

**GMV MINERALS INC.**  
**Consolidated Financial Statements**  
**For the years ended June 30, 2016 and 2015**  
**(Expressed in Canadian dollars)**

<b><u>Index</u></b>	<b><u>Page</u></b>
<b>Independent Auditors' Report</b>	<b>1</b>
<b>Consolidated Statements of Financial Position</b>	<b>2</b>
<b>Consolidated Statements of Comprehensive Loss</b>	<b>3</b>
<b>Consolidated Statements of Changes in Equity</b>	<b>4</b>
<b>Consolidated Statements of Cash Flows</b>	<b>5</b>
<b>Notes to the Consolidated Financial Statements</b>	<b>6-27</b>



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## INDEPENDENT AUDITORS' REPORT

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To the Shareholders of  
GMV Minerals Inc.

We have audited the accompanying consolidated financial statements of GMV Minerals Inc. which comprise the consolidated statements of financial position as at June 30, 2016 and 2015, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Consolidated Financial Statements**

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

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

### **Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of GMV Minerals Inc. as at June 30, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

### **Emphasis of Matter**

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates the existence of a material uncertainty that may cast significant doubt on the ability of GMV Minerals Inc. to continue as a going concern.

*/s/ Manning Elliott LLP*

CHARTERED PROFESSIONAL ACCOUNTANTS  
Vancouver, British Columbia  
October 27, 2016

**GMV MINERALS INC.**  
**Consolidated Statements of Financial Position**  
**As at June 30, 2016 and 2015**  
**(Expressed in Canadian Dollars)**

	<b>2016</b>	<b>2015</b>
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 232,297	\$ 66,939
Marketable securities (Note 5)	7,853	54,725
GST receivable	14,134	3,844
Prepaid expenses (Note 9)	43,910	19,990
Due from related party (Note 9)	20,000	20,000
	318,194	165,498
<b>Reclamation Deposits</b> (Note 6)	15,006	15,006
<b>Resource Property Interests</b> (Note 7)	594,180	377,671
	\$ 927,380	\$ 558,175
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Note 9)	178,960	135,117
Due to related parties (Note 9)	7,897	6,716
	186,857	141,833
<b>Shareholders' Equity</b>		
<b>Capital Stock</b> (Note 8)	17,738,847	17,057,720
<b>Share Subscription Received</b> (Note 15)	30,000	-
<b>Contributed Surplus</b>	3,512,228	3,486,487
<b>Other Accumulated Comprehensive Income</b> foreign currency translation adjustment	155,300	155,240
<b>Deficit</b>	(20,695,852)	(20,283,105)
	740,523	416,342
	\$ 927,380	\$ 558,175

Nature of Operations and Going Concern (Note 1)  
 Commitments (Note 11)  
 Subsequent Events (Note 15)

Approved by the Board:

*"Ian Klassen"*

..... Director  
 Ian Klassen

*"Alistair MacLennan"*

..... Director  
 Alistair MacLennan

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

**GMV MINERALS INC.**  
**Consolidated Statements of Comprehensive Loss**  
**For the Years Ended June 30, 2016 and 2015**  
**(Expressed in Canadian Dollars)**

	<b>2016</b>	<b>2015</b>
<b>Administrative expenses</b>		
Management and directors fees	\$ 222,000	\$ 229,250
Legal and accounting	102,282	97,848
Office and miscellaneous	26,545	16,495
Regulatory and transfer agent fees	21,607	18,214
Share-based payments	21,208	134,032
Rent	18,000	18,000
Shareholder relations	5,906	20,839
Travel and entertainment	5,541	18,475
Consulting	750	-
<b>Loss before Other Items</b>	<b>(423,839)</b>	<b>(553,153)</b>
<b>Other Income (Expenses)</b>		
Loss on disposal of exploration and evaluation assets (Note 7)	-	(309,618)
Loss on sale of marketable securities (Note 5)	(6,850)	(19,322)
Write-off of accounts payable	18,900	-
Unrealized loss on marketable securities (Note 5)	(872)	(87,575)
Foreign exchange loss	(144)	1,624
Interest and other	58	2,991
	11,092	(411,900)
<b>Loss for the period</b>	<b>(412,747)</b>	<b>(965,053)</b>
<b>Other Comprehensive Income</b>		
Items that may be reclassified subsequently to loss:		
Gain on foreign currency translation	60	21
<b>Comprehensive Loss for the Year</b>	<b>\$ (412,687)</b>	<b>\$ (965,032)</b>
<b>Loss per share, basic and diluted</b>	<b>\$ (0.03)</b>	<b>\$ (0.09)</b>
<b>Weighted average number of common shares outstanding</b>	<b>13,946,542</b>	<b>11,039,846</b>

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

**GMV MINERALS INC.**  
**Consolidated Statements of Changes in Equity**  
**For the Years Ended June 30, 2016 and 2015**

	Issued Capital		Subscriptions	Contributed	Deficit	Foreign	Total Equity
	Common Shares	\$	Received	Surplus	\$	Currency	\$
			\$	\$		Translation	
						Adjustment	
						\$	\$
<b>Balance, June 30, 2014</b>	7,127,830	16,726,118	-	3,331,455	(19,318,052)	155,219	894,740
Shares issued for:							
Private placement	4,437,500	355,000	-	-	-	-	355,000
Exercise of warrants	127,000	13,970	-	-	-	-	13,970
Share issuance costs	-	(37,368)	-	21,000	-	-	(16,368)
Share-based payments	-	-	-	134,032	-	-	134,032
Net loss	-	-	-	-	(965,053)	-	(965,053)
Other comprehensive income	-	-	-	-	-	21	21
<b>Balance, June 30, 2015</b>	11,692,330	17,057,720	-	3,486,487	(20,283,105)	155,240	416,342
Shares issued for:							
Private placements	5,250,000	565,000	-	-	-	-	565,000
Exercise of warrants	1,175,000	131,250	-	-	-	-	131,250
Share subscription received	-	-	30,000	-	-	-	30,000
Share issuance costs	-	(15,123)	-	4,533	-	-	(10,590)
Share-based payments	-	-	-	21,208	-	-	21,208
Net loss	-	-	-	-	(412,747)	-	(412,747)
Other comprehensive income	-	-	-	-	-	60	60
<b>Balance, June 30, 2016</b>	18,117,330	17,738,847	30,000	3,512,228	(20,695,852)	155,300	740,523

