Instruments***

All financial assets are recognized when the Company becomes a party to the contractual provisions of the financial instrument. Financial assets are classified into the following categories upon initial recognition: loans and receivables; financial assets at fair value through profit or loss ("FVTPL"); held-to-maturity investments; available-for-sale financial assets; and, financial liabilities. Financial assets are initially measured at fair value plus transactions costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

The category determines subsequent measurement and whether any resulting income and expense is recognized in profit or loss or in other comprehensive income. All financial assets except for those at FVTPL are subject to review for impairment at each reporting date. Financial assets are impaired when there is objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

Financial assets at FVTPL include financial assets that are either classified as held-for-trading or that meet certain conditions and are designated at FVTPL upon initial recognition. Assets in this category are measured at fair value with gains and losses recognized in profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortized cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial.

Other receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Impairment of receivables are recognized in profit or loss within general administrative expenses. If, in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss or a portion of such, is reversed. The amount of the impairment loss reversed may not exceed the original impairment amount.

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Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as held-to-maturity if the Company has the intention and ability to hold them until maturity. Held-to-maturity investments are measured subsequently at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss.

The Company's financial liabilities are initially measured at fair value, less transactions costs if any, and are subsequently measured at amortized cost using the effective interest method. A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

*Fair value hierarchy:*

The Company classifies financial instruments recognized at fair value in accordance with a fair value hierarchy that prioritizes the inputs to the valuation technique used to measure fair value as per IFRS 7. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 – Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability; and

Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

***Cash and cash equivalents***

Cash and cash equivalents include cash on hand and bank balances with original maturities of three months or less from the date of acquisition.

***Equipment***

Vehicles and miscellaneous equipment are recorded at cost less accumulated amortization. The annual amortization is recognized as expense and is calculated using the straight-line method, based on the estimated useful lives of the assets, represented by the following equivalent years of amortization:

Vehicles	5 years
Equipment	4 years
Computer equipment	5 years

During the fiscal year ending March 31, 2015 all equipment, located in Peru, has been written off.

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***Exploration and evaluation assets***

The Company is in the exploration stage with respect to its investment in mineral claims. The Company follows the practice of expensing all costs relating to the acquisition of, exploration for, and development of mineral claims until the receipt of a feasibility study confirming the economic viability of the project.

Although the Company has taken steps to verify the title to mineral properties in which it has an interest in accordance with general industry standards, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and, as such, title may be affected.

***Income taxes***

The Company applies the liability method of accounting for income taxes. Deferred income tax assets and liabilities are recognized for the future income tax consequences of temporary differences between the carrying amounts of assets and liabilities and their respective tax bases, and for tax losses carried forward. Deferred income tax assets and liabilities are measured using the substantively enacted tax rates that will be in effect for the year in which the differences are expected to reverse.

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

Deferred income tax assets and liabilities are recognized directly in income, OCI or equity based on the classification of the item to which they relate.

***Segment reporting***

The Company operates in a single reportable operating segment – the development of mineral properties. The Company's primary mineral property interest, the Carolay Project, is located in Peru.

***Share capital***

Common shares issued for non-monetary consideration are recorded at their fair value on the measurement date and classified as equity. The measurement date is defined as the earliest of the date at which the commitment for performance by the counterparty to earn the common shares is reached or the date at which the counterparty's performance is complete.

Transaction costs directly attributable to the issuance of common shares and share purchase options are recognized as a deduction from equity, net of any tax effects.

The proceeds from the issue of the units is allocated between common shares and share purchase warrants on a pro-rata basis based on the relative fair values as follows: the fair value of the common share is based on the market closing price on the date the units are issued and fair value of the share purchase warrants is determined using the Black-Scholes Option Pricing Model.

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***Share capital issue costs***

Share capital issue costs are applied to reduce the proceeds of share capital issued in the period they are incurred.

