# MONTAN MINING CORP.

**(FORMERLY STRAIT MINERALS INC.)**

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**
**(Unaudited – Prepared by the Management)**

**FOR THE NINE MONTHS ENDED APRIL 30, 2015 AND 2014**
**(EXPRESSED IN CANADIAN DOLLARS)**

# NOTICE – No Auditor Review of the Interim Financial Statements

The accompanying unaudited interim financial statements of Montan Mining Corp., (formerly Strait Mineral Inc.), for the nine months ended April 30, 2015, have been prepared by management and have not been the subject of a review by the Company's external independent auditor.

**MONTAN MINING CORP.**
(formerly Strait Mineral Inc.)
Consolidated Interim Statements of Financial Position
*(Unaudited - Expressed in Canadian Dollars)*

| | April 30, 2015 | July 31, 2014 |
|---|---|---|
| **ASSETS** | | |
| **Current assets** | | |
| Cash and cash equivalents | $ **455,219** | $ 10,356 |
| Restricted cash | **234** | - |
| Short term investment | **103,000** | 798,000 |
| Account receivables (Note 5) | **27,411** | 7,012 |
| Prepaid expenses | **71,462** | - |
| | **657,326** | 815,368 |
| **Other assets** (Note 6) | **1,941** | - |
| **Mining properties** (Note 7) | **765,596** | - |
| **Total Assets** | $ **1,424,863** | $ 815,368 |
| **LIABILITIES** | | |
| **Current Liabilities** | | |
| Accounts payable and accrued liabilities | $ **46,062** | $ 1,100 |
| Total liabilities | **46,062** | 1,100 |
| **SHAREHOLDERS' EQUITY** | | |
| Share capital (Note 8) | **2,071,161** | 943,610 |
| Contributed surplus (Note 9) | **324,440** | 203,140 |
| Deficit | **(1,016,800)** | (332,482) |
| Total shareholders' equity | **1,378,801** | 814,268 |
| **Total Liabilities and Shareholders' Equity** | $ **1,424,863** | $ 815,368 |

These financial statements are authorized for issuance by the Board of Directors on June 29, 2015.

**On behalf of the Board:**

| *"Ian Graham"* | *"Ryan Fletcher"* |
|---|---|
| Director | Director |

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

**MONTAN MINING CORP.**
(formerly Strait Mineral Inc.)
Consolidated Interim Statements of Operations and Comprehensive Loss
*(Unaudited - Expressed in Canadian Dollars)*

| | **Three months ending April 30, 2015** | Three months ending April 30, 2014 | **Nine months ending April 30, 2015** | Nine months ending April 30, 2014 |
|---|---|---|---|---|
| **Expenses** | | | | |
| Accounting and audit fees | **$ 29,823** | $ - | **$ 44,293** | $ 8,500 |
| Administrative fees | **10,250** | 7,500 | **30,250** | 22,500 |
| Advertising and promotion | - | - | **17,892** | - |
| Amortization | **611** | - | **611** | - |
| Bank charges | **527** | 32 | **527** | 115 |
| Consulting (Note 10) | **135,638** | - | **175,338** | 5,000 |
| Exploration expenses | **7,064** | - | **7,064** | - |
| Filing fees | **14,473** | 6,802 | **27,902** | 12,545 |
| Foreign exchange | **437** | - | **437** | - |
| Insurance | **4,784** | - | **4,784** | - |
| Investor communications | **23,710** | - | **23,710** | - |
| Legal expenses | **74,714** | 268 | **127,427** | 739 |
| Office expenses | **13,786** | 167 | **14,388** | 1,020 |
| Stock based compensation | **112,525** | - | **112,525** | - |
| Transfer agent fee | **25,478** | - | **29,329** | - |
| Travel | **52,282** | 1,068 | **61,013** | 7,553 |
| | **506,102** | 15,837 | **677,490** | 57,972 |
| **Net loss before other items** | **(506,102)** | (15,837) | **(677,490)** | (57,972) |
| **Other items** | | | | |
| Interest income | **1,845** | 54 | **4,988** | 54 |
| GST written-off | **(11,816)** | - | **(11,816)** | - |
| **Net loss and comprehensive loss for the period** | **$ (516,073)** | $ (15,783) | **$ (684,318)** | $ (57,918) |
| **Basic and diluted loss per share** | **$ (0.03)** | $ (0.00) | **$ (0.07)** | $ (0.01) |
| **Weighted average number of common shares outstanding** – basic and diluted | **15,594,259** | 8,000,000 | **10,475,784** | 8,000,000 |