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

**GMV MINERALS INC.**  
**Consolidated Statements of Cash Flows**  
**For the Years Ended June 30, 2016 and 2015**

	<b>2016</b>	<b>2015</b>
<b>Cash provided by (used for)</b>		
<b>Operating activities</b>		
Loss for the period	\$ (412,747)	\$ (965,053)
Items not affecting cash:		
Loss on sale of marketable securities	6,850	19,322
Share-based payments	21,208	134,032
Unrealized loss on marketable securities	872	87,575
Write-off of accounts payable	(18,900)	-
Unrealized foreign exchange loss	1,181	-
	(401,536)	(724,124)
Net change in non-cash working capital:		
GST receivable	(10,290)	1,547
Prepaid expenses	(23,920)	(935)
Accounts payable and accrued liabilities	62,743	(31,533)
	(373,003)	(755,045)
<b>Investing activities</b>		
Exploration and evaluation asset costs	(216,509)	(284,278)
Proceeds from the sale of marketable securities	39,150	130,878
Reclamation bond deposit	-	(15,006)
Reclamation bond refunded	-	6,028
	(177,359)	(162,378)
<b>Financing activities</b>		
Shares issued for private placement, net	554,410	338,632
Proceeds from exercise of warrants	131,250	13,970
Share subscription received	30,000	-
Advances to related party	-	(20,000)
	715,660	332,602
<b>Change in cash during the year</b>	<b>165,298</b>	<b>(584,821)</b>
<b>Foreign exchange effect on cash</b>	<b>60</b>	<b>21</b>
	165,358	(584,800)
<b>Cash, beginning of year</b>	<b>66,939</b>	<b>651,739</b>
<b>Cash, end of year</b>	<b>\$ 232,297</b>	<b>\$ 66,939</b>
<b>Supplemental cash flow information</b>		
Income tax paid	\$ -	\$ -
Interest paid	\$ -	\$ -
<b>Non-cash financing activities</b>		
Write-off of accounts payable	\$ 18,900	\$ -
Finders' warrants issued	\$ 4,533	\$ 21,000

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

**GMV MINERALS INC.**  
**Notes to the Consolidated Financial Statements**  
**For the Years Ended June 30, 2016 and 2015**  
**(Expressed in Canadian Dollars)**

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**1. NATURE OF OPERATIONS AND GOING CONCERN**

GMV Minerals Inc. (the "Company") was incorporated on May 18, 2006 under the Business Corporations Act of British Columbia. The Company's shares are listed for trading on the TSX Venture Exchange under the symbol GMV.

The address of the Company's corporate office and principal place of business is #501 – 595 Howe Street, Vancouver, British Columbia, V6C 2T5.

The Company is in the exploration stage and its principal business activity is the sourcing and exploration of mineral properties.

The Company is in the process of exploring its principal mineral properties in SE Arizona and has not yet determined whether the properties contain ore reserves that are economically recoverable. The recoverability of amounts shown for mineral properties and related deferred exploration costs is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the development and upon future profitable production or proceeds from the disposition thereof.

The Company incurred a net loss of \$412,747 (2015: \$965,053) for the year ended June 30, 2016 and has an accumulated deficit of \$20,695,852 (2015 - \$20,283,105) which has been funded primarily by the issuance of equity. The Company's ability to continue as a going concern is uncertain and is dependent upon the generation of profits from mineral properties, obtaining additional financing or maintaining continued support from its shareholders and creditors. While the Company has been successful in obtaining financing in the past, there is no assurance that such financing will continue to be available or be available on favourable terms in the future. An inability to raise additional financing may impact the future assessment of the Company as a going concern. In the event that additional financial support is not received or operating profits are not generated, the carrying values of the Company's assets may be adversely affected. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

These consolidated financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying consolidated financial statements. In assessing the appropriateness of the going concern assumption management is required to consider all available information about the future, which is at least, but not limited to, 12 months from the consolidated statement of financial position date. Management has carried out an assessment of the going concern assumption and has concluded that it is appropriate that the consolidated financial statements are prepared on a going concern basis. Accordingly, these consolidated financial statements do not reflect any adjustments to the carrying value of assets and liabilities, or the impact on the consolidated statement of comprehensive loss and consolidated statement of financial position classifications that would be necessary were the going concern assumption not appropriate.

**GMV MINERALS INC.**  
**Notes to the Consolidated Financial Statements**  
**For the Years Ended June 30, 2016 and 2015**  
**(Expressed in Canadian Dollars)**

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**2. BASIS OF PREPARATION**

(a) Statement of Compliance

These consolidated financial statements have been prepared in accordance the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements were reviewed by the Audit Committee and approved and authorized for issuance by the Board of Directors on October 27, 2016.

(b) Consolidation and Measurement

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, GMV Guyana Resources Inc. ("GMV Guyana") and GMV Minerals (Nevada) LLC ("GMV Nevada"). GMV Nevada was incorporated on May 30, 2014 under the laws of the State of Nevada. All material inter-company balances and transactions have been eliminated upon consolidation. During the year ended June 30, 2016 and 2015, GMV Guyana was inactive.

These consolidated financial statements are prepared on an accrual basis and are based on historical costs except for certain financial instruments which are measured at fair value as explained in the accounting policies set out in Note 4. The consolidated financial statements are presented in Canadian dollars unless otherwise noted. The preparation of consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

**3. ADOPTION OF NEW OR AMENDED ACCOUNTING STANDARDS**

**New accounting standards adopted by the Company**

There were no new or revised accounting standards applicable to the Company scheduled for mandatory adoption on July 1, 2015, and thus no standards were adopted in the current year.

**Accounting Standards and Amendments Issued But Not yet Effective**

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended June 30, 2016, and have not been applied in preparing these consolidated financial statements. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below. The Company has not early adopted these revised standards and is currently assessing the impact they will have on the consolidated financial statements.

