DIAMOND FIELDS
INTERNATIONAL LTD.

Condensed Consolidated Interim Financial Statements
For the nine month period ended March 31, 2016

(Unaudited, expressed in United States dollars, unless otherwise stated)

UNAUDITED INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited financial statements for the period ended March 31, 2016.

DIAMOND FIELDS INTERNATIONAL LTD.

Consolidated Statement of Financial Position

As at March 31, 2016

(Expressed in U.S. dollars)

	Notes	March 31, 2016	June 30, 2015
		$	$
ASSETS			
CURRENT			
Cash		**277,576**	273,345
Prepaid expenses and other receivables		**28,216**	28,263
		305,792	301,608
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities		**208,779**	241,357
Convertible debt	**11**	**116,201**	122,486
Loan payable	**12**	**747,120**	714,927
Derivative financial instruments	**10**	**-**	17,090
		1,072,100	1,095,860
SHAREHOLDERS' DEFICIENCY			
Share capital	**10**	**53,548,701**	53,248,701
Contributed surplus		**3,675,964**	3,675,964
Accumulated other comprehensive income		**4,125**	1,263
Accumulated deficit		**(57,995,098)**	(57,720,180)
		(766,308)	(794,252)
		305,792	301,608

"Sybrand Van Der Spuy"
Director

"Earl Young "
Director

The accompanying notes form an integral part of these consolidated financial statements

DIAMOND FIELDS INTERNATIONAL LTD.
Consolidated Statement of Comprehensive Loss
For the period ended March 31, 2016 and 2015
(Expressed in U.S. dollars)

	Notes	Three month ended		Nine month ended	
		March 31, 2016	March 31, 2015	**March 31, 2016**	March 31, 2015
		$	$	**$**	$
OPERATING EXPENSES					
Salaries and benefits		**(18,436)**	(16,690)	**(45,092)**	(56,127)
Exploration expenditures	**7**	**(22,369)**	(38,872)	**(80,239)**	(159,064)
General and administrative expenses	**8**	**(43,988)**	(48,138)	**(131,415)**	(204,552)
		(84,793)	(103,700)	**(256,746)**	**(419,743)**
Fair value movement on derivative instruments	**10**	**2,988**	41,120	**15,070**	72,316
Gain on conversion of convertible debt		-	-	-	157
Foreign exchange gain		**(8,398)**	(7,826)	**4,821**	9,951
Interest and accretion		**(12,872)**	(12,044)	**(38,063)**	(34,237)
NET LOSS FOR THE PERIOD		**(103,074)**	(82,450)	**(274,918)**	(371,556)
Exchange difference on translation of foreign operations		**3,166**	28,537	**2,862**	29,397
COMPREHENSIVE LOSS FOR THE PERIOD		**(99,908)**	(53,913)	**(272,056)**	(342,159)
BASIC AND DILUTED LOSS PER SHARE		**(0.00)**	(0.00)	**(0.00)**	(0.00)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING		**180,126,009**	138,219,009	**180,126,009**	138,219,009

The accompanying notes form an integral part of these consolidated financial statements

DIAMOND FIELDS INTERNATIONAL LTD.
Consolidated Statement of Changes in Shareholders' Deficiency
For the period ended ended March 31, 2016 and 2015
(Expressed in U.S. dollars)

	Number of shares	Share capital $	Contributed surplus $	Accumulated deficit $	Accumulated other comprehensive Income/(loss) $	Total $
Balance at June 30, 2014	124,885,675	52,924,964	3,675,964	(57,221,364)	(29,498)	(649,934)
Debentures converted into equity	6,666,667	132,826	-	-	-	132,826
Warrants exercised on conversion of debenture	6,666,667	190,911	-	-	-	190,911
Translation difference on consolidation	-	-	-	-	29,397	29,397
Loss for the period	-	-	-	(371,556)	-	(371,556)
Balance at March 31, 2015	138,219,009	53,248,701	3,675,964	(57,592,920)	(101)	(668,356)
Balance at June 30, 2015	138,219,009	53,248,701	3,675,964	(57,720,180)	1,263	(794,252)
Private placement	41,907,000	300,000	-	-	-	300,000
Translation difference on consolidation	-	-	-	-	2,862	2,862
Loss for the period	-	-	-	(274,918)	-	(274,918)
Balance at March 31, 2016	**180,126,009**	**53,548,701**	**3,675,964**	**(57,995,098)**	**4,125**	**(766,308)**