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

**MONTAN MINING CORP.**
(formerly Strait Mineral Inc.)
Consolidated Interim Statements of Changes in Equity
*(Unaudited - Expressed in Canadian Dollars)*

| | Number of Shares | Share Capital | Contributed Surplus | Deficit | Shareholder's Equity |
|---|---|---|---|---|---|
| **Balance – July 31, 2014** | **8,000,000** | **$ 943,610** | **$ 203,140** | **$ (332,482)** | **$ 814,268** |
| Private placements - net | 5,200,000 | 514,251 | - | - | 514,251 |
| Finder's shares | 250,000 | 25,000 | - | - | 25,000 |
| Finder's fee | - | (25,000) | | | (25,000) |
| Fair value of brokers warrants | - | (7,026) | 7,026 | - | - |
| Reverse takeover (Note 2) | 6,203,259 | 620,326 | 1,749 | - | 622,075 |
| Stock based compensation | - | - | 112,525 | - | 112,525 |
| Net loss for the period | - | - | - | (684,318) | (684,318) |
| **Balance – April 30, 2015** | **19,653,259** | **$ 2,071,161** | **$ 324,440** | **$ (1,016,800)** | **$ 1,378,801** |
| | | | | | |
| Balance – July 31, 2013 | 8,000,000 | $ 943,610 | $ 203,140 | $ (270,728) | $ 876,022 |
| Net loss for the period | - | - | - | (57,918) | (57,918) |
| Balance – April 30, 2014 | 8,000,000 | $ 943,610 | $ 203,140 | $ (328,646) | $ 818,104 |

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

**MONTAN MINING CORP.**
(formerly Strait Mineral Inc.)
Consolidated Interim Statements of Cash Flows
*(Unaudited - Expressed in Canadian Dollars)*

| | **Three months ending April 30, 2015** | Three months ending April 30, 2014 | **Nine months ending April 30, 2015** | Nine months ending April 30, 2014 |
|---|---|---|---|---|
| **OPERATING ACTIVITIES** | | | | |
| Net (loss) for the period | **$ (516,073)** | $ (15,783) | **$ (684,318)** | $ (57,918) |
| Adjustment to reconcile loss to net cash from operating Activities: | | | | |
| Amortization | **611** | - | **611** | - |
| Stock based compensation | **112,525** | - | **112,525** | - |
| | **(402,937)** | (15,783) | **(571,182)** | (57,918) |
| Change in non-cash working capital items: | | | | |
| (Increase) decrease in accounts receivables | **(20,352)** | (735) | **(20,399)** | 2,195 |
| (Increase) decrease in prepaid expenses | **(71,462)** | - | **(71,462)** | - |
| Increase (decrease) in due to related parties | **(3,911)** | - | - | - |
| Increase (decrease) in accounts payable and accruals | **(14,547)** | (225) | **44,962** | 3,465 |
| Net cash (used in) operating activities | **(513,209)** | (16,743) | **(618,081)** | (52,258) |
| **INVESTING ACTIVITIES** | | | | |
| Short term investment | **590,000** | - | **695,000** | - |
| Cash transferred upon reverse takeover | **9,416** | - | **9,416** | - |
| Restricted cash | **(234)** | - | **(234)** | - |
| Other assets | **(2,552)** | - | **(2,552)** | - |
| Mining properties | **(152,937)** | - | **(152,937)** | - |
| Net cash provided by investing activities | **443,693** | - | **548,693** | - |
| **FINANCING ACTIVITIES** | | | | |
| Common shares | **520,000** | - | **520,000** | - |
| Shares issued cost | **(5,749)** | - | **(5,749)** | - |
| **Net cash provided by financing activities** | **514,251** | - | **514,251** | - |
| **Change in cash and cash equivalents for the period** | **444,735** | (16,743) | **444,863** | (52,258) |
| **Cash and cash equivalents, beginning of period** | **10,484** | 838,818 | **10,356** | 874,333 |
| **Cash and cash equivalents, end of period** | **$ 455,219** | $ 822,075 | **$ 455,219** | $ 822,075 |

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

## 1. NATURE AND CONTINUANCE OF OPERATIONS

Montan Mining Corp. (formerly Strait Minerals Inc.) ("the Company") was incorporated under the Business Corporations Act of the Province of Ontario, Canada, on March 7, 2003.

The head office of the Company is located at Suite 1400 – 1111 West Georgia St,, Vancouver, BC, V6E 4M3 Canada and the registered office of the Company is located at Suite 800 – 885 West Georgia Street, Vancouver, British Columbia, V6C 1H2.

The Company is in the process of exploring its resource properties and has not determined whether these properties contain mineral reserves which are economically recoverable. The recoverability of amounts shown for exploration and evaluation expenditures is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development and future profitable production from the property or proceeds from its disposition.

At April 30, 2015, the Company had working capital of $611,264, had not yet achieved profitable operations, had accumulated losses of $1,016,800 since its inception and expects to incur further losses in the development of its business, all of which casts significant doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or to obtain the necessary financing to conduct its planned work program on its mineral properties, meet its on-going levels of corporate overhead and commitments, keep its properties in good standing and discharge its liabilities as they come due. These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge liabilities in the normal course of business. Although the Company presently had sufficient financial resources to undertake its currently planned work programs and has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. Accordingly, it does not give effect to adjustments, if any that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than the normal course of business and at amounts which may differ from those shown in these consolidated financial statements.