- i) Amendments to IAS 1 *Presentation of Financial Statements*: In December 2014, the IASB issued an amendment to address perceived impediments to preparers exercising their judgment in presenting their financial reports. The changes clarify that materiality considerations apply to all parts of the financial statements and the aggregation and disaggregation of line items within the financial statements. This amendment is effective for annual periods beginning on or after January 1, 2016.



**GMV MINERALS INC.**  
**Notes to the Consolidated Financial Statements**  
**For the Years Ended June 30, 2016 and 2015**  
**(Expressed in Canadian Dollars)**

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**3. ADOPTION OF NEW OR AMENDED ACCOUNTING STANDARDS (continued)**

- ii) Amendments to IAS 16 *Property, Plant and Equipment* and IAS 36 *Intangible Assets*: In May 2014, the IASB issued amendments to IAS 16 and IAS 38. The amendments clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The amendments also clarify that revenue is generally resumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This resumption, however, can be rebutted in certain limited circumstances. This amendment is effective for annual periods beginning on or after January 1, 2016.
- iii) IFRS 9 *Financial Instruments*: In November 2009, as part of the IASB project to replace IAS 39 *Financial Instruments: Recognition and Measurement*, the IASB issued the first phase of IFRS 9, that introduces new requirements for the classification and measurement of financial assets. The standard was revised in May 2010 to include requirements regarding classification and measurement of financial liabilities. In July 2014, the final version of IFRS 9 was issued and adds a new expected loss impairment model and amends the classification and measurement model for financial assets by adding a new fair value through other comprehensive income category for certain debt instruments and additional guidance on how to apply the business model and contractual cash flow characteristics. This standard is effective for annual periods beginning on or after January 1, 2018.
- iv) IFRS 15 *Revenue from Contracts with Customers*: In May 2014, the IASB issued IFRS 15 – Revenue from Contracts with Customers ("IFRS 15") which supersedes IAS 11 – Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer Loyalty Programs, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers, and SIC 31 – Revenue – Barter Transactions Involving Advertising Services. IFRS 15 establishes a comprehensive five-step framework for the timing and measurement of revenue recognition. The standard is effective for annual periods beginning on or after January 1, 2018.
- v) IFRS 7 *Financial Instruments: Disclosure*: IFRS 7 was amended to require additional disclosures on transition from IAS 39 to IFRS 9. The standard is effective on adoption of IFRS 9, which is effective for annual periods commencing on or after January 1, 2018.
- vi) IFRS 16 *Leases*: IFRS 16 was issued on January 13, 2016, and will be effective for accounting periods beginning on or after January 1, 2019. Early adoption is permitted, provided the Company has adopted IFRS 15. This standard sets out a new model for lease accounting.

The extent of the impact of adoption of these standards and interpretations on the consolidated financial statements of the Company has not been determined.

**GMV MINERALS INC.**  
**Notes to the Consolidated Financial Statements**  
**For the Years Ended June 30, 2016 and 2015**  
**(Expressed in Canadian Dollars)**

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**4. SIGNIFICANT ACCOUNTING POLICIES**

(a) Cash equivalents

Cash equivalents consist of cash on hand, balances with banks and highly liquid market investments with original terms of maturity of less than 90 days at time of acquisition, or which are redeemable at the option of the Company.

(b) Exploration and evaluation assets

Exploration and evaluation activities involve the search for minerals, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

All exploration and evaluation expenditures incurred after the legal title and rights in mineral claims are secured are capitalized as exploration and evaluation assets and are classified as intangible assets. Such expenditures include, but are not limited to, mineral title maintenance expenditures, acquisition costs per option agreements, evaluation costs including drilling costs directly attributable to a property, and directly attributable general and administrative costs including share-based payments to geologists. General exploration costs not related to specific exploration and evaluation property are expensed as incurred. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

From time to time the Company may acquire or dispose of a mineral property pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as property costs or recoveries when the payments are made or received.

Recorded costs of mineral properties and deferred exploration costs are not intended to reflect present or future values of resource properties. The recorded costs are subject to measurement uncertainty and it is reasonably possible, based on existing knowledge, that change in future conditions could require a material change in the recognized amount. Exploration and evaluation assets are tested for impairment and no amortization is taken during the exploration and evaluation phase.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, capitalized costs of the related property are reclassified as mining assets. Upon commencement of commercial production, capitalized assets are amortized using the units of production method over estimated recoverable reserves.

Exploration costs renounced due to flow-through share subscription agreements remain capitalized; however, for corporate income tax purposes, the Company has no right to claim these costs as tax deductible expenses.

The Company's entitlement to mineral exploration tax credits are accounted for on an accrual basis to reduce the exploration costs.

**GMV MINERALS INC.**  
**Notes to the Consolidated Financial Statements**  
**For the Years Ended June 30, 2016 and 2015**  
**(Expressed in Canadian Dollars)**

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**4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

(b) Exploration and evaluation assets (continued)

i) *Impairment*

Mineral properties are reviewed for impairment at the end of each reporting period or whenever events or changes in circumstances indicate that the carrying amount of mineral properties may exceed its recoverable amount. The recoverability of the carrying amount of mineral properties is dependent on successful development and commercial exploitation or alternatively the sale of the respective areas of interest.

The factors to consider include and not limited to on-going status of the rights to explore and evaluate, existence of further budget or plan, management intention and probability of development and recovery. When an impairment review is undertaken, the recoverable amount is assessed by reference to the higher of a value in use (being the present value of expected future cash flows of the relevant cash-generating unit) and fair value less costs to sell. If the carrying amount of an asset exceeds the recoverable amount an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

ii) *Decommissioning liabilities*

An obligation to incur decommissioning and site rehabilitation costs occurs when environmental disturbance is caused by exploration, evaluation, development or on-going production.

Decommissioning and site rehabilitation costs arising from the installation of plant and other site preparation work, discounted to their net present value, are provided when the obligation to incur such costs arises and are capitalized into the cost of the related asset. These costs are charged against operations through depreciation of the asset and unwinding of the discount on the provision.