The accompanying notes form an integral part of these consolidated financial statements

DIAMOND FIELDS INTERNATIONAL LTD.
Consolidated Statement of Cash flows
Period ended March 31, 2016 and 2015
(Expressed in U.S. dollars)

	Three month ended		**Nine month ended**	
	March 31, 2016	March 31, 2015	**March 31, 2016**	March 31, 2015
			$	$
CASH FLOWS USED IN OPERATING ACTIVITIES				
Net loss for the period	**(103,074)**	(82,450)	**(274,918)**	(371,556)
Items not affecting use of cash				
Foreign exchange gain	**8,828**	11,822	**(11,312)**	(2,423)
Interest and accretion	**12,872**	12,043	**38,063**	34,237
Fair value movement on derivative instruments	**(2,988)**	(41,120)	**(15,070)**	(72,316)
Net change in non-cash operating working capital items	**(5,559)**	33,956	**(32,531)**	(69,455)
	(89,921)	(65,749)	**(295,769)**	(481,513)
CASH FLOWS FROM FINANCING ACTIVITIES				
Short term loans	-	400,000	-	690,000
Interest expense	-	(12,044)	-	(34,237)
	-	387,956	-	655,763
CASH FLOWS FROM INVESTING ACTIVITIES				
Issue of shares	**300,000**	-	**300,000**	190,911
	300,000	-	**300,000**	190,911
CHANGE IN CASH	**210,079**	322,207	**4,231**	365,161
CASH, BEGINNING OF PERIOD	**67,497**	59,540	**273,345**	16,586
CASH, END OF PERIOD	**277,576**	381,747	**277,576**	381,747

The accompanying notes form an integral part of these consolidated financial statements

1. CORPORATE INFORMATION

Diamond Fields International Ltd’s (“DFI” or the “Company”) business activity is the exploration and evaluation of mineral properties in South Africa, Namibia, Madagascar and the Red Sea. The Company was incorporated under the Canada Business Corporations Act on May 28, 2000, and has continued as a company under the Business Corporations Act of British Columbia. The Company is listed on the TSX Venture Exchange, having the symbol DFI, as a Tier 2 mining issuer and is in the process of exploring its mineral properties.

The Company’s ultimate controlling party is Jean-Raymond Boulle through his private investment company, Spirit Resources SARL (“Spirit”).

The address of the Company's corporate office and principal place of business is Suite 303, 595 Howe Street, Vancouver, British Columbia V6C 2T5, Canada.

2. NATURE OF OPERATIONS AND ABILITY TO CONTINUE AS A GOING CONCERN

These condensed consolidated interim financial statements have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they become due.

To date, the Company has financed its activities through the issuance of equity securities and debt financing, primarily from significant shareholders of the Company. The Company expects to use similar financing techniques in the future and is pursuing such additional sources of financing as estimated to be required to sufficiently support its operations until such time that its operations become self-sustaining. Although there is no assurance that the Company will be successful in these actions, these consolidated financial statements do not give effect to potentially material adjustments that would be necessary should the Company be unable to continue as a going concern.

3. STATEMENT OF COMPLIANCE

The condensed consolidated interim financial statements of the Company for the period ended March 31, 2016 have been prepared in accordance with IAS 34 ‘Interim Financial Reporting’ The condensed consolidated interim financial statements do not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report.

4. BASIS OF MEASUREMENT

The condensed consolidated interim financial statements have been prepared on a historical cost basis, except for derivative financial instruments that have been measured at fair value.