## 2. AMALGAMATION

On December 3, 2014, Strait Minerals Inc. ("Strait") and Montan Capital Corp. ("Montan Capital") announced that they had entered into a binding letter agreement to merge the two companies. Montan Capital was a "Capital Pool Company" under the policies of the TSX Venture Exchange and the transaction would constitute its "Qualifying Transaction" in accordance with Exchange Policy 2.4 *Capital Pool Companies.*

On January 6, 2015, Strait and Montan Capital announced that they and 1023174 B.C. LTD. ("Newco") had entered into an amalgamation agreement ("the Amalgamation Agreement") in connection with the proposed qualifying transaction and reverse take-over of Strait ("the Transaction"). Upon the closing of the Transaction, Newco and Montan Capital would amalgamate to form a single subsidiary of Strait and Strait would acquire all of the issued and outstanding securities of Montan Capital from the shareholders of Montan Capital in exchange for the issuance of 8,000,000 post-Consolidation Strait common shares (the "Consideration Shares") at the rate of one Strait common share for each one Montan Capital common share. In connection with the Transaction, Strait, prior to issuing the Consideration Shares, completed a consolidation of its common shares on a 10:1 basis, reducing its capital to 6,203,259 post-Consolidation shares and changed its name to Montan Mining Corp. ("Montan"). A finder's fee of 250,000 Montan shares was issued in relation to the Transaction.

Strait and Montan Capital filed on SEDAR a joint information circular on January 6, 2015 to obtain approval from their shareholders of the amalgamation agreement at shareholders' meetings to be held on February 24, 2015.

## 2. AMALGAMATION (continued)

On March 4, 2015 Montan, formerly Strait Minerals Inc., closed the Transaction. The Montan Shares are listed for trading on the TSX Venture Exchange under the symbol "MNY" and the Frankfurt Exchange under the symbol "S5GM".

Since the Consideration Shares represent approximately 56% of the total issued and outstanding Montan common shares as of the Closing, the shareholders of Montan Capital control Montan Mining Corp. Accordingly, the Transaction will be accounted for as a reverse acquisition.

In accordance with IFRS 3, Business Combinations, the substance of the transaction was a reverse acquisition of a non-operating company. The transaction does not constitute a business combination since Strait does not meet the definition of a business under the standard. As a result, under IFRS the transaction is accounted for as a capital transaction with the original Montan Capital Corp. being identified as the acquirer with the transaction being measured at the fair value of the equity consideration issued to Strait.

IFRS 2, Share-based Payments, applies to transactions where an entity grants equity instruments and cannot identify specifically some or all of the goods or services received in return. In accordance with IFRS 2, share consideration is measured as of the date of completion of the Transaction, March 4, 2015.

The fair value of the consideration is determined based on the percentage of ownership the legal parent's shareholders have in the combined entity after the reverse takeover transaction. By reference to a completion of a private placement of 5,200,000 shares at $0.10 per share on a closing date of the Transaction, the fair value of each Montan common share at the time of the Transaction was $0.10. Accordingly, the value of the 43.67% (i.e. 6,203,259 shares) of the share capital owned by former owners of Strait at the time of the Transaction was $620,326. 50,000 stock options with an exercise price of $0.15 granted by Strait prior to a reverse acquisition were retained. The fair values of these options were $1,749 and determined at the time of the Transaction using the Black-Scholes option pricing model with the following weighted average assumptions: average risk-free interest rate – 0.59%; expected life – 1.86 year; expected volatility – 87.91%; forfeiture rate – 0%; and expected dividends – nil.

The allocation of value is as follows:

| | |
|---|---|
| Cash and cash equivalents | $ 9,416 |
| Restricted cash | 1,025 |
| Accounts and GST receivables | 13,830 |
| Fixed assets | 1,941 |
| Exploration and evaluation assets | 764,023 |
| Accounts payable | (150,660) |
| Investor deposit | (17,500) |
| | $ 622,075 |

| | |
|---|---|
| Fair value of shares owned by Strait | $ 620,326 |
| Fair value of stock options retained | 1,749 |
| Total consideration | $ 622,075 |

This transaction has been treated as an asset acquisition as Strait did not have an integrated set of activities and assets that are capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefit directly. The mineral properties acquired currently do not have any proven or probable resources or reserves.

## 2. AMALGAMATION (continued)

### Concurrent Financing

In connection with the closing of the Amalgamation, Montan completed a concurrent financing and raised gross proceeds of $520,000 by the issuance of 5,200,000 Montan Shares at a price of $0.10 per Montan Share. Montan paid an aggregate finder's fee of $5,600 and also issued finder's warrants which entitle the holders to purchase up to 56,000 Montan Shares at a price of $0.10 per Montan Share for a period of 12 months. All Montan Shares issued in connection with the concurrent financing are subject to a statutory hold period expiring on July 6, 2015.

## 3. SIGNIFICANT ACCOUNTING POLICIES

(a) **Statement of Compliance and Basis of Presentation**

These interim consolidated financial statements, as at and for the nine months ended April 30, 2015, 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").

These interim consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value, as explained in the accounting policies set out in the below.

(b) Basis of Consolidation

These consolidated financial statements incorporate the financial statements of the Company and its wholly owned Peruvian subsidiary, Minera Strait Gold Peru S.A.C. ("MSG Peru"). All intercompany transactions, balances, income and expenses are eliminated upon consolidation.