Depreciation is included in operating costs while the unwinding of the discount is included as a financing cost. Changes in the measurement of a liability relating to the decommissioning or site rehabilitation of plant and other site preparation work are added to, or deducted from, the cost of the related asset.

The costs for the restoration of site damage, which arises during production, are provided at their net present values and charged against operations as extraction progresses.

Changes in the measurement of a liability, which arises during production, are charged against operating profit. The discount rate used to measure the net present value of the obligations is the pre-tax rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. As at June 30, 2016, the Company does not have any decommissioning liabilities.

**GMV MINERALS INC.**  
**Notes to the Consolidated Financial Statements**  
**For the Years Ended June 30, 2016 and 2015**  
**(Expressed in Canadian Dollars)**

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**4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

(c) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

(d) Share-based payment transactions

The Company grants share options to acquire common shares of the Company to directors, officers, employees and consultants. The fair value of share-based payments to employees is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the vesting period for employees using the graded method. Fair value of share-based payments for non-employees is recognized and measured at the date the goods or services are received based on the fair value of the goods or services received. If it is determined that the fair value of goods and services received cannot be reliably measured, the share-based payment is measured at the fair value of the equity instruments issued using the Black-Scholes option pricing model.

For both employees and non-employees, the fair value of share-based payments is recognized as either an expense or as mineral property interests with a corresponding increase in contributed surplus. The amount recognized as an expense is adjusted to reflect the number of share options expected to vest. Consideration received on the exercise of stock options is recorded in share capital and the related share-based payment in contributed surplus is transferred to share capital.

(e) Valuation of equity units issued in private placements

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the most easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

(f) Share issuance costs

Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred financing costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise they are expensed as incurred. Share issue costs are charged to share capital when the related shares are issued. Deferred financing costs related to financing transactions that are not completed are charged to expenses.

**GMV MINERALS INC.**  
**Notes to the Consolidated Financial Statements**  
**For the Years Ended June 30, 2016 and 2015**  
**(Expressed in Canadian Dollars)**

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**4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

(g) Flow-through shares

Resource expenditures for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation. At the time flow-through shares are issued, there may be a potential premium paid on the flow-through shares calculated based on the share issuance price and the market price at the time of closing. A liability is recognized for the premium on the flow-through shares reducing share capital and is subsequently reversed as the Company incurs qualifying Canadian exploration expenses and recorded to other income. In instances where the Company has sufficient deductible temporary differences available to offset the deferred income tax liability created from renouncing qualifying expenditures, the realization of the deductible temporary differences will be shown as a recovery in operations in the period of renunciation.

(h) Income taxes

Income tax comprises current and deferred tax. Income tax is recognized in the consolidated statement of comprehensive loss except to the extent that it relates to items recognized directly in equity or other comprehensive income (loss), in which case the income tax is also recognized directly in equity or other comprehensive income (loss).

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to set off the amounts, and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax is recognized in respect of all qualifying temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the consolidated statement of financial position date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Deferred income tax assets and liabilities are presented as non-current.

**GMV MINERALS INC.**  
**Notes to the Consolidated Financial Statements**  
**For the Years Ended June 30, 2016 and 2015**  
**(Expressed in Canadian Dollars)**

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**4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

(i) Basic and diluted loss per share

Basic net loss per share is computed by dividing net loss by the weighted average number of common shares outstanding during the year. The treasury stock method is used for the calculation of diluted net loss per share. Stock options and share purchase warrants are dilutive when the average market price of the common shares during the period exceeds the exercise price of the options and warrants.

As the Company has recorded a net loss in each of the periods presented, basic and diluted net loss per share are the same as the exercise of stock options or share purchase warrants are anti-dilutive.

(j) Foreign currency translation

The Company's reporting currency is the Canadian dollar.

The functional currency of the Company and GMV Minerals (Nevada) LLC is the Canadian dollar. The functional currency of GMV Guyana Resources Inc. is the Guyanese dollar. Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate in effect at the consolidated statement of financial position date and non-monetary assets and liabilities at the exchange rates in effect at the time of the transaction. Revenues and expenses are also translated at rates in effect at the time of the transaction. Gains and losses on translation are included in net income for the period.

Financial statements of the subsidiary prepared under its functional currency are translated into Canadian dollars for consolidation purposes. Amounts are translated using the current rates of exchange for assets and liabilities and using the average rates of exchange for the period for revenues and expenses. Gains and losses resulting from translation adjustments are recorded as other comprehensive income (loss) and accumulated in a separate component of shareholders' equity, described as foreign currency translation adjustment. In the event of a reduction of the Company's net investment in its foreign operations, the portion of accumulated other comprehensive income related to the reduction is realized and recognized in operations.

(k) Financial instruments

All financial assets are initially recorded at fair value and classified into one of four categories: held to maturity, available for sale, loans and receivable or at fair value through profit or loss ("FVTPL"). All financial liabilities are initially recorded at fair value and classified as either FVTPL or other financial liabilities. Financial instruments comprise cash, marketable securities, accounts payable and due to / from related parties.

The Company does not use any derivative or hedging instruments. Transaction costs related to financial instruments other than at FVTPL are capitalized as part of the cost of the financial instrument.

At initial recognition management has classified financial assets and liabilities as follows:

**GMV MINERALS INC.**  
**Notes to the Consolidated Financial Statements**  
**For the Years Ended June 30, 2016 and 2015**  
**(Expressed in Canadian Dollars)**

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**4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

(k) Financial instruments (continued)

*i) Financial assets*

The Company has classified its cash and marketable securities at FVTPL. A financial instrument is classified at FVTPL if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognized in profit or loss when incurred. Financial instruments at FVTPL are measured at fair value and changes therein are recognized in profit or loss.

The Company has classified its due from related party as loans and receivables. Loans and receivables 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. 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.

