

# **Gonzaga Resources Ltd.**

**(An Exploration Stage Company)**

## **Condensed Interim Financial Statements**

**Three months ended February 28, 2015 and 2014**

Unaudited – Expressed in Canadian Dollars

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

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

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

**Gonzaga Resources Ltd.***(An Exploration Stage Company)***Statements of Financial Position***Unaudited – Prepared by Management  
In Canadian Dollars*

<b>ASSETS</b>	<b>Note</b>	<b>February 28, 2015</b>	<b>November 30, 2014</b>
<b>Current</b>			
Cash		\$ 99,817	\$ 108,735
GST/HST recoverable		1,019	343
Tax receivable	4 b)	-	-
Prepaid expenses		2,083	3,337
		<u>102,919</u>	<u>112,415</u>
<b>Mineral Property Interests</b>	4	<u>13,521</u>	<u>13,521</u>
		<u>\$ 116,440</u>	<u>\$ 125,936</u>
<b>LIABILITIES</b>			
<b>Current</b>			
Accounts payable and accrued liabilities	7	<u>\$ 49,902</u>	<u>\$ 44,582</u>
<b>SHAREHOLDERS' EQUITY</b>			
<b>Share Capital</b>	5	718,277	718,277
<b>Reserves</b>	5	260,749	260,749
<b>Deficit</b>		<u>(912,488)</u>	<u>(897,672)</u>
		<u>66,538</u>	<u>81,354</u>
		<u>\$ 116,440</u>	<u>\$ 125,936</u>

**Nature of Operations and Going Concern (Note 1)**

Approved on behalf of the Board of Directors:

"Greg Davis" Director"Darren Devine" Director

- See Accompanying Notes -

**Gonzaga Resources Ltd.***(An Exploration Stage Company)***Interim Statements of Loss and Comprehensive Loss****For the Three Months Ended February 28, 2015 and 2014***Unaudited – Prepared by Management**In Canadian Dollars*

	Note	2015	2014
<b>Expenses</b>			
Audit and accounting	7	\$ 3,750	\$ 3,750
Insurance		1,250	2,001
Legal		-	203
Office and administration	7	3,791	3,702
Transfer agent and filing fees		6,025	6,029
<b>Net Loss and Comprehensive Loss for the Period</b>			
		\$ 14,816	\$ 15,685
<b>Loss per share – basic and diluted</b>			
		\$ 0.00	\$ 0.00
<b>Weighted average number of common shares outstanding</b>			
		12,788,333	12,788,333

– See Accompanying Notes –

**Gonzaga Resources Ltd.***(An Exploration Stage Company)***Interim Statements of Cash Flows****For the Three Months Ended February 28, 2015 and 2014***Unaudited – Prepared by Management**In Canadian Dollars*

<b>Cash Provided By (Used In):</b>	<b>2015</b>	<b>2014</b>
<b>Operations:</b>		
Net loss for the period	\$ (14,816)	\$ (15,685)
Change in non-cash working capital:		
GST/HST recoverable	(676)	261
Tax receivable	-	11,507
Prepaid expenses	1,254	2,001
Accounts payable and accrued liabilities	5,320	(1,588)
	<u>(8,918)</u>	<u>(3,504)</u>
<b>Net decrease in cash</b>	(8,918)	(3,504)
<b>Cash – beginning of period</b>	108,375	164,576
<b>Cash – end of period</b>	<u>\$ 99,817</u>	<u>\$ 161,072</u>

- See Accompanying Notes -

**Gonzaga Resources Ltd.***(An Exploration Stage Company)***Interim Statements of Changes in Equity***Unaudited – Prepared by Management**In Canadian Dollars*