(c) Cash and cash equivalents

Cash and cash equivalents consist of cash balances and demand deposits in a Canadian chartered bank which have an initial term of less than 90 days.

(d) Restricted cash

Restricted cash consists of Peruvian value added tax that can only be applied against the payment of future payroll and corporation tax liabilities of MSG Peru.

(e) Mineral properties

None of the Company's mineral properties has reached the development stage and as a result are considered exploration and evaluation assets. The Company capitalizes all expenditures that result in the acquisition and retention of mineral properties or an interest therein. The amount shown for mineral properties represents costs to date, as reduced by impairments, and does not necessarily reflect present or future values. If the properties are sold, allowed to lapse or are no longer of interest, accumulated costs are written off.

Expenditures on properties in which the Company does not have a registered or contractual interest are expensed as incurred.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Impairment of non-financial assets under IAS 36

The Company reviews and evaluates the recoverable amount of its mineral properties when events or changes in circumstances indicate that the carrying amounts of assets or groups of assets might not be recoverable. For the purposes of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of expected future cash flows of the asset). At the end of each reporting period, non-financial assets are reviewed for impairment to determine if there is any indication that the carrying amount may not be recoverable.

Indicators for an impairment review arise typically when any one of the following circumstances applies:

(i) substantive expenditure on further exploration and evaluation is not planned
(ii) title to the asset is compromised
(iii) adverse changes in the regulatory or taxation environment
(iv) adverse changes in commodity prices and markets

The existence of any of the above conditions may signify that an impairment exists in the fair value of properties.

The recoverability of the carrying values of the properties is dependent on the ability of the Company to obtain the necessary financing and permits to continue exploration, the establishment of economically recoverable reserves, future profitable production and/or proceeds from the disposition thereof.

(g) Long-term assets

The Company monitors the recoverability of long-lived assets, based on factors such as current market value, future asset utilization, business climate and future undiscounted cash flows expected to result from the use of the related assets. The Company's policy is to record an impairment loss in the period when it is determined that the carrying amount of the asset may not be recoverable. The impairment loss is calculated as the amount by which the carrying amount of the asset exceeds the undiscounted estimate of future cash flows from the asset.

(h) Fixed assets

Fixed assets, which consist of office equipment, are being amortized on a straight-line basis over a period of three years.

(i) Restoration, Rehabilitation and Environmental Obligations

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either an unit-of-production or the straight-line method as appropriate. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses. The Company has no material restoration, rehabilitation and environmental costs as the disturbance to date is minimal.

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

(j) Foreign currencies

The presentation currency of the Company is the Canadian dollar. The functional currency of the Company is the Canadian dollar. The functional currency of the Company's subsidiary, MSG Peru is the US dollar. The functional currency determinations were made by management based on an analysis of factors identified in IAS 21, The Effects of Changes in Foreign Exchange Rates.

These consolidated financial statements have been translated into Canadian dollars in accordance with IAS 21. This standard requires that assets and liabilities be translated using the exchange rate at period end and that income and expenses and cash flow items be translated using the rate that approximates the exchange rate at the date of the transactions (i.e. average exchange rate for the period).

Transactions in currencies other than the functional currency are recorded at rates of exchange prevailing at the dates of the transactions. At each financial reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position. Non-monetary items that are measured in terms of historical cost in foreign currency are not re-translated.

(k) Share based compensation

Share based compensation arising out of the fair value of options granted under the Company's share option plan is recognized as a share based payment expense with a corresponding increase in equity. The fair value is measured at the grant date and each tranche is recognized on a graded-vesting basis over the period during which the options vest. The fair-value of the options granted is measured using the Black-Scholes option pricing model. At the end of each financial reporting period the amount recognized as an expense is adjusted to reflect the actual number of options that are expected to vest.

(l) Comprehensive income

The Company includes in comprehensive income certain gains and losses arising from changes in fair value. Comprehensive income would include the following unrealized gains and losses which are potentially relevant to the Company: changes in the currency translation adjustment arising from translating the financial results of foreign operations to the Company's reporting currency, and unrealized gains and losses on available-for-sale investments.

(m) Financial instruments - recognition and measurement

The Company does not have any derivative financial instruments.

All financial assets are classified into one of the following four categories: fair value through profit or loss ("FVTPL"), held to maturity ("HTM"), available for sale ("AFS") and loans and receivables.

Financial assets are classified as FVTPL when the financial asset is held for trading or it is designated as FVTPL. Financial assets classified as FVTPL are stated at fair value and changes are recognized in profit or loss. HTM investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs. AFS financial assets subsequent to initial recognition are measured at fair value and changes therein, other than impairment losses and foreign currency differences on AFS monetary items, are recognized in other comprehensive income or loss. When an investment is derecognized, the cumulative gain or loss in the investment revaluation reserve is transferred to profit or loss. Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

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

Financial instruments - recognition and measurement (continued)

The Company's cash and cash equivalents, and restricted cash have been classified as FVTPL financial assets. The Company does not presently have any financial assets designated as AFS. The carrying value of the Company's cash, cash equivalents, and restricted cash approximates their fair value due to their short-term nature.