*ii) Financial liabilities*

The Company has classified its accounts payable and due to related party as other financial liabilities. Other financial liabilities are non-derivatives and are recognized initially at the amount required to be paid less, when material, a discount to reduce the payable to fair value, net of transaction costs incurred, and are subsequently stated at amortized cost using the effective interest method. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit and loss over the period to maturity using the effective interest method. Other financial liabilities are classified as current or non-current based on their maturity date.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

*iii) 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.

**GMV MINERALS INC.**  
**Notes to the Consolidated Financial Statements**  
**For the Years Ended June 30, 2016 and 2015**  
**(Expressed in Canadian Dollars)**

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**4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

(l) Use of estimates

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions which affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and revenues and expenses for the periods reported. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Significant areas requiring the use of management estimates include the determination of impairment of exploration and evaluation assets and financial instruments, decommissioning liabilities, determination of future tax rate used to calculate deferred income tax assets and liabilities, and assumptions used in valuing options in share-based payment calculations. Actual results could differ from these estimates.

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.

(m) Use of judgments

Critical accounting judgements are accounting policies that have been identified as being complex or involving subjective judgments or assessments with a significant risk of material adjustment in the next year.

*i) Going concern*

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgement. Management monitors future cash requirements to assess the Company's ability to meet these future funding requirements. Further information regarding going concern is outlined in Note 1.

*ii) Exploration and evaluation assets*

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If information becomes available after expenditure is capitalized suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the profit or loss in the period the new information becomes available.

*iii) Determination of functional currency*

In accordance with IAS 21 *The Effects of Changes in Foreign Exchange Rates*, management determined that the functional currency of the Company and GMV Minerals (Nevada) LLC is the Canadian dollar, the functional currency of its wholly-owned wholly-owned Guyana subsidiary, GMV Guyana Resources Inc., is the Guyanese Dollar, as these are the currencies of the primary economic environment in which the companies operate.



**GMV MINERALS INC.**  
**Notes to the Consolidated Financial Statements**  
**For the Years Ended June 30, 2016 and 2015**  
**(Expressed in Canadian Dollars)**

**5. MARKETABLE SECURITIES**

The Company's marketable securities comprise the following:

	<b>2016</b>	<b>2015</b>
	\$	\$
174,500 (2015 – 1,094,500) Common shares of Canamex Resources Corp.	7,853	54,725

	<b>2016</b>	<b>2015</b>
	\$	\$
Beginning of year	54,725	292,500
Additions	-	-
Disposals	(46,000)	(150,200)
Net unrealized losses	(872)	(87,575)
End of year	7,853	54,725

**6. RECLAMATION DEPOSITS**

As at June 30, 2016 and 2015, the Company had \$15,006 (US\$12,000) in trust as a reclamation security deposit with the Arizona Bureau of Land Management for its exploration and evaluation assets on the Mexican Hat property in Arizona, US.

**GMV MINERALS INC.**  
**Notes to the Consolidated Financial Statements**  
**For the Years Ended June 30, 2016 and 2015**  
**(Expressed in Canadian Dollars)**

**7. RESOURCE PROPERTY INTERESTS**

<b>Mexican Hat Property</b>	<b>June 30, 2015</b>	<b>Additions</b>	<b>June 30, 2016</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Acquisition cost additions:			
Cash	72,247	23,940	96,187
Warrants issued	16,797	-	16,797
	<u>89,044</u>	<u>23,940</u>	<u>112,984</u>
Exploration costs incurred:			
Assaying	71,650	17,530	89,180
Field supplies	3,625	6,645	10,270
Claim maintenance fees	10,295	31,907	42,202
Consulting	5,068	6,476	11,544
Engineering	2,200	-	2,200
Food & lodging	9,724	-	9,724
Freight	6,961	272	7,233
Geological consulting	86,775	36,345	123,120
Legal fees	36,046	37,505	73,551
Mapping	6,348	-	6,348
Site personnel	26,667	53,537	80,204
Travel	18,685	2,352	21,037
Trenching	3,960	-	3,960
Vehicle rental	623	-	623
	<u>288,627</u>	<u>192,569</u>	<u>481,196</u>
<b>Total</b>	<u>377,671</u>	<u>216,509</u>	<u>594,180</u>

**Mexican Hat Property**

On May 14, 2014, the Company entered into a binding agreement with Norman A. Pearson to secure a 100% interest in a Mining Lease originally dated December 14, 2002. The Company has the exclusive right and privilege to explore and mine for certain material and the right to use the surface of the property as may be required for all purposes related to the prospecting, exploration, development and production of minerals from the property. The property consists of 40 unpatented lode mining claims situated in Cochise County, Arizona, USA. The lease remains in effect for the period that the claims are maintained in good standing.

Under the terms of the agreement the Company is required to make payment as follows:

- (a) Cash payment of \$40,000 (paid).
- (b) 50,000 common share purchase warrants at an exercise price of \$0.50 for a period of 24 months from the date of the agreement (issued).
- (c) 50,000 common share purchase warrants at an exercise price of \$1.00 for a period of 24 months from the date of the agreement (issued).

On April 27, 2015, the Company acquired 2 claims adjacent to the existing Mexican Hat Property. The mining property lease agreement was fully assigned to the Company.

On November 13, 2015, the Company acquired an additional 2 claims adjacent to the existing Mexican Hat Property.

**GMV MINERALS INC.**  
**Notes to the Consolidated Financial Statements**  
**For the Years Ended June 30, 2016 and 2015**  
**(Expressed in Canadian Dollars)**

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**7. RESOURCE PROPERTY INTERESTS (continued)**

**Guyana Alphonso Property**

On April 29, 2010, the Company entered into a letter agreement with Alfro Alphonso and signed a formal agreement on August 20, 2010 (the "Agreement"), whereby the Company had the option to earn a 100% interest in 454 medium scale and 2 large scale mining permits in Guyana.

On June 4, 2014, the Company assigned, via a fully executed Deed of Assignment, its rights and obligations under the Option and Joint Venture Agreement with Alfro Alphonso to Canamex Guyana Inc. and issued 605,103 common shares to Alfro Alphonso pursuant to the terms of the Agreement.

During the year ended June 30, 2015 the Company made the final payment under the Agreement to Alfro Alphonso in the amount of \$309,618 (US\$283,000) with no further obligations remaining pursuant to the Agreement.