The condensed consolidated financial statements are presented in U.S. dollars ("USD"). The parent company's functional currency is the USD while the functional currency of the subsidiaries is the same as the respective local currencies of the countries in which they are based.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Group's accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 6.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all years presented in these condensed consolidated interim financial statements unless otherwise indicated.

(a) Basis of consolidation

Subsidiaries
Subsidiaries are wholly owned entities controlled by Diamond Fields International Ltd. ("the Parent"). The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Parent. The condensed consolidated interim financial statements include the accounts of the Company and its wholly owned subsidiaries, as shown below:

Name	Country of Incorporation	Class of Shares	Ownership Interest
Kimberley Overseas Ltd	BVI	Common	100%
Diamond Fields Sierra Leone Ltd	BVI	Common	100%
Diamond Fields Namibia Ltd	Namibia	Common	100%
Diamond Fields Operations Namibia Ltd	Namibia	Common	100%
Diamond Fields Marine Ltd	BVI	Common	100%
Diamond Fields South Africa (Proprietary) Ltd	South Africa	Common	100%
Maritime Projects Ltd	British Virgin Islands	Common	100%
Gemfield International Ltd	British Virgin Islands	Common	100%

Transactions eliminated on consolidation
Intra-company balances, transactions, and any unrealized income and expenses arising from intra-company transactions, are eliminated in preparing the consolidated financial statements.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Foreign currencies

Transactions and balances
Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency of the entity at the exchange rate in effect at the statement of financial position date and non-monetary assets and liabilities at the exchange rates in effect at the time of the transactions. Revenues and expenses denominated in foreign currencies are translated at rates approximating the exchange rates in effect at the time of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of loss.

Group companies
The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the functional currency of the parent are translated into United States dollars as follows:

a. assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
b. income and expenses for each statement of comprehensive loss are translated at exchange rates approximating the exchange rates in effect at the time of the transactions;
c. all resulting exchange differences are recognized as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of intercompany loans are taken to shareholders' equity.

When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognized in the statement of comprehensive loss as part of the gain or loss on sale.

(c) Cash and equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value.

(d) Financial instruments

Financial Assets
Financial assets are classified into one of the following categories based on the purpose for which the asset was acquired. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial instruments (continued)

Loans and Receivables
These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand and comprise of cash. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Impairment of Financial Assets
At each reporting date the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

Financial Liabilities
Financial liabilities are classified as other financial liabilities, based on the purpose for which the liability was incurred, and comprise accounts payable and accrued liabilities, and convertible debentures. These liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method. This ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Trade and other payables represent liabilities for goods and services provided to the Company prior to the end of the quarter which are unpaid.

Compound Financial Instruments
The Company may issue compound financial instruments such as convertible debentures. Upon issuance, the Company determines whether the conversion feature represents an equity component or liability component. When the conversion feature represents an equity component, the proceeds received on issue of the convertible debenture are allocated into their liability and equity components. The amount initially attributed to the debt component equals the discounted cash flows using a market rate of interest that would be payable on a similar debt instrument that does not include an option to convert. Subsequently, the debt component is accounted for as a financial liability measured at amortized cost until extinguished on conversion or maturity of the note. The remainder of the proceeds is allocated to the conversion option and is recognized within shareholder’s equity, net of income tax effects.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

If the conversion feature represents a liability, or if the convertible debenture includes any other embedded derivatives, they will be separated from the host contract and accounted for as a derivative when the following three criteria are satisfied:

- When the economic risks and characteristics of the embedded derivative are not closely related to those of the host contract;
- A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- The entire instrument is not measured at fair value with changes in fair value recognized in the statement of comprehensive loss.

The difference between the fair value of the total compound instrument and the fair value of the embedded derivative is assigned to the host contract. The embedded derivative is fair valued at each reporting date using an appropriate fair value valuation model with changes in the fair value being recognized immediately in net loss and comprehensive loss.