The Company has the following non-derivative financial liabilities: amounts payable and accrued liabilities. The carrying value of financial liabilities approximates their fair value due to their short-term nature.

Impairment of financial assets:

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income or loss are reclassified to profit or loss in the period. Financial assets are assessed for indicators of impairment at the end of each reporting period.

Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been impacted. For marketable securities classified as AFS, a significant or prolonged decline in the fair value of the securities below their cost is considered to be objective evidence of impairment.

For all other financial assets objective evidence of impairment could include:

- **significant financial difficulty of the issuer or counterparty; or**
- **default or delinquency in interest or principal payments; or**
- **it becoming probable that the borrower will enter bankruptcy or financial reorganization.**

(n) Loss per share

Loss per share is calculated using the weighted average number of common shares outstanding during the year. Since the Company is in a loss position, the effects of exercising share purchase options and warrants are anti-dilutive.

(o) Income taxes

The Company follows the liability method of accounting for income taxes. Under the liability method deferred tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse.

(p) Significant judgements and estimates

The preparation of the financial statements in conformity with IFRS requires management to make judgements and estimates that affect the amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

**Critical Accounting Estimates**

Amounts recorded for share based compensation. These are based on estimates. The Black-Scholes model is based on assumptions for volatility, expected number of options to vest, risk-free interest rate and expected life of options.

The recoverability of amounts shown for mineral properties. These are dependent on the discovery of economic resources, the ability of the Company to obtain future financing to complete the development of the properties, and on future production or sale of the properties.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant judgements and estimates (continued)

Deferred income tax assets and liabilities. These are computed based on differences between the carrying amounts on the balance sheet and their corresponding tax values. Deferred income tax assets also result from unused loss carry forwards and other deductions. The valuation of deferred income tax assets is adjusted, if necessary, by way of a valuation allowance to reflect the estimated realizable amount.

**Critical Accounting Judgements**

The following accounting policies involve judgements or assessments made by management:

- The determination of categories of financial assets and financial liabilities;
- The determination of a cash-generating unit for assessing and testing impairment;
- The allocation of exploration costs to cash-generating units
- The determination of when an exploration and evaluation asset moves from the exploration stage to the development stage; and
- The determination of the functional currency of the Company.

### (q) Changes in Accounting Policies

Certain pronouncements were issued by the IASB or the International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting periods after December 31, 2013. The following new standards have been adopted:

(i) IAS 32, Financial instruments presentation ("IAS 32") was amended by the IASB in December 2011. The amendment clarifies that an entity has a legally enforceable right to offset financial assets and financial liabilities if that right is not contingent on a future event and it is enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The amendment to IAS 32 is effective for annual periods beginning on or after January 1, 2014.

(ii) IAS 36, Impairment of assets ("IAS 36") was amended by the IASB in May 2013. The amendments require the disclosure of the recoverable amount of impaired assets when an impairment loss has been recognized or reversed during the period and additional disclosures about the measurement of the recoverable amount 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

**Changes in Accounting Policies** (continued)

(iii) IAS 39, Financial instruments: recognition and measurement ("IAS 39") was amended by the IASB in June 2013. The amendments clarify that novation of a hedging derivative to a clearing counterparty as a consequence of laws or regulations or the introduction of laws or regulations does not terminate hedge accounting. The amendments to IAS 39 are effective for annual period beginning on or after January 1, 2014.

(iv) IFRIC 21 Levies ("IFRIC 21") was issued in May 2013 and is an interpretation of IAS 37, Provisions, Contingent Liabilities and Contingent Assets. The interpretation clarifies the obligating event that gives rise to a liability to pay a levy. IFRIC 21 is effective for accounting periods commencing on or after January 1, 2014.

(v) IFRS 2, Share-based payments ("IFRS 2") was amended by the IASB in the second quarter of 2014. The amendments change the definition of "vesting condition" and "market condition" in the Standard and add definitions for "performance condition" and "service condition". They also clarify that any failure to complete a specified service period, even due to the termination of an employee's employment or a voluntary departure, would result in a failure to satisfy a service condition. This would result in the reversal in the current period of compensation expense previously recorded, reflecting the fact that the employee failed to complete a specified service condition. These amendments are effective for transactions with a grant date on or after July 1, 2014.

(vi) IFRS 3 Business combinations ("IFRS 3") was amended by the IASB in the second quarter of 2014. The amendments classify the guidance in respect of the initial classification requirements and subsequent measurement of contingent consideration. This will result in the need to measure the contingent consideration at fair value at each reporting date, irrespective of whether it is a financial instrument or a non-financial asset or liability. Changes in fair value will need to be recognized in profit and loss. These amendments are effective for transactions with acquisition dates on or after July 1, 2014.

As far as can be determined at this stage, the Company believes that the adoption of these standards will not have a material impact on its financial results.

(r) **Future Accounting Changes**

The following are new pronouncements approved by IASB. These new standards and interpretations are not yet effective and have not been applied in preparing these financial statements, however they may impact future periods.

(i) IAS 16, Property, Plant and Equipment, and IAS 38, Intangible Assets: Clarification of acceptable methods of depreciation and amortization.