	Share Capital		Share Option Reserves \$	Warrant And Other Reserves \$	Deficit \$	Total \$
	Shares	Amount \$				
Balance, November 30, 2013 <i>(Audited)</i>	12,788,333	718,277	130,027	130,722	(835,987)	143,039
Net loss for the period	-	-	-	-	(15,685)	(15,685)
Balance, February 28, 2014 <i>(Unaudited)</i>	12,788,333	718,277	130,027	130,722	(851,672)	127,354
Net loss for the period	-	-	-	-	(46,000)	(46,000)
Balance, November 30, 2014 <i>(Audited)</i>	12,788,333	718,277	130,027	130,722	(897,672)	81,354
Net loss for the period	-	-	-	-	(14,816)	(14,816)
Balance, February 28, 2015 <i>(Unaudited)</i>	12,788,333	718,277	130,027	130,722	(912,488)	66,538

– See Accompanying Notes –

## **Gonzaga Resources Ltd.**

*(An Exploration Stage Company)*

### **Notes to the Condensed Interim Financial Statements**

**For the Three Months Ended February 28, 2015 and 2014**

*Unaudited – Prepared by Management*

*In Canadian Dollars*

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#### **1. Nature of Operations and Going Concern**

Gonzaga Resources Ltd. ("the Company" or "Gonzaga") was incorporated pursuant to the provisions of the Business Corporations Act (British Columbia) on April 8, 2010. The Company is in the business of exploration, development and exploitation of mineral resources in Canada. The Company's registered address is: Suite 800 – 789 West Pender Street, Vancouver, British Columbia, V6C 1H2. The Company's shares are publicly listed on the Toronto Stock Exchange's Venture Exchange.

The recoverability of amounts shown as mineral properties is dependent upon the discovery of economically recoverable reserves, the Company's ability to obtain financing to develop the properties and the ultimate realization of profits through future production or sale of the properties. Realized values may be substantially different than carrying values as recorded in these financial statements.

These financial statements have been prepared on a going concern basis which assumes that the Company will be able to continue its operation as a going concern for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. At February 28, 2015, the Company had not achieved profitable operations, had an accumulated deficit of \$912,488 since inception and expects to incur further losses in the development of its business. These material uncertainties may cast significant doubt about the Company's ability to continue as a going concern. These financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

Although the Company has been successful in the past in obtaining financing, there can be no assurances that the Company will continue to obtain the additional financial resources necessary and/or achieve profitability or positive cash flows from its future operations. If the Company is unable to obtain adequate additional financing, the Company would be required to curtail its planned operations, exploration and development activities.

#### **2. Basis of Presentation**

##### **a) Statement of Compliance**

These condensed interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standards ("IAS") 34 'Interim Financial Reporting' ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

##### **b) Approval of the Financial Statements**

These financial statements were approved and authorized for issue by the Board of Directors on April 29, 2015.

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#### **2. Basis of Presentation – Continued**

##### **c) Basis of presentation**

These condensed interim financial statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company's audited financial statements for the year ended November 30, 2014.

##### **d) Critical accounting judgments and estimates**

Critical accounting estimates are estimates and assumptions made by management that may result in material adjustments to the carrying amount of assets and liabilities within the next financial year. Critical estimates used include, among others, the amounts recorded for the recoverability and impairment of mineral properties and valuation of share-based payments.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

Information about critical judgments in applying accounting policies that have the most significant effect of amounts recognized in the financial statements is included going concern assessment (Note 1).

#### **3. Recent Accounting Pronouncements**

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or IFRIC that are mandatory for current or future accounting periods. There was no impact on the Company's financial statements upon adoption of the following standards on December 1, 2013.

IFRS 10 *Consolidated Financial Statements* ("IFRS 10") provides a single model to be applied in the control analysis for all investees, including entities that currently are special purpose entities in the scope of SIC 12. In addition, the consolidation procedures are carried forward substantially unmodified from IAS 27 *Consolidated and Separate Financial Statements*.

IFRS 12 *Disclosure of Interests in Other Entities* ("IFRS 12") sets out the disclosure requirements for entities reporting under IFRS 10 and IFRS 1 and, replaces the disclosure requirements currently found in IAS 28 *Investments in Associates* ("IAS 28"). The objective of IFRS 12 is to require the disclosure of information that enables users of financial statements to evaluate: (a) the nature of, and risks associated with, its interests in other entities; and (b) the effects of those interests on its financial position, financial performance and cash flows.