**8. SHARE CAPITAL**

(a) **Authorized** - Unlimited common shares, without par value

(b) **Issued and Outstanding** – **18,117,330** See Consolidated Statements of Changes in Equity

On June 6, 2016, the Company completed a non-brokered private placement for 2,000,000 units of the Company at \$0.12 per unit for gross proceeds of \$240,000. Each unit consisted of one common share of the Company and one-half share purchase warrant. Each whole warrant will be exercisable at \$0.15 to purchase an additional common share of the Company for a period of 18 months following the closing date.

On November 6, 2015, the Company completed a non-brokered private placement for 3,250,000 units of the Company at \$0.10 per unit for gross proceeds of \$325,000. Each unit consisted of one common share of the Company and one-half share purchase warrant. Each whole warrant will be exercisable at \$0.15 to purchase an additional common share of the Company for a period of 12 months following the closing date.

The Company paid \$8,640 and issued 86,400 warrants at a fair value of \$4,533 as finders' fees for the private placement. The finders' warrants are exercisable at \$0.10 to purchase an additional common share of the Company for a period of one year.

During the year ended June 30, 2016, 1,125,000 and 50,000 common shares were issued in exercise of warrants at \$0.11 and \$0.15 per warrant respectively for gross proceeds of \$131,250.

**GMV MINERALS INC.**  
**Notes to the Consolidated Financial Statements**  
**For the Years Ended June 30, 2016 and 2015**  
**(Expressed in Canadian Dollars)**

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**8. SHARE CAPITAL (continued)**

**(b) Issued and Outstanding (continued)**

On August 14, 2014, the Company closed a non-brokered private placement of 4,437,500 units at \$0.08 per unit for gross proceeds of \$355,000. Each unit consisted of one common share of the Company and one full share purchase warrant. Each whole warrant is exercisable at \$0.11 to purchase an additional common share for a period of 18 months following the closing date and on February 10, 2016 further extended to August 16, 2016 (see Note 8 (c)).

The Company paid \$16,800 and issued 210,000 warrants at fair value of \$21,000 as finders' fees for the private placement. The finders' warrants are exercisable at \$0.11 to purchase an additional common share of the Company for a period of 18 months.

During the year ended June 30, 2015, 127,000 common shares were issued for the exercise of warrants at \$0.11 per warrant for gross proceeds of \$13,970.

**(c) Warrants**

The following table summarizes the continuity of the Company's warrants.

	<b>Number of warrants</b>	<b>Weighted-Average Exercise Price</b>
<b>Balance, June 30, 2014</b>	100,000	\$0.75
Granted	4,647,500	0.11
Exercised	(127,000)	0.11
<b>Balance, June 30, 2015</b>	4,620,500	\$0.11
Granted	2,711,400	0.15
Expired	(308,000)	0.32
Exercised	(1,175,000)	0.11
<b>Balance, June 30, 2016</b>	5,848,900	\$0.13

On February 10, 2016, the Company received TSX Venture Exchange approval to extend the expiry date of 4,312,500 warrants to August 16, 2016. These warrants were issued pursuant to the private placement which closed in August 2014.

During the year ended June 30, 2016, the Company issued 86,400 (2015 - 210,000) warrants ("Finders' Warrants) to underwriters as finders' fees (see Note 8(b)).

The fair value of the Finders' Warrants issued during 2016 and 2015 was determined using the Black-Scholes option pricing model with the following weighted average assumptions:

	<b>2016</b>	<b>2015</b>
Share price on grant date	\$0.10	\$0.11
Risk-free interest rate	0.56%	1.01%
Expected dividend yield	-	-
Expected stock price volatility	142%	270%
Expected warrant life	1.0 year	1.5 years

**GMV MINERALS INC.**  
**Notes to the Consolidated Financial Statements**  
**For the Years Ended June 30, 2016 and 2015**  
**(Expressed in Canadian Dollars)**

**8. SHARE CAPITAL (continued)**

(d) **Stock Options**

The Company has adopted an incentive stock option plan for granting options to directors, employees and consultants, under which the total outstanding options are limited to 10% of the issued outstanding common shares of the Company. The exercise prices shall be determined by the board, but shall, in no event, be less than the closing market price of the Company's shares on the grant date, less the maximum discount permitted under the TSX Venture Exchange's policies. Options granted may not exceed a term of five years. All options vest upon grant unless otherwise specified by the Board of Directors.

The following table summarizes the continuity of the Company's stock options. All of these options vested upon grant.

	<b>Number of Options</b>	<b>Weighted-Average Exercise Price</b>
Balance, June 30, 2014	330,000	\$3.16
Cancelled	(330,000)	(3.16)
Granted	1,105,000	0.12
Balance, June 30, 2015	1,105,000	\$0.12
Expired	(50,000)	\$0.25
Granted	340,000	\$0.10
<b>Balance, June 30, 2016</b>	<b>1,395,000</b>	<b>\$0.10</b>

As at June 30, 2016, the weighted average remaining contractual life of the options was 3.64 years (2015 – 4.42 years). Additional information regarding options outstanding and exercisable as at June 30, 2016 is as follows:

<b>Exercise Price \$</b>	<b>Number of Shares</b>	<b>Expiry Date</b>
0.10	585,000	August 27, 2019
0.10	420,000	March 2, 2020
0.25	50,000	May 14, 2020
0.10	340,000	November 13, 2020
	<b>1,395,000</b>	

During the year ended June 30, 2016, 340,000 (2015 – 1,105,000) options were granted to directors and officers of the Company at a fair value of \$21,208 (2015 - \$134,032) and charged to share-based payments. All options vested immediately upon grant. The weighted average fair value of each option granted during the year ended June 30, 2016 was \$0.10 (2015 - \$0.12) computed using the Black-Scholes option-pricing model on the date of each grant uses the following weighted average assumptions:

	<b>2016</b>	<b>2015</b>
Share price	\$0.10	\$0.12
Risk-free interest rate	0.96%	1.47%
Expected dividend yield	0%	0%
Expected forfeiture rate	0%	0%
Expected stock price volatility	209%	173%
Expected life in years	5 years	5 years

**GMV MINERALS INC.**  
**Notes to the Consolidated Financial Statements**  
**For the Years Ended June 30, 2016 and 2015**  
**(Expressed in Canadian Dollars)**

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**8. SHARE CAPITAL (continued)**

(d) **Stock Options** (continued)

Option pricing models require the input of highly subjective assumptions, particularly as to the expected price volatility of the stock. Changes in these assumptions can materially affect the fair value estimate and therefore it is management's view that the existing models do not necessarily provide a single reliable measure of the fair value of the Company's stock option and warrant grants.