**Share-based Compensation**

The Company grants stock options to buy common shares of the Company to directors, officers, employees and services providers. The board of directors generally grants such options for periods of up to five years, with vesting periods determined at its sole discretion and at prices equal to or greater than the closing market price on the day preceding the date the options were granted.

The fair value of share purchase options granted is recognized as an expense or charged to exploration and evaluation assets as appropriate, with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

The fair value for share purchase options granted to employees or those providing services similar to those provided by a direct employee is measured at the grant date and each tranche is recognized using the accelerated method basis over the period during which the share purchase options vest. The fair value of the share purchase options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the share purchase options were granted.

The fair value for share purchase options granted to non-employees for services provided is measured at the date the services are received. The fair value of the share purchase options granted is measured at the fair value of the services received, unless the fair value of services received cannot be estimated reliably, in which case the fair value of the share purchase options is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the share purchase options were granted.

At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share purchase options that are expected to vest.

***Basic and diluted loss per share***

Basic loss per share is calculated using the weighted average number of shares outstanding. Diluted loss per share is calculated using the treasury stock method. In order to determine diluted loss per share, the treasury stock method assumes that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted loss per share calculation. The diluted loss per share calculation excludes any potential conversion of options and warrants that would increase earnings per share or decrease loss per share.

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**Provisions**

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance expense (“notional interest”).

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic benefits will be required, the provision is reversed.

**Flow-through shares**

The Company will, from time to time, issue flow-through common shares to finance a portion of its exploration program. Pursuant to the terms of the flow-through share subscription agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenses being incurred, the Company recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders and the premium liability is reversed. The reversal of the premium liability and the deferred tax liability are recognized as tax recoveries to the extent that suitable deferred tax assets are available.

**4. CHANGES IN ACCOUNTING POLICIES**

**Future accounting changes**

***IFRS 9 Financial Instruments***

In July 2014, the IASB published IFRS 9 to replace IAS 39 Financial Instruments: Recognition and Measurement (IAS 39). The improvements introduced by IFRS 9 include a logical model for financial asset classification and measurement, a single, forward-looking ‘expected loss’ impairment model based on expected credit losses, and a substantially-reformed approach to hedge accounting. This standard applies to fiscal years beginning on or after January 1, 2018; early adoption is permitted. The Company has not yet determined the effect of the adoption of this standard on its consolidated financial statements.

***IFRS 15 Revenue from Contracts with Customers***

In May 2014, the IASB published IFRS 15 Revenue from Contracts with Customers, which replaces IAS 18 Revenue, IAS 11 Construction Contracts and some revenue-related interpretations. IFRS 15 establishes a new control-based revenue recognition model, changes the basis for deciding when revenue is recognized at a point in time or over time, provides new and more detailed guidance on specific topics and expands and improves disclosures about revenue. IFRS 15 is effective for reporting periods beginning on or after January 1, 2017. Earlier application is permitted. The Company has not yet determined the effect of the adoption of this standard on its consolidated financial statements.

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**5. SIGNIFICANT JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of financial statements requires management to make judgments, estimates and assumptions based on currently available information that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continuously evaluated and are based on managements' experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual results could differ from those estimated. By their very nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of future periods could be material.

In the process of applying the Company's accounting policies, management has made the following judgments, estimates, and assumptions which have the most significant effect on the amounts recognized in the consolidated financial statements:

***Share-based payments***

The Company uses the fair value method of valuing compensation expense associated with the issuance of the Company's stock, warrants and options. Estimating fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility, expected forfeitures and distribution yield.

***Depreciation and impairment of equipment***

Management estimates the useful life of equipment for depreciation purposes and the fair value of the equipment.

***Going Concern***

The assessment of the Company's ability to raise sufficient funds to finance its exploration and administrative expenses involves judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

***Determination of Cash Generating Units***

The determination of cash generating units ("CGUs") requires judgment in defining a group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. CGUs are determined by similar geological structure, shared infrastructure, geographical proximity, commodity type, similar exposure to market risks and materiality.