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### 3. Recent Accounting Pronouncements – Continued

IFRS 13 *Fair Value Measurement* (“IFRS 13”) converges IFRS and US GAAP on how to measure fair value and the related fair value disclosures. The new standard creates a single source of guidance for fair value measurements, where fair value is required or permitted under IFRS, by not changing how fair value is used but how it is measured. The focus will be on an exit price.

IAS 1 *Presentation of Financial Statements* (“IAS 1”) was amended by the IASB in June 2011 in order to align the presentation of items in other comprehensive income with US GAAP standards. Items in other comprehensive income will be required to be presented in two categories: items that will be reclassified into profit or loss and those that will not be reclassified. The flexibility to present a statement of comprehensive income as one statement or two separate statements of profit and loss and other comprehensive income remains unchanged.

Certain new standards, amendments and interpretations have been published that are mandatory for the Company’s accounting periods beginning after December 1, 2014 or later periods that the Company has decided not to early adopt. The standard that will be relevant to the Company is:

IFRS 9, *Financial Instruments* (“IFRS 9”) is a partial replacement of IAS 39 “*Financial Instruments: Recognition and Measurement*”. 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. 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.

None of the other new standards, interpretations and amendments, which are effective for the Company’s accounting periods beginning after December 1, 2014 and which have not been adopted early, are expected to have a material effect on the Company’s future financial statements.

### 4. Mineral Property Interests

#### a) Acquisition Costs

Details of activities for the three months ended February 28, 2015 and the year ended November 30, 2014 are as follows:

Kennedy River Project, BC, Canada	February 28, 2015	November 30, 2014
Net book value	\$ 13,521	\$ 13,521

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**4. Mineral Property Interests – Continued**

**b) Exploration and Evaluation Costs**

Details of the cumulative exploration expenditures for the three months ended February 28, 2015 and the year ended November 30, 2014 are as follows:

<b>Kennedy River Project, BC, Canada</b>	<b>February 28, 2015</b>	<b>November 30, 2014</b>
Opening cumulative expenditure	\$ 184,085	\$ 184,085
Exploration costs	-	-
Ending cumulative expenditure	\$ 184,085	\$ 184,085

**c) Kennedy River Project, BC, Canada**

In April 2010, the Company staked two mineral claim blocks covering 1,331 hectares called the Kennedy River Project located near Port Alberni on Vancouver Island in British Columbia. During the 2012 fiscal year, following up fieldwork was undertaken and a detailed sampling program was completed by field crews. On December 30, 2013, the mineral claim for Kennedy River North claim block lapsed, leaving 10 mineral tenures in good standing for Kennedy River South claim block covering 803 hectares. There was no work performed during the 2014 fiscal year and the three months ended February 28, 2015.

**5. Shareholders' Equity**

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

**a) Share Capital Transactions**

The Company did not have any share capital transactions during the three months ended February 28, 2015 and year ended November 30, 2014.

**b) Reserves**

The following is a summary of the reserves components relating to stock options and warrants:

	<b>February 28, 2015</b>	<b>November 30, 2014</b>
Options	\$ 130,027	\$ 130,027
Warrants	130,722	130,722
Total	\$ 260,749	\$ 260,749

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#### 5. Shareholders' Equity – Continued

##### c) Warrants

Details of warrants activity for the three months ended February 28, 2015 are as follows:

November 30, 2014	Issued	Exercised	February 28, 2015	Exercise Price	Expiry Date
7,010,000	-	-	7,010,000	\$0.15	September 30, 2015

##### d) Stock Options

The board of directors may grant incentive stock options to the Company's directors, officers, employees and consultants for the purchase of common shares in an aggregate amount of up to 10% of the Company's issued and outstanding common shares from time to time. The number of shares reserved for issuance to: i) any one optionee during any 12 month period shall not exceed 5% of the issued and outstanding shares, calculated at the date such options are granted; ii) any one optionee, who is a consultant, during any 12 month period shall not exceed 2% of the issued and outstanding shares, calculated at the date such options are granted; and iii) any employees and consultants who are engaged or employed in investor relations services during any 12 month period shall not exceed 2% of the issued and outstanding shares, calculated at the date such options are granted.