On May 12, 2104, the IASB issued amendment to IAS 16, Property, Plant and Equipment, and IAS 38, Intangible Assets. In issuing the amendments, the IASB has clarified that the use of revenue-based methods to calculate the depreciation of a tangible asset is not appropriate because revenue generated by an activity that includes the use of the tangible asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB has also clarified that the revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. The presumption for an intangible asset, however, can be rebutted in certain limited circumstances. The standard is to be applied prospectively for fiscal years beginning on or after January 1, 2016, with early adoption permitted.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

**Future Accounting Changes** (continued)

(ii) IFRS 15, Revenues from Contracts and Customers ("IFRS 15") was issued by the IASB on May 28, 2014, and will replace IAS 18, Revenue, IAS 11, Construction Contracts, and related interpretations on revenue. IFRS 15 sets out the requirements for recognizing revenue that apply to all contracts with customers, except for contracts that are within the scope of the Standards on leases, insurance contracts and financial instruments. IFRS 15 uses a control based approach to recognize revenue, which is a change from the risk and reward approach under the current standard. Companies can elect to use either a full or a modified retrospective approach when adopting the standard and it is effective for annual periods beginning on or after January 1, 2017.

(iii) IFRS 9, Financial instruments ("IFRS ") was issued by the IASB on July 24, 2014 as a complete standard. This standard replaces the guidance in IAS 39, Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets and liabilities. The Standard eliminates the existing categories of held to maturity, available for sale and loans and receivables. On initial recognition, financial assets will be classified into those measures at amortized cost and at fair value.

The mandatory effective date of the new standard is for annual periods beginning on or after January 1, 2018. The Company intends to adopt the standards for the year beginning January 1, 2018. The Company believes that implementation of the new standard will not have a material impact on its financial results.

The Company is currently evaluating the potential impact of these amendments and new standards on its consolidated financial statements.

## 4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company reports its financial instruments on its balance sheet and measures these at fair value. In limited circumstances when fair value may not be considered most relevant, they may be reported at cost or amortized cost. Gains or losses as a result of changes in fair value are recognized in the consolidated statement of operations and comprehensive loss.

The Company's financial instruments consist of cash and cash equivalents, other receivables and accounts payable. The fair value of these financial instruments approximates the carrying value due to the short maturity or current market rate associated with these instruments.

All financial instruments are classified into one of the following five categories: fair value through profit or loss assets or liabilities, held-to-maturity investments, loans and receivables, available-for-sale financial assets and other financial liabilities.

Financial instruments disclosure requires a statement of the inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of fair value are:

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

## 4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

The Company has classified all of its financial instruments as Level 1

The following table presents the carrying amounts and estimated fair values of the Company's financial instruments:

| | April 30, 2015 Carrying and Fair Value | July 31, 2014 Carrying and Fair Value |
|---|---|---|
| **Financial Assets** | | |
| Cash [(1)] | $ 455,219 | $ 10,356 |
| Restricted cash[(1)] | 234 | - |
| Short term investments | 103,000 | 798,000 |
| Receivables and prepaid expenses [(2)] | 98,873 | 7,012 |
| | | |
| **Financial Liabilities** | | |
| Accounts payable [(3)] | 46,062 | 1,100 |

(1) Cash and and restricted cash are designated as fair value through profit and loss ("FVTPL") and are recorded at market value.

(2) The fair value of short-term investments are determined based on Level 1 inputs which consist of quoted prices in active markets for identical assets.

(3) Receivables and prepaid expenses are designated as FVTPL and are recorded at market value.

(4) Accounts payable are all short term in nature and are designated as FVTPL and are recorded at market value.

The Company is exposed to various credit and market risks associated with its financial instruments. Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Market risk comprises currency risk, interest rate risk and other price risk.

The Company manages these risks as follows:

- Cash and cash equivalents - With the exception of relatively minor amounts held on an ongoing basis by MSG Peru to fund foreign operations, cash and cash equivalents are on deposit with a major Canadian chartered bank and are not considered to be at risk. The functional currency of the Canadian parent company is the Canadian dollar. Cash held in other currencies is limited to amounts required to settle immediate obligations in US dollars or Peruvian soles.
- Accounts payable and accrued liabilities - The exposure to market risk relates to changes in exchange rates. The Company does not hedge its future expenditures in Peruvian soles because it believes that there is a degree of correlation between the Canadian and Peruvian currencies based on the significance of mineral resources to both economies, and because the Company is unable to predict with any certainty when future obligations will be met.

The effect of a change in the CAD to USD and CDN to PEN exchange rates is not considered to be significant given the Company's current expenditure levels.

## 5. ACCOUNTS RECEIVABLE AND ADVANCES

| | | April 30, 2015 | | July 31, 2014 |
|---|---|---|---|---|
| GST/HST receivable | $ | **19,911** | $ | - |
| Others | | **7,500** | | 7,012 |
| | $ | **27,411** | $ | 7,012 |

## 6. FIXED ASSETS

| | | April 30, 2015 | | July 31, 2014 |
|---|---|---|---|---|
| Office Equipment at cost, opening | **$** | **41, 438** | **$** | - |
| Less: Accumulated amortization | | **39,497** | | - |
| Net fixed assets, closing | **$** | **1,941** | **$** | - |

## 7. MINERAL PROPERTIES

The Company's principal mineral properties are located in Peru.