***Foreign Currency***

The Company applied judgment in determining the functional currency of the Company and its subsidiary. Functional currency was determined based on the currency in which funds are provided to its subsidiary and the degree of dependence on the Company for financial support.

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**Accrued Liabilities**

The Company has applied judgment in recognizing accrued liabilities, including judgment as to whether the Company has a present obligation (legal or constructive) as a result of a past event; whether it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and whether a reliable estimate can be made of the amount of the obligation.

**Deferred Tax Assets**

The Company has applied judgement in the inputs used in assessing the recoverability of deferred income tax assets to the extent that the deductible temporary differences will reverse in the foreseeable future and that the Company will have future taxable income;

**6. CASH**

Cash and cash equivalents were as follows:

	<b>June 30, 2015</b>	March 31, 2015
	\$	\$
Cash (bank overdraft) Canadian banks	42	(18,801)
Cash foreign banks	-	-
	<b>42</b>	<b>(18,801)</b>

The Company did not have any cash equivalents as of June 30, 2015.

**7. RECEIVABLES AND OTHER**

Receivables and other were comprised of the following balances:

	<b>June 30, 2015</b>	March 31, 2015
	\$	\$
Sales Tax receivable	924	8,193
Other receivable	-	-
	<b>924</b>	<b>8,193</b>

**8. INVESTMENT IN ASSOCIATE**

The Company's share of loss in its equity accounted investee for the period ended June 30, 2015 was \$7 (March 31, 2015 - \$28,295). Summary financial information for the equity accounted investee, not adjusted for the percentage of ownership held by the Company is as follows:

	<b>June 30, 2015</b>	<b>March 31, 2015</b>	<b>June 30, 2014</b>
<b>Ownership</b>	24%	24%	24%
<b>Total Assets</b>	57,972	58,002	100,329
<b>Total Liabilities</b>	5,364	5,364	14,694
<b>Net Loss</b>	(30)	(117,897)	(84,900)

The Company owns 5,000,000 shares (evaluated at \$0.02) in B&W Milling Inc. as at June 30, 2015.

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Reconciliation of the investment is as follows:

	\$
<b>Balance, beginning of the period</b>	
Acquisition cost	100,000
Share of loss of the investee	(34,316)
<b>Balance March 31, 2014</b>	65,684
Share of loss of the investee	(28,295)
<b>Balance March 31, 2015</b>	37,389
Share of loss of the investee	(7)
<b>Balance for the period ending June 30, 2015</b>	<b>37,382</b>

**9. EQUIPMENT**

The cost of the property and equipment consists of:

<b>Cost</b>	<b>Equipment</b>	<b>Computer</b>	<b>Total</b>
	\$	Equipment	\$
		\$	\$
Balance, March 31, 2013	63,502	6,257	69,759
Effect of foreign currency rate changes	243	24	267
Balance, March 31, 2014	63,745	6,281	70,026
Write-off of assets	(63,745)	(6,281)	(70,026)
Balance, March 31, 2015	-	-	-
<b>Balance June 30, 2015</b>	-	-	-
<b><i>Accumulated depreciation</i></b>			
Balance, March 31, 2013	12,578	3,540	16,118
Effect of foreign currency rate changes	444	52	496
Depreciation	11,704	1,176	12,880
Balance, March 31, 2014	24,726	4,768	29,494
Write off of assets	(24,726)	(4,768)	(29,494)
Balance, March 31, 2015	-	-	-
<b>Balance June 30, 2015</b>	-	-	-
	<b>Equipment</b>	<b>Computer</b>	<b>Total</b>
	\$	Equipment	\$
		\$	\$
Net book value, March 31, 2014	39,019	1,513	40,532
Net book value, March 31, 2015	-	-	-
<b>Balance, June 30, 2015</b>	-	-	-

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**10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

The accounts payable and accrued liabilities are as follows:

	June 30, 2015	March 31, 2015	June 30, 2014
	\$	\$	\$
Accounts payable	1,127,856	1,083,730	1,074,321
Accrued liabilities (provision Peru)	342,945	357,704	100,452
	<b>1,470,801</b>	<b>1,441,434</b>	<b>1,174,772</b>

Accrued liabilities includes an amount of \$854,496 (March 31, 2015 - \$816,996) due to related parties (see Note 15).