Derivative Financial Instruments
The Company holds share purchase warrants and conversion options on convertible debentures that have an exercise price denominated in a currency that is different to the functional currency of the Company, thus causing them to be classified as derivative liabilities, which are measured at FVTPL. These instruments are measured at fair value through the application of an appropriate fair valuation model.

(f) Mineral properties

The Company's properties are all currently in the Exploration and Evaluation ("E&E") stage.

Acquisition and E&E expenditures incurred prior to the date of a positive economic analysis on the property are expensed as incurred. Direct costs incurred for the development of mineral properties, net of cost recoveries, are capitalized once the technical feasibility and commercial viability of extracting the mineral resource has been determined.
On the commencement of commercial production, the net capitalized costs are charged to operations on a unit-of-production basis, by property, using the estimated proven and probable reserves as the depletion base.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Income taxes

Income tax expense comprises of current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

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

(h) Loss per share

Basic earnings/loss per share is computed by dividing the net income or loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant year.

Diluted earnings/loss per common share is computed by dividing the net income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted.

(i) Provisions

Rehabilitation Provisions
The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the year in which the obligation is incurred. The nature of the rehabilitation activities may include restoration, reclamation and re-vegetation of the affected exploration sites.

The rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related properties, or in the case of E&E properties, charged to operations. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks.

The Company is subject to no rehabilitation provisions as at March 31, 2016.

Other Provisions
Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(j) Share capital

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares and stock options are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(l) Accounting standards adopted during the period

The Company has adopted the following new Standards:
IAS 36 Impairments of Assets ("IAS 36") was amended by the IASB in May 2013 to clarify the requirements to disclose the recoverable amounts of impaired assets and require additional disclosures about the measurement of impaired assets when the recoverable amount is based on fair value less costs of disposal, including the discount rate when a present value technique is used to measure the recoverable amount. The amendments to IAS 36 are effective for annual periods beginning on or after January 1, 2014.

IFRIC 21, Levies ("IFRIC 21") was published in May 2013. IFRIC 21 provides guidance on when to recognize a liability for a levy imposed by a government. IFRIC 21 identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. The standard is effective for annual periods beginning on or after January 1, 2014.

The Company assessed the impact of each of the new adopted standards and concluded that they will have no material impact on the Company's financial statements

(m) Standards, amendments and interpretations not yet effective

The International Accounting Standards Board ("IASB") or the International Financial Reporting Interpretations Committees ("IFRIC") have issued a number of new or revised standards or interpretations that will become effective for future periods and have a potential implication for the Company.

IFRS 9 Financial Instruments ("IFRS 9") was issued by the IASB in November 2009 with additions in October 2010 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.

The Company has not early adopted any of these standards or interpretations and is currently assessing the impact of the revised standards and interpretations on its financial statements.

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive loss in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the consolidated financial statements within the next financial year are discussed below:

Share-based Payment Transactions

The Company measures the cost of equity-settled transactions with employees and other parties by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them.

Derivative Financial Instruments

The Company has determined that its functional currency is the US dollar and has issued non-broker warrants and conversion options on convertible debentures in a currency other than its functional currency. The Company measures the cost of the derivative financial instruments by reference to the fair value of the equity instruments at the date at which they are granted and revalued at each reporting date. Estimating fair value for non-broker warrant transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the warrant, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value derivative financial instrument transactions are disclosed in Note 10.

Convertible Debentures

The Company has issued and modified convertible debentures, the valuation and accounting for which is complex and requires the application of management estimates and judgments with respect to the determination of appropriate valuation models, certain assumptions applied within such valuation models, whether the modification of the debt instruments are significant and certain aspects of the accounting method applied on initial recognition. The assumptions and models used for estimating fair value of convertible debenture transactions are disclosed in Note 11.