The following tables provide a continuity of the Company's mineral properties for the period ended April 30, 2015 and year ended July 31, 2014:

| | | Alicia | | Total |
|---|---|---|---|---|
| **Deferred Exploration Expenditures:** | | | | |
| **Balance on July 31, 2014** | $ | nil | $ | nil |
| Field and camp cost | | 1,573 | | 1,573 |
| | | 1,573 | | 1,573 |
| **Property Acquisitions:** | | | | |
| **Balance on July 31, 2014** | | nil | | nil |
| Additions | | 764,023 | | 764,023 |
| Write-Down | | - | | - |
| | | 764,023 | | 764,023 |
| **Balance on April 30, 2015** | **$** | **765,596** | **$** | **765,596** |

7. **MINERAL PROPERTIES** (continued)

**Alicia Property**

On September 25, 2009, the Company entered into an option and mining lease agreement (the "Alicia Option Agreement" or "AOA") with a Peruvian subsidiary of Panoro Minerals Ltd. ("Panoro") pursuant to which MSG Peru had the right to acquire up to a 100% interest, subject to a 2% net smelter return royalty (the "Alicia Royalty"), in the 2,593 hectare Alicia Property in the Department of Cusco, approximately 500 km southeast of Lima.

Under the terms of the AOA, the Company secured a 55% interest in the Alicia Property by (a) issuing a further 500,000 common shares to Panoro and (b) carrying out work expenditures of US$650,000. The Company issued to Panoro 200,000 common shares, valued at $30,000, on February 14, 2011, and 300,000 common shares, valued at $18,000 on June 10, 2011, and confirmed to Panoro that it had carried out the required work expenditures.

The Company secured the remaining 45% interest in the Alicia Property, by (a) issuing a further 400,000 common shares, valued at $28,000, to Panoro on February 15, 2013 and (b) carrying out work expenditures at the Alicia Property, aggregating US$1.25 million

On December 8, 2011, the Company entered into an Option/Joint Venture Agreement with Teck Peru S.A. ("Teck Peru"), a wholly owned subsidiary of Teck Resources Limited ("Teck"), giving Teck Peru an option to earn up to a 75% interest in the Alicia Property. As a condition of entering into the agreement, Teck made a $600,000 equity investment in the Company through the purchase of 3,000,000 Units of the Company *(Note 6)*. On August 27, 2013, the Company announced that the exercise price of 3,000,000 warrants held by Teck had been reduced to $0.12 from $0.35 per share. On August 29, 2013, the 3,000,000 warrants were exercised by Teck for gross proceeds of $360,000.

On February 13, 2014, the Company announced that Teck Peru had notified the Company that it did not intend to exercise its option to earn an interest in the Company's Alicia Property.

**Impairment**

Management reviews the carrying values of its mining claims on at least an annual basis, or when an impairment event occurs, to determine whether impairment should be recognized. The Company did not write down any property during the period ending April 30, 2015.

## 8. SHARE CAPITAL

| | | | **April 30, 2015** | | July 31, 2014 |
|---|---|---|---|---|---|
| (a) | Authorized: Unlimited common shares without par value<br>Issued:<br>19,653,259 common shares (2014: 8,000,000 shares) | $ | **2,071,161** | $ | 943,610 |

(b) The Company issued shares pursuant to private placements as follows:

(i) During the period ended April 30, 2015 the Company completed a concurrent financing and raised gross proceeds of $520,000 by the issuance of 5,200,000 shares at a price of $0.10 per Share. The Company paid an aggregate finder's fee of $5,600 and incurred expenses of $149. The Company also issued finder's warrants which entitle the holders to purchase up to 56,000 shares at a price of $0.10 per share for a period of 12 months. All shares issued in connection with the concurrent financing are subject to a statutory hold period expiring on July 6, 2015.

(ii) During the period ended April 30, 2015, the Company issued 250,000 finder's shares in relation to amalgamation.

(iii) As at April 30, 2015, 5,060,000 (July 31, 2014 – 5,060,000) common shares are held in escrow and scheduled to be released pro-rata to the shareholders as to 10% of the escrow shares upon issuance of a Final Exchange Bulletin by the TSX Venture and as to the remainder in six equal tranches of 15% every six months thereafter, for a period of 36 months. These escrow shares may not be transferred, assigned or otherwise dealt with without the consent of the regulatory authorities. If a Final Exchange Bulletin is not issued the shares will not be released from escrow and if the Company is delisted, the shares will be cancelled.

(iv) As at April 30, 2015, 4,554,000 (July 31, 2014 – 5,060,000) common shares are held in escrow and scheduled to be released pro-rata to the shareholders as to 10% of the escrow shares upon issuance of a Final Exchange Bulletin by the TSX Venture and as to the remainder in six equal tranches of 15% every six months thereafter, for a period of 36 months. These escrow shares may not be transferred, assigned or otherwise dealt with without the consent of the regulatory authorities. If a Final Exchange Bulletin is not issued the shares will not be released from escrow and if the Company is delisted, the shares will be cancelled.