**11. DUE TO ASSOCIATE**

The Company received advances as at June 30, 2015 from B&W Mining Inc. in the amount of \$57,883 (\$57,883 - March 31, 2015). The advances bear no interest and have no fixed terms for repayment.

**12. LOANS PAYABLE**

The loan payable to an officer in the amount of \$25,974, as at June 30, 2015 (March 31, 2015 - \$25,560), is unsecured, payable on demand and bear interest at 6.5% per annum.

The loan payable to a Director in the amount of \$7,281, as at June 30, 2015 (March 31, 2015 - \$7,165), is unsecured, payable on demand and bear interest at 6.5% per annum.

The loan payable to a Director in the amount of \$1,000, as at June 30, 2015 (March 31, 2015 - \$1,000), is unsecured, payable on demand and bear no interest per annum.

The loans payables to different entities in the amount of \$65,000, as at June 30, 2015 (March 31, 2015 - \$65,000), are unsecured, payable on demand and bear no interest.

**13. SHAREHOLDERS' EQUITY (DEFICIENCY)**

**A Authorized Share Capital**

Authorized: An unlimited number common shares, without par value:

On June 12, 2014 the Company consolidated its common shares on a 10:1 basis.

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**B Common Shares Issued**

- i) On June 21, 2013 Sunset completed the first tranche of a private placement of 3,690,200 Units. Each Unit comprised one common share of the Company at \$0.05 per share and one share purchase warrant, with each share purchase warrant being exchangeable for one common share each at a price of \$0.10. The Warrant is subject to an "Acceleration Right". The warrants expire 18 months from closing of the financing, subject to an Acceleration Right in favor of the Company if the underlying shares close at a trading price of \$0.12 or higher for five (5) consecutive trading days, the expiry of the Warrants will accelerate and expiry will be twenty (20) days from issuance of a news release by the Company announcing the trigger of the Acceleration Right. The balance of the private placement was completed for proceeds of \$162,500. A total amount of \$110,706 on the private placement was allocated to share capital and \$73,804 for the warrants was allocated to contributed surplus. Executives and directors subscribed for 960,200 Units in the placement.
- ii) On August 7, 2013 Sunset issued 1,700,000 Units at \$0.05. Each Unit consisting of one common share of the Company and one common share purchase warrant (each warrant entitles the holder thereof to acquire one additional common share for twenty four months following the approval by the regulatory authorities at a price of \$0.10 per share). The issuance was completed for the acquisition of the Lac Guéret West Graphite Property (Note 14) in north-eastern Quebec. A total amount of \$85,000 was included in the exploration expenses for the acquisition of the property. \$34,000 on the private placement was allocated to share capital and \$51,000 for the warrants was allocated to contributed surplus.
- iii) On August 22, 2013 Sunset completed a private placement of 3,323,334 Units. Each Unit comprised one common share of the Company at \$0.03 per share and one share purchase warrant, with each share purchase warrant being exchangeable for one common share each at a price of \$0.10. The Warrant is subject to an "Acceleration Right". The warrants expire 18 months from closing of the financing, subject to an Acceleration Right in favor of the Company if the underlying shares close at a trading price of \$0.12 or higher for five (5) consecutive trading days, the expiry of the Warrants will accelerate and expiry will be twenty (20) days from issuance of a news release by the Company announcing the trigger of the Acceleration Right. The private placement was completed for proceeds of \$99,700. \$66,467 on the private placement was allocated to share capital and \$33,233 for the warrants was allocated to contributed surplus. Executives and directors subscribed for 1,175,000 Units in the placement.
- iv) On September 30, 2013 Sunset completed a private placement of 1,511,915 pre-consolidation shares at \$0.05 per share to settle debts in the amount of \$75,596.