Title to Mineral Property Interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company’s title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

Expressed in U.S. dollars

7. EXPLORATION EXPENSES

	March 31, 2016	March 31, 2015
	$	$
Atlantis II Red Sea project	**2,030**	50,491
South Africa Phosphate project	**10,259**	24,318
Namibian Diamond project	**7,406**	54,476
Other projects	**60,544**	29,779
	80,239	159,064

8. GENERAL AND ADMINISTRATIVE EXPENSES

	March 31, 2016	March 31, 2015
	$	$
Office	**24,750**	40,232
Consultancy and Professional fees	**49,652**	104,645
Regulatory	**28,318**	31,930
Investor relation	**28,695**	27,745
	131,415	204,552

9. INCOME TAXES

Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate for the full financial year applied to the pre-tax income of the interim period.

The Company has not recognized deferred tax assets in relation to prior year losses as it does not believe that there will be sufficient taxable income in future periods to utilize these losses.

10. SHARE CAPITAL

Authorized share capital

The authorized capital stock of the Company comprises an unlimited number of common shares without par value.

Issued and outstanding share capital

Changes in the issued share capital since June 30, 2014 are as follows:

	Number of Shares	Amount
		$
Balance, June 30, 2014	124,885,675	52,924,964
Shares issued – debentures converted into shares	6,666,667	132,826
Shares issued – warrants exercised	6,666,667	190,911
Balance, June 30, 2015	**138,219,009**	**53,248,701**
Private placement	**41,907,000**	**300,000**
Balance, March 31, 2016	**180,126,009**	**53,548,701**

10. SHARE CAPITAL (Cont'd)

Authorized share capital

The authorized capital stock of the Company comprises an unlimited number of common shares without par value.

During the year ended June 30, 2014, the Company entered into an escrow agreement with Spirit whereby 44,444,444 shares were subject to a three year escrow release schedule.

Issued and outstanding share capital

On January 11, 2016, the company completed a private placement of 41,907,000 shares at CAD $0.01 from its major shareholder Spirit Resources Sarl, raising proceeds of USD 300,000.

The Company's largest shareholder, Spirit, has converted a Convertible Debenture in the principal amount of CAD$150,000 at the conversion price of CAD$0.0225 per share. This Debenture was originally issued by the Company on January 7, 2013 and was subsequently acquired by Spirit in a private transaction in 2014. Spirit also has fully exercised the Warrant issued in connection with this conversion, providing the Company with gross proceeds of CAD$210,000.

Accordingly, on November 17, 2014, the Company issued the following securities to Spirit:
- on conversion of the Convertible Debenture, 6,666,667 common shares (the "Shares") and warrants to purchase an additional 6,666,667 common shares, which were exercisable at CAD$0.0315 on or before January 7, 2015 (the "Warrants"); and
- 6,666,667 shares were issued at a price of CAD$0.0315 per share for the full exercise of the Warrants.

The Securities are subject to a three year escrow release provisions set out in an Escrow Agreement signed by Spirit.

On May 15, 2013, the Company issued a total of 8,000,000 Units at CAD$0.025 per Unit, each Unit consisting of one common share and one share purchase warrant, each warrant entitling the holder to purchase one additional common share at CAD$0.05 on or before May 14, 2014, and thereafter at CAD$0.10 per share on or before May 14, 2016. As these shares were issued to a major shareholder in its capacity of a shareholder, the Units issued have been recognized at their fair value on initial recognition, with the difference being applied as a distribution through accumulated deficit. The fair value of the shares on initial recognition was $400,000 based on the market value of the shares on the share issuance date and the fair value of the Warrants on initial recognition were $219,845, which is presented as derivative financial instruments. These shares, including any shares issued on exercise of the warrants were subject to a hold period under applicable Canadian securities laws which expired on September 15, 2013, and will be subject to such further restrictions on resale as may apply under applicable foreign securities laws.

On September 5, 2013, Spirit converted its convertible debenture in the principal amount of CAD$500,000 at a conversion price of CAD$0.0225 per unit. Accordingly the Company issued 22,222,222 common shares and warrants to purchase an additional 22,222,222 common shares exercisable at CAD $0.0315 on or before January 7, 2015. Spirit exercised the warrants during the year ended June 30, 2014.