**9. RELATED PARTY TRANSACTIONS AND BALANCES**

During the year ended June 30, 2016 and 2015, the Company had the following related party transactions and balances:

- (a) As at June 30, 2016, prepaid expenses included \$15,981 (2015 - \$Nil) advanced to a company controlled by a director of the Company for management services.
- (b) As at June 30, 2016, due from related party includes \$20,000 (2015 - \$20,000) advanced to a company controlled by the president of the Company. This amount is unsecured, non-interest bearing and due on demand.
- (c) As at June 30, 2016, accounts payable includes \$87,925 (2015 - \$29,236) in amounts owing to companies controlled by directors and officers of the Company. These amounts are unsecured, non-interest bearing and due on demand.
- (d) As at June 30, 2016, an amount of \$7,897 (Guyanese \$1,182,364) (2015 - \$6,716 (Guyanese \$1,182,364)) was owed to a director and officer of the Company. These amounts are unsecured, non-interest bearing and due on demand.
- (e) The Company incurred a total of \$150,000 (2015 - \$157,250) to a company controlled by an officer of the Company for management services.
- (f) The Company paid or incurred a total of \$72,000 (2015 - \$72,000) to a company controlled by a director of the Company for management services.
- (g) The Company paid \$54,000 (2015 - \$55,500) to company controlled by an officer of the Company for accounting fees.
- (h) The Company paid \$18,000 (2015 - \$18,000) to a company controlled by an officer of the Company for rent.

The Company has identified its directors and senior officers as its key management personnel. No post-employment benefits, other long-terms benefits and termination benefits were made during the periods ended June 30, 2016 and 2015. Short-term key management compensation consists of the following for the year ended June 30, 2016 and 2015:

**GMV MINERALS INC.**  
**Notes to the Consolidated Financial Statements**  
**For the Years Ended June 30, 2016 and 2015**  
**(Expressed in Canadian Dollars)**

**9. RELATED PARTY TRANSACTIONS AND BALANCES (cont'd)**

	<b>2016</b>	<b>2015</b>
Management fees	\$ 222,000	\$ 229,250
Accounting fees	54,000	55,500
Share-based payments	21,208	94,650
	<u>\$ 297,208</u>	<u>\$ 379,400</u>

**10. INCOME TAXES**

In assessing the realizability of deferred tax assets, management considers whether it is probable that some portion of all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences are expected to reverse. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The amount of deferred tax asset considered realizable could change materially in the near term based on future taxable income during the carry forward period.

The significant components of the Company's unrecognized deferred tax assets and liabilities are as follows:

	<b>2016</b>	<b>2015</b>
Net operating losses carry-forwards	\$ 1,457,235	\$ 1,408,768
Eligible capital expenditures	64,953	75,099
Share issuance costs	4,763	3,415
Mineral properties	2,626,857	2,573,605
Other	10,079	-
Unrecognized deferred income tax assets	<u>(4,163,887)</u>	<u>(4,060,887)</u>
Net deferred income tax assets	<u>\$ -</u>	<u>\$ -</u>

As at June 30, 2016, the amount of deductible temporary differences for which no deferred tax asset is recognized in the consolidated statements of financial position is mainly the Company's non-capital losses carried forward of approximately \$5,242,000 which are available to offset future years' taxable income earned in Canada. Any losses incurred in Guyana and the U.S. are carried forward until utilized. The losses incurred in Canada expire as follows:

	\$
2026	39,000
2027	37,000
2028	157,000
2029	129,000
2030	637,000
2031	1,309,000
2032	768,000
2033	554,000
2034	574,000
2035	609,000
2036	429,000
	<u>5,242,000</u>

**GMV MINERALS INC.**  
**Notes to the Consolidated Financial Statements**  
**For the Years Ended June 30, 2016 and 2015**  
**(Expressed in Canadian Dollars)**

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**10. INCOME TAXES (continued)**

The following table reconciles the amount of income tax recoverable on application of the combined statutory Canadian federal and provincial income tax rates at 26.00% (2015 – 26%) to the amount reported in these financial statements:

	<b>2016</b>	<b>2015</b>
Income tax recovery at statutory rate	\$ 107,314	\$ 250,914
Non-deductible items	(7,038)	(31,745)
Other	5,213	(28,546)
Change in unrecognized deferred income tax assets	(105,489)	(190,623)
Income tax recovery	\$ –	\$ –

**11. COMMITMENTS**

The Company has agreements with certain members of senior management. In the event that there is a change of control, the Corporation is committed to pay severance payments equivalent to three months of salary which amounts to \$63,000 (2015 - \$63,000).

**12. MANAGEMENT OF CAPITAL**

The Company defines capital as all components of shareholders' equity. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company is not subject to any externally imposed capital requirements.

The exploration and evaluation assets in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

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



**GMV MINERALS INC.**  
**Notes to the Consolidated Financial Statements**  
**For the Years Ended June 30, 2016 and 2015**  
**(Expressed in Canadian Dollars)**

**13. RISK AND FINANCIAL INSTRUMENTS**

The Company's financial instruments are categorized in a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's financial instruments include cash, marketable securities, accounts payable and due to / from related parties.

The fair values of cash and marketable securities are determined based on Level 1 inputs, which consist of quoted prices in active markets for identical assets. As at June 30, 2016, the Company believes that the carrying values of accounts payable and due from / to related parties approximate their fair values because of their nature and relatively short maturity dates or durations.