For all share and unit issuance disclosed above the share and unit issuances are disclosed before the 10:1 consolidation which took place on June 12, 2014.

- v) On October 31, 2014 Sunset announced a private placement in the amount of \$148,500. A total of 2,970,000 post-consolidation units were issued at a price of \$0.05 per unit. Each unit consisted of one common share and y one common share purchase warrant with each warrant providing the holder the right to purchase one (1) additional share for \$0.10 per Share. The warrants expire in 18 months from the closing (April 2016). There are no acceleration rights on the warrants. The 2,970,000 Units issued under the private placement are subject to a four (4) month hold period, which expired on February 26, 2015.

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- vi) During the current year the Company issued 2,700,000 post consolidation shares at \$0.05 per common share in exchange of exploration properties located in the province of Québec, Canada.

**C Share purchase warrants**

The movement in the number of warrants outstanding and their weighted average exercise prices are as follows:

	Warrants #	Weighted average exercise price \$
<b>Balance - March 31, 2013</b>	<b>147,590</b>	<b>1.80</b>
Private placement	369,020	1.00
Private placement	502,333	1.00
Warrants expired	(98,612)	1.80
<b>Balance - March 31, 2014</b>	<b>920,332</b>	<b>1.04</b>
Warrants expired	(48,979)	1.80
Warrants expired	(369,020)	1.00
Warrants expired	(332,333)	1.00
Private placement	2,970,000	0.10
<b>Balance - March 31, 2015</b>	<b>3,140,000</b>	<b>0.15</b>
<b>Balance - June 30, 2015</b>	<b>3,140,000</b>	<b>0.15</b>

As at June 30, 2015, the outstanding share purchase warrants were as follows:

exercise price	Number outstanding and exercisable	Weighted average remaining contractual life (years)	Expiry
1.00	170,000	0.17	August 2015
0.10	2,970,000	0.83	April 2016
	<b>3,140,000</b>	<b>0.15</b>	

**D Stock options**

The Company has a stock option plan under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the plan, the exercise price of each option equals the market price of the Company's stock, less an applicable discount, as calculated on the date of grant. The options can be granted for a maximum term of 5 years and vest at the discretion of the board of directors. The option activity, under the share option plan and information concerning outstanding and exercisable options, is as follows:

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	No. Of Options Vested	Weighted Average Exercise Price (\$)
Balance - March 31, 2013	533,000	1.60
Expired	(40,000)	1.00
<b>Balance – March 31, 2014 and 2015</b>	<b>493,000</b>	<b>1.70</b>
Expired	(16,500)	<b>1.0</b>
<b>Balance – June 30, 2015</b>	<b>328,000</b>	<b>1.70</b>

**D Stock options**

As at June 30, 2015 stock option issued and outstanding are as follows:

Options granted and exercisable	Weighted Average Exercise Price	Expiry
190,500	2.00	December 2015
286,000	1.50	September 2016
<b>476,500</b>	<b>1.70</b>	

For the current year ended March 31, 2016, no stock options were granted.

**14. EXPLORATION EXPENSES**

***Carolay Property***

Mineral exploration and evaluation expenses on the properties may be subject to exploration and/or mining restrictions. At the date of this report, management is not aware of any restrictions to its exploration activities.

***Lac Guéret West Graphite Property***

On May 24, 2013 Sunset signed a mineral option agreement for 100% of the 10,800 hectare Lac Guéret West Graphite Property in north-eastern Quebec. The terms of the option require a payment of \$15,000 (accrued) and the issuance of 1,700,000 Units of Sunset (completed August 7, 2013) at \$0.05 for a total acquisition price of \$100,000. Each Unit consisting of one common share of the Company and one common share purchase warrant (each warrant entitles the holder thereof to acquire one additional common share for twenty four months following the approval by the regulatory authorities at a price of \$0.10 per share).