Employees' and Directors' Equity Incentive Plan

The Company has an Employees' and Directors' Equity Incentive Plan which includes three components: (a) a Share Option Plan; (b) a Share Bonus Plan; and (c) a Share Purchase Plan.

(a) The Share Option Plan authorizes the Board of Directors of the Company to grant options for a maximum of 3,800,000 common shares, which vest over a period of three years unless otherwise determined by the Board, to directors, executive officers and employees of the Company to acquire common shares of the Company at a price based on the weighted average trading price of the common shares for the five days preceding the date of the grant. The Share Option Plan also provides that the directors, executive officers and employees may, upon the approval of the Board of Directors of the Company, convert their share options into stock appreciation rights.

(b) The Share Bonus Plan permits the Board of Directors of the Company to authorize the issuance of a maximum of 200,000 common shares of the Company to employees of the Company and its affiliates, all of which have been issued.

(c) The Share Purchase Plan entitles eligible employees of the Company to contribute up to 10% of his or her annual basic salary in semi-monthly instalments, with the Company making contributions equal to 100% of the employee's contribution on a quarterly basis. Each participant, at the end of each calendar quarter during which he or she participates in the Share Purchase Plan, is issued common shares of the Company equal to the aggregate amount contributed by the participant and the Company on the participant's behalf, based on the weighted average trading price of the common shares during the preceding five days. A maximum of 200,000 common shares can be issued pursuant to the Share Purchase Plan.

10. SHARE CAPITAL (Cont'd)

The following is a summary of changes in options from July 1, 2014 to March 31, 2016:

Grant Date	Expiry Date	Opening Balance	During the Year Granted	Exercised	Forfeited / expired	Closing Balance
Balance at June 30, 2014		3.435,000	3,650,000	-	(1,550,000)	5,535,000
07/19/13	07/19/18	-	-	-	(200,000)	(200,000)
Balance at June 30, 2015		5,535,000	-	-	(200,000)	5,335,000
08/18/10	08/17/15	-	-	-	(2,185,000)	(2,185,000)
Balance at March 31, 2016		**5.335,000**	**-**	**-**	**(2,185,000)**	**3,150,000**

The following is a summary of options outstanding and exercisable at March 31, 2016:

Grant Date	Expiry Date	Exercise Price (CAD)	Outstanding and exercisable at December 30, 2015
02/24/12	02/23/17	$ 0.12	700,000
07/19/13	07/19/18	$ 0.10	2,450,000
Balance at March 31, 2016			3,150,000

Share purchase warrants

A summary of share purchase warrant activity and information concerning currently outstanding and exercisable warrants from July 1, 2014 to March 31, 2016 is as follows:

Grant Date	Expiry Date	Exercise Price (CAD)	Opening Balance	During the Year Granted	Exercised	Expired	Closing Balance	Exercisable
Balance at June 30, 2014			8,000,000	22,222,222	(22,222,222)	(926,047)	8,000,000	8,000,000
11/17/14	11/17/14		-	6,666,667	(6,666,667)	-	-	-
Balance at June 30, 2015 and March 31, 2016			**8,000,000**	**6,666,667**	**(6,666,667)**	**-**	**8,000,000**	**8,000,000**

The Company has issued various warrants for financing purposes at various prices. As the warrants have an exercise price denominated in Canadian dollars which is different to the functional currency of the Company (U.S. dollars), the share purchase warrants are treated as a derivative liability and the fair value movement during the year is recognized in the statement of comprehensive loss.

Expressed in U.S. dollars

10. SHARE CAPITAL (Cont'd)

The change in fair value of the warrants presented as a derivative financial instrument, measured using the Binomial model is as follows:

	Warrants	Convertible debentures	Total
	$	$	$
Balance, June 30, 2014	$121,882	$11,237	$ 133,119
Expiry of derivative financial instruments	-	(11,237)	(11,237)
Movement in fair value	(90,640)	-	(90,640)
Movement in foreign exchange rates	(14,142)	-	(14,142)
Balance, June 30, 2015	$17,090	$ -	$17,090
Movement in fair value	(15,070)	-	(15,070)
Movement in foreign exchange rates	(2,020)	-	(2,020)
Balance, March 31, 2016	-	-	-

The fair value of warrants was determined using the Binomial valuation model using the weighted average assumptions outlined in the following table.