The vesting schedule for each option shall be specified at the time of grant; provided that if no vesting schedule is specified at the time of grant, the option shall vest immediately on the grant date. Options granted to optionees who provide investor relations services shall vest in stages over twelve months, with no more than one quarter of the options vesting over any three month period.

Details of activity in share purchase options for the three months ended February 28, 2015 are as follows:

November 30, 2014	Issued	Expired	February 28, 2015	Exercise Price	Expiry Date
700,000	-	-	700,000	\$0.15	June 6, 2016

#### 6. Segmented Information

The Company has only one reportable operating segment, being mineral property explorations in Canada.

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#### 7. Related Party Transactions

Related party transactions and balances are as follows:

- (a) During the three months ended February 28, 2015, the Company paid/accrued \$1,500 (2014: \$1,500) in office and administration expense and \$3,750 (2014: \$3,750) in accounting expense to CDM Capital Partners Inc., a company partially controlled by Darren Devine, the CFO of the Company; and
- (b) As of February 28, 2015, included in accounts payable and accrued liabilities is \$4,500 (November 30, 2014: \$4,500) in consulting fees owing to the President and CEO of the Company and \$9,110 (November 30, 2014: \$9,110) in directors fees owing to the three directors of the Company. These amounts are unsecured, non-interest bearing and due on demand.

#### 8. Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders, and to bring its mineral properties to commercial production.

The Company depends on external financing to fund its activities. The capital structure of the Company currently consists of common shares, stock options and share purchase warrants. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets, being mineral properties. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements, or sell assets to fund operations. Management reviews its capital management approach on regular basis. The Company is not subject to externally imposed capital requirements.

The Company invests all capital that is surplus to its immediate operational needs in short-term, liquid and highly-rated financial instruments, such as cash and other short-term guaranteed deposits, all held with major financial institutions.

#### 9. Financial Instruments

The classification of the financial instruments as well as their carrying values is shown in the table below:

Loans and receivables	\$	99,817
Financial liabilities measured at amortized cost	\$	49,902

##### a) Fair Value of Financial Instruments

The Company has classified fair value measurements of its financial instruments using a fair value hierarchy that reflects the significance of inputs used in making the measurements as follows:

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#### **9. Financial Instruments – Continued**

##### **a) Fair Value of Financial Instruments – Continued**

- Level 1: Valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices, such as quoted interest or currency exchange rates; and
- Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

As at February 28, 2015, the fair values of financial instruments measured on a recurring basis include cash, determined based on level one inputs and consisting of quoted prices in active markets for identical assets. The fair values of accounts payable and accrued liabilities, approximate their carrying values due to the relatively short-term maturity of these instruments.

##### **b) Management of Risks Arising From Financial Instruments**

The Company is exposed to various types of market risks including credit risk, liquidity risk, interest rate risk and commodity price risk. This is not an exhaustive list of all risks, nor will the mitigation strategies eliminate all risks listed.

**(i) Credit Risk** – Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company does not have any financial instruments that are subject to credit risk.

**(ii) Liquidity Risk** – Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs. The Company's financial obligations are limited to accounts payable and accrued liabilities, all of which have contractual maturities of less than a year.

**(iii) Interest Rate Risk** – Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has no interest-bearing debt. The Company's sensitivity to interest rates is minimal.

**(iv) Commodity Price Risk** – The Company's future success is linked to the price of minerals, because the value of mineral resources and the Company's future revenues are tied to prices of minerals. Worldwide production levels also affect the prices. The prices of minerals are occasionally subject to rapid short-term changes due to speculative activities.