Sunset must make \$200,000 in exploration and/or development work on the Property within 12 months after regulatory approval. Sunset Cove shall pay a net smelter royalty (“NSR”) of 2% on all metals produced from the property and at any time have the right to buy back 1% of the NSR by paying \$1,000,000 to the vendors.

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In August 2014 the agreement with the property owner has been renegotiated to defer the \$15,000 payment by 6 months and postpone, by one year, the requisite exploration and/or development work.

***Lac Guéret North Graphite Property***

On October 9, 2014 Sunset announced that it has signed a Mineral Option Agreement with a group of Quebec prospectors to purchase, by way of an option agreement, 100% of the Lac Guéret North Graphite Property in northeastern Quebec. This transaction means that Sunset Cove now owns 10,900 hectares in the Lac Guéret mining camp that is home to the Mason Graphite discovery. The terms of the option require a payment of \$ 90,000 that is payable in shares and in three installments over the next twelve months. The details of the \$90,000 purchase are a first payment of \$30,000 that will be paid by issuing 600,000 shares (issued) at \$0.05 on TSX approval of the transaction; \$30,000 will be paid in shares, at the market price, six months after the approval of the TSX and \$30,000 will be paid in shares, at the market price, twelve months after the approval of the TSX. If the company keeps the property, it will have to pay an additional \$60,000 in two installments \$30,000 that will be paid in shares, at the market price, eighteen months after the approval of the TSX and \$30,000 that will be paid in shares, at the market price, twenty four months after the first approval by the TSX. As at March 31, 2015 the transaction has closed.

***La Pause Township Property***

On December 18, 2014 Sunset signed a Property Acquisition Agreement with Cartier Resources Inc. to purchase, by way of an option agreement, 100% interest in 54 mining claims located in the La Pause Township of Quebec subject to a 2% Net Smelter Return Royalty. The terms of the option agreement required an issuance of 1,000,000 common shares of the Company upon obtaining all necessary approvals of the TSX Venture Exchange. The shares were issued at price of \$0.05 per share on January 24, 2015.

***Lac des Vents Property***

On January 12, 2015 Sunset signed a Mineral Option Agreement with Laurier Gold Corporation to purchase, by way of an option agreement, 100% legal and beneficial interest in the Lac des Vents Property comprising of 45 mining claims totaling approximately 2,516 hectares subject to a Net Smelter Return of 2% located in the province of Quebec. The terms of the option agreement requires an issuance of 1,100,000 shares of the Company after the date of the approval of the agreement by the regulatory authorities including without limitation the TSX Venture Exchange plus a cash payment of \$40,000 nine months after the approval of the regulatory authorities. The shares were issued at a price of \$0.05 per share on January 24, 2015.

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***Carolay Property***

The Company currently owns 1,214 hectares called the Carolay Property. The objectives of this project are surface exploration work, drilling and underground exploration work. On January 10, 2010, Sunset Cove signed through its subsidiary Minera Sunset Del Peru S.A.C., a Mining Concessions Option Agreement for 90% of the shares and right of seven (7) mining concessions called the Carolay Property. The option term was for five (5) years and expired on January 22, 2014. Minera Sunset Del Peru S.A.C. agreed to pay to the titleholders a total amount of US\$800,000 in five yearly installments, of which the first installment of US\$100,000, the second of US\$100,000 and the third installment of US\$200,000 have been paid. The fourth installment of US\$200,000 (due in April, 2013) and the fifth installment were never paid and the contract was cancelled in 2014.

As at June 30, 2015, cumulative exploration and evaluation expenses incurred amounted to \$3,138,952 (March 31, 2014 - \$2,901,252). Included in total exploratory expenses an amount of \$422,458 represents labor costs.