Assets measured at fair value on a recurring basis were presented on the Company's consolidated statement of financial position as of June 30, 2016 as follows:

<b>Fair Value Measurements Using</b>				
	Quoted Prices in Active Markets For Identical Instruments (Level 1) \$	Significant Other Observable Inputs (Level 2) \$	Significant Unobservable Inputs (Level 3) \$	June 30, 2016 \$
Financial Assets:				
Cash	232,297	-	-	232,297
Marketable securities	7,853	-	-	7,853

**GMV MINERALS INC.**  
**Notes to the Consolidated Financial Statements**  
**For the Years Ended June 30, 2016 and 2015**  
**(Expressed in Canadian Dollars)**

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**13. RISK AND FINANCIAL INSTRUMENTS (continued)**

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations.

Concentration of credit risk exists with respect to the Company's cash and marketable securities are placed with two major Canadian financial institutions. The Company is not exposed to significant credit risk on its cash and marketable securities as all have been placed with major financial institutions. The Company's concentration of credit risk and maximum exposure thereto is as follows:

		<b>2016</b>		<b>2015</b>
Cash	\$	232,297	\$	66,939
Marketable securities		7,853		54,725
	\$	240,150	\$	121,664

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. The Company's marketable securities may be disposed for cash without significant penalty but its reclamation deposits are restricted. At June 30, 2016, the cash balance of \$232,297 (2015 - \$66,939) is sufficient to meet the business requirements for the coming year. However, the Company may raise additional equity and debt to fund its operations in 2017 as may be required. At June 30, 2016, the Company had accounts payable of \$150,917 (2015 - \$123,993), which are due during the 2017 fiscal year.

(c) Interest Rate Risk

In management's opinion, the Company is not exposed to significant interest rate risk.

(d) Foreign Currency Risk

The Company's currency risk exposure arises from transactions denominated in foreign currencies. An exposure to foreign exchange risk arises primarily with respect to the US dollar. The Company incurs mineral exploration expenditures denominated in the US dollar. Fluctuations in the exchange rates between the US dollar and the Canadian dollar could have a material effect on the Company's business, financial condition and results of operations. The Company does not engage in any hedging activity currency risk is immaterial.

**GMV MINERALS INC.**  
**Notes to the Consolidated Financial Statements**  
**For the Years Ended June 30, 2016 and 2015**  
**(Expressed in Canadian Dollars)**

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**13. RISK FINANCIAL INSTRUMENTS (continued)**

(e) Commodity Price Risk

The Company is exposed to price risk with respect to commodity prices. The Company's ability to raise capital to fund exploration and development activities may be subject to risks associated with fluctuations in the market price of commodities. Management closely monitors commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

(f) Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as market prices, foreign exchange rates and interest rates. The Company is exposed to market risk through its investments in marketable securities.

As at June 30, 2016, the Company's marketable securities were made up of an investment in a publicly-traded company. The Company is not exposed to significant market risk as the balance of the marketable securities is not significant at June 30, 2016.

**14. SEGMENTED DISCLOSURE**

The Company has one operating segment: the mineral exploration. The Company operates in one geographical segment, the United States of America. Corporate administrative activities are conducted in Canada. All non-current assets of the Company are located in the US, as disclosed in Notes 6 and 7.

**15. SUBSEQUENT EVENTS**

- (a) On July 6, 2016, the Company announced that it has closed its private placement, issuing 3,500,000 units at \$0.20 per unit for gross proceeds of \$700,000. Each unit consisted of one (1) common share and one-half (1/2) common share purchase warrant. Each whole warrant will entitle the holder to acquire an additional common share at \$0.30 for eighteen (18) months. At June 30, 2016, \$30,000 of the subscription proceeds had been received by the Company.
- (b) On July 8, 2016, the Company announced that it has granted incentive stock options to various directors, officers and consultants to purchase up to 500,000 common shares exercisable on or before July 7, 2021 at a price of \$0.30 per share.
- (c) On August 15, 2016, the Company announced that it has granted incentive stock options to various directors, officers and consultants to purchase up to 500,000 common shares exercisable on or before August 15, 2021 at a price of \$0.60 per share.

**GMV MINERALS INC.**  
**Notes to the Consolidated Financial Statements**  
**For the Years Ended June 30, 2016 and 2015**  
**(Expressed in Canadian Dollars)**

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**15. SUBSEQUENT EVENTS** (continued)

- (d) On August 31, 2016, the Company announced that it has closed the first tranche of its non-brokered private placement consisting of 4,532,000 units at a price of \$0.50 per unit to raise gross proceeds of \$2,266,000 with all securities issued having a four-month hold period which expires on January 2, 2017.

On September 9, 2016, the Company announced that it has closed the second, and final, tranche of its non-brokered private placement by issuing an additional 1,333,726 units at a price of \$0.50 per unit to raise gross proceeds of \$666,863 with all securities issued having a four-month hold period which expires on January 10, 2017.

Each unit in this offering consists of one common share of the Company and one-half share purchase warrant. Each full warrant entitles the holder to purchase one (1) additional common share of the Company at a price of \$0.65 per share at any time within 18 months of the closing. The warrant will also include an acceleration clause whereby if the trading price of the Company's shares on the TSX Venture Exchange for 10 consecutive trading days (the "Premium Trading Days") exceeds \$1.00 per share during the exercise period the expiry time of the warrants shall be accelerated, at the option of the Company, such that the expiry time will be 30 calendar days. This 30 day period will commence 7 calendar days after the tenth Premium Trading Day.

Total gross proceeds for the private placements are \$2,932,863 with a total of 5,865,726 shares and 2,932,863 warrants being issued. The Company paid an aggregate of \$85,462 in cash and issued 170,924 finders' warrants ("Finders' Warrants") in connection with this tranche of the offering. Each Finder's Warrant entitles the holder to acquire one common share of the Company at \$0.65 per share for 18 months from the date of closing. The Finders' Warrants are issued on the same terms and conditions as the private placement warrants.

- (e) Subsequent to year-end, there were 3,873,400 common shares issued for warrants exercised for gross proceeds of \$451,765.