	March 31, 2016	June 30, 2015
Expected volatility	**200%**	200%
Risk-free interest rate	**0.54%**	0.87% - 1.25%
Expected life	**0.12 year**	0.25 – 1.5 years

Nature and purpose of equity

The reserves recorded in equity on the Company's statement of financial position include "Contributed Surplus," "Accumulated Deficit" and "Accumulated Other Comprehensive Loss."

"Contributed Surplus" is used to recognize the value of share option grants prior to exercise.

"Accumulated Deficit" is used to record the Company's change in deficit from year to year.

"Accumulated Other Comprehensive Loss" includes foreign exchange losses/gains on translating subsidiaries with a different functional currency.

Expressed in U.S. dollars

11. CONVERTIBLE DEBENTURES

	$
Balance June 30, 2014	**$256,139**
Fair value movement in convertible debentures	**(18,921)**
Accretion of convertible debt discount	**16,769**
Debt converted into equity	**(131,501)**
Balance June 30, 2015	**122,486**
Fair value movement in convertible debentures	**(6,285)**
Balance March 31, 2016	**116,201**

A summary of debentures issued outstanding as at December 31, 2015 is as follows:

Debenture issued to	Principal amount	Fair value at June 30, 2015	Fair value at December, 31, 2015	Issuance date	Maturity / conversion date
	CAD $	US $	US $		
Spirit Resources Sarl	151,357	122,486	116,201	March 27, 2014	March 26, 2015*

*****As the maturity date of the debenture has passed, this amount is now due on demand.

On March 27, 2014 the Company issued a new convertible debenture in the total principal amount of CAD $151,357 to Firebird Global Master Fund II Holdings, Ltd. ("Firebird"). The debenture has a one year term maturing March 26, 2015, with 8% interest payable semi-annually. The debenture is convertible into a total of 3,027,140 units (the "Units") at a conversion price of CAD$0.05 per unit. Each unit is comprised of one common share and one-half share purchase warrant, each whole warrant entitling the holder to acquire one additional common share on or before March 26, 2015 at a price of CAD$0.05 per share. The debenture replaced another debenture originally issued November 7, 2012 to Firebird that matured March 27, 2014.

The new debenture was classified as a compound financial instrument that contains both derivative and debt characteristics. On issuance, the derivative financial liability component was assessed a value of $27,201 using the binomial model. The residual value of the principal of the debenture of $108,583 was assessed as the value of the debt component of the convertible debenture.

Expressed in U.S. dollars

12. SHORT TERM LOANS

	December 31, 2016	June 30, 2015
	$	$
Opening balance	**714,927**	-
Additions	**-**	690,000
Interest	**32,193**	24,927
	747,120	714,927

A summary of short term loans as at March 31, 2016 is as follows:

Loans from	**Principal amount**	**Interest rate (per annum)**	**Issuance date**	**Maturity date**
	US $	**%**		
Spirit Resources Sarl	290,000	6%	July 15, 2014	December 31, 2014*
Spirit Resources Sarl	400,000	6%	March 01, 2015	March 01, 2016**

*Loan payable matured December 31, 2014 and is now due on demand.
** Loan payable matured March 01, 2016 and is now due on demand

13. RELATED PARTY TRANSACTIONS

The Company incurred the following charges with directors and officers of the Company for the periods ended March 31, 2016 and 2015, which are recorded in the following accounts in these condensed consolidated interim financial statements:

	2016	2015
	$	$
Salaries and consulting fees	**55,000**	65,000

All related party transactions are recorded at the exchange amount, being the amounts established and agreed to between the related parties.