**15. RELATED PARTY TRANSACTIONS**

In addition to share issuances, transactions with related parties were as follows:

For the three month period and year end,	June 30, 2015	March 31, 2015
	\$	\$
Consulting fees paid to a company controlled by a director	-	112,500
Consulting fees paid to a company controlled by an officer	-	24,500
Legal fees paid to a company controlled by a shareholder	-	60,800
Consulting fees paid to directors	<b>37,500</b>	121,300
Compensation paid to directors	-	62,000
	<b>37,500</b>	382,000

Amounts payable to related parties included in the non-current liabilities and in the accounts payable and accrued liabilities were as follows:

	June 30, 2015	March 31, 2015
	\$	\$
Consulting fees due to a company controlled by an officer	-	51,100
Legal fees due to a company controlled by a shareholder	-	99,130
Compensation payable to directors	-	124,000
Compensation payable to officers	<b>37,500</b>	542,765
	<b>37,500</b>	816,996

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**16. EARNINGS PER SHARE (“EPS”)**

*(a) Basic EPS*

Basic EPS is computed by dividing net loss for the year by the weighted average number of common shares outstanding during that year.

*(b) Diluted EPS*

Diluted EPS is computed by dividing net loss for a year by the diluted number of common shares. Diluted common shares include the effects of instruments, such as share options, which could cause the number of common shares outstanding to increase.

The Company reported net losses for the years ended March 31, 2014 and 2013; the Company has accordingly presented basic and diluted EPS, which are the same, on a single line in the statements of comprehensive loss. Diluted loss per share did not include the effect of share purchase options and warrants as they were anti-dilutive.

**17. SEGMENTED INFORMATION**

The Company operates in one reportable operating segment, being the acquisition and exploration of mineral property interests and in two geographical segments, Canada and Peru. The total assets and the capital assets identifiable with these geographic areas are as follows:

	<b>June 30, 2015</b>	March 31, 2015	June 30, 2014
	\$	\$	\$
Canada	<b>38,348</b>	45,582	47,989
Peru	-	-	49,872
<b>Total assets</b>	<b>38,348</b>	45,582	97,861
Canada	<b>(1,284,994)</b>	(1,259,139)	(837,640)
Peru	<b>(342,945)</b>	(357,704)	(337,132)
<b>Total liabilities</b>	<b>(1,627,939)</b>	(1,616,843)	(1,174,772)
Canada	<b>(18,331)</b>	(781,578)	(129,930)
Peru	-	-	(4,143)
<b>Net loss</b>	<b>(18,331)</b>	(781,578)	(134,073)

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**18. CAPITAL MANAGEMENT**

The Company considers its capital structure to include net residual equity of all assets, less liabilities. The Company currently manages its capital structure and makes adjustments to it, based on cash resources expected to be available to the Company, in order to support the planned exploration and development of mineral property interests. Management has not established a quantitative capital structure. Capital needs are reviewed on a regular basis by management relative to the stage of development of the business entity.

The Company currently is dependent on externally provided equity financing to fund its future exploration activities. In order to carry out planned exploration and development and fund administrative costs, the Company will allocate its existing capital and plans to raise additional amounts as needed through equity and related party advances if available management reviews the capital management approach on an ongoing basis and believes that this approach is reasonable for the current state of the markets and exploration industry.

The Company and its subsidiary are not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the TSX Venture Exchange (“TSXV”) which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months. As of March 31, 2015, the Company may not be compliant with the policies of the TSXV. The impact of this violation is not known and is ultimately dependent on the discretion of the TSXV. 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 years.

**19. FINANCIAL INSTRUMENTS**

As at June 30, 2015, the Company’s financial instruments include cash and cash equivalents, other receivable, related party receivables, accounts payable and loan payable for which there are no differences in the carrying values and fair values, due to their short-term nature. The types of risk exposures are detailed below.

The Company is required to classify fair value measurements using a hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy is as follows:

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

Cash and cash equivalents are measured using Level 1 inputs. The warrant liability is measured using Level 2 inputs.

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**20. FINANCIAL RISK FACTORS**

The Company's activities expose it to a variety of financial risks: market risk (including currency risk and cash flow and fair value interest rate risk); credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of the financial market and seeks to minimize potential adverse effects on the Company's financial performance. The Company does not use derivative financial instruments to hedge these risks.

**Market risk**

*Foreign exchange risk:* the Company's subsidiaries are exposed to financial risks that arise from fluctuations in foreign exchange rates and the degree of volatility of these rates. The Company realizes a substantial portion of its operations in Peruvian Nuevo Soles ("PNS") and U.S. currency. The Company does not hold derivative financial instruments to manage the fluctuation of exchange rate risk. The following presents the accounts that are exposed to foreign exchange volatility:

	<b>PNS</b>	<b>Total Can\$ Equivalent</b>
<b><u>June 30, 2015</u></b>		
Cash	-	-
Receivables and other	-	-
Property and equipment	-	-
Accounts payable and accrued liabilities	873,302	342,956
<b><u>March 31, 2015</u></b>		
Cash	-	-
Receivables and other	-	-
Property and equipment	-	-
Accounts payable and accrued liabilities	873,302	357,704
<b><u>June 30, 2014</u></b>		
Cash	-	-
Receivables and other	35,948	131,739
Property and equipment	95,541	36,133
Accounts payable and accrued liabilities	653,851	249,902

*Cash flow and fair value interest rate risk:* the Company is exposed to fluctuation in its future cash flows arising from changes in interest rates through its variable rate financial assets and liabilities. Other liabilities negotiated at a fixed rate expose the Company to fair value interest rate risk. The Company does not hold any interest bearing debt.

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*Commodity price risk:* while the value of the Company's core mineral resource is related to the price of precious metals, the Company currently does not have any operating mines and hence does not have any hedging or other commodity based risks in respect of its operational activities. Precious metal prices have historically fluctuated widely and are affected by numerous factors outside of the Company's control, including, but not limited to, industrial and retail demand, central bank lending, forward sales by producers and speculators, levels of worldwide production, short-term changes in supply and demand because of speculative hedging activities, and certain other factors. Adverse movements in the prices of precious metals may also negatively impact the Company's ability to raise capital and meet its financial commitments.

### **Credit risk**

Credit risk arises from cash with banks and financial institutions. The Company reduces this risk by dealing with creditworthy financial institutions. Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is subject to concentrations of credit risk through cash, and receivables.

### **Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuance. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments. The Company has access to sufficient funds to meet its current and foreseeable financial requirements which are due less than thirty (30) days.

## **21. CONTINGENCIES/PROVISIONS**

On October 3, 2013, the court ruled in favour of a former employee and ordered Minera Sunset to pay \$106,531 CAD (270,659 PNS). This claim has been accrued as at March 31, 2014. On October 11, 2013, Mineral Sunset appealed the decision as management denies the claim and will vigorously defend it.

As at March 31, 2014, the company was engaged in other small claims with an aggregate total of \$6,152 CAD (15,631 PNS) for which the outcome is undeterminable. No provision for these potential liabilities has been recorded in these interim consolidated financial statements.

## **22. SUBSEQUENT EVENTS**

On December 23, 2015 the Company announced that it was granted a Partial Revocation Order of the Cease Trade Order ("CTO") by the BCSC. The original CTO was issued to the Company on August 6, 2015 for failure to file the Company's audited financial statements. Under the Partial Revocation order the Company has arranged a private placement of 85,312,996 common flow-through (the "Shares") at a price of \$0.005 per Share for aggregate gross proceeds of \$426,564.98 (the "Offering"). The Agent is entitled to a cash commission equal to 8% of the proceeds raised under the Offering and corporate finance fees equal to 2% of the proceeds raised. The Agent will also receive Agent's warrants equal to 10% of the Shares issued. Each Agent's warrant will entitle the Agent to purchase one common share at the offering price for a period of 24 months.