**(c) Share purchase warrants**

(i) As at April 30, 2015, the Company had warrants outstanding enabling holders to acquire the following:

| Number of shares | Exercise Price | Expiry Date |
|---|---|---|
| 56,000 | $0.10 | March 5, 2016 |
| **56,000** | | |

## 8. SHARE CAPITAL (continued)

### (c) Share purchase warrants (continued)

(ii) A summary of the Company's issued and outstanding share purchase warrants as at April 30, 2015 and July 31, 2014 and changes during those periods are presented below:

| | Warrants Outstanding | Weighted Average Exercise Price | Weighted Average Remaining Contractual Life |
|---|---|---|---|
| Balance, July 31, 2013 | 300,000 | $0.20 | 1.35 years |
| Issued | - | - | - |
| Exercised | - | - | - |
| Expired/Cancelled | - | - | - |
| Balance, July 31, 2014 | 300,000 | $0.20 | 0.35 years |
| Issued | 56,000 | - | |
| Exercised | - | | |
| Expired/Cancelled | (300,000) | $0.10 | |
| **Balance, April 30, 2015** | **56,000** | **$0.10** | **0.83 years** |

### (d) Share based payments

(i) As at April 30, 2015, the Company had stock options outstanding enabling holders to acquire the following:

| Number of Shares | Exercise Price | Expiry Date |
|---|---|---|
| 800,000 | $0.20 | December 5, 2022 |
| 200,000 | $0.15 | December 5, 2022 |
| 825,000 | $0.15 | March 7, 2020 |
| 10,000 | $0.15 | January 21, 2016 |
| 20,000 | $0.15 | January 4, 2017 |
| 20,000 | $0.15 | January 11, 2018 |
| **1,875,000** | | |

(ii) A summary of the status of the Company's stock options as at April 30, 2015 and July 31, 2014, and changes during those years is presented below:

| | Options Outstanding | Weighted Average Exercise Price | Weighted Average Remaining Contractual Life |
|---|---|---|---|
| Balance, July 31, 2013 | 800,000 | $0.20 | 9.35 years |
| Granted | - | - | - |
| Exercised | - | - | - |
| Expired/Cancelled | - | - | - |
| Balance, July 31, 2014 | 800,000 | $0.20 | 8.35 years |
| Granted | 1,075,000 | $0.15 | |
| Exercised | - | - | |
| Expired/Cancelled | - | - | |
| **Balance, April 30, 2015** | **1,875,000** | **$0.17** | **4.74 years** |

## 9. STOCK-BASED COMPENSATION AND CONTRIBUTED SURPLUS

The following table reconciles the Company's contributed surplus:

| | | |
|---|---|---|
| Balance, July 31, 2013 | $ | 203,140 |
| Options granted | | - |
| Options Exercised | | - |
| Agent warrants granted | | - |
| Balance, July 31, 2014 | | 203,140 |
| Options granted/modified | | 112,525 |
| Options retained upon RTO (Note 2) | | 1,749 |
| Options Exercised | | - |
| Agent warrants granted | | 7,026 |
| **Balance, April 30, 2015** | **$** | **324,440** |

The Company adopted a stock option plan (the "Stock Option Plan") under which it can grant options to directors, officers, employees, and consultants for up to 10% of the issued and outstanding common shares. The stock option plan is subject to regulatory approval.

During the period ended April 30, 2015, the Company has recognized $112,525 (2014 - $nil) in compensation upon issuance of 1,075,000 stock options (2014 – nil stock options). These options vested 100% on the grant date. The fair values of these options were determined on the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions.

| | April 30, 2015 | July 31, 2014 |
|---|---|---|
| Risk-free interest rate | 1.38% | - |
| Experienced life of options | 5 | - |
| Annualized volatility | 149.84% | - |
| Dividend rate | - | - |

## 10. RELATED PARTY TRANSACTIONS

(a) During the period ended April 30, 2015, the Company incurred consulting fees of $145,806 (April 30, 2014: $nil) with directors and companies owned by directors.

The amounts due from or to the related parties are unsecured and without interest or stated terms of repayment.

**Key Management Compensation**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's executive officers and Board of Director members.

## 11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Non-cash investing and financing activities for the year ended July 31, 2014, were nil

Non-cash investing and financing activities for the period ended April 30, 2015, were as follows:

(a) The Company issued 56,000 brokers' warrants valued at $7, 026 recorded as share issuance costs.

(b) The Company issued 250,000 finders shares at deemed value of $0.10.

## 12. SUBSEQUENT EVENTS

(a) On May 15, 2015, Montan announced that its common shares were listed and trading on the Frankfurt Stock Exchange (Xetra) under the symbol "S5GM."

(b) On June 11, 2015, Montan announced the signing of a definitive agreement effective June 9, 2015, with the shareholders of Goldsmith Resources SAC for the acquisition of the producing Mollehuaca Gold Processing Plant as well as mining rights for the nearby Eladium Gold Mine and the Saulito Property in Arequipa region, southern Peru. The Company also announced that it had engaged Marquest Capital Markets to act as lead manager of an offering of up to C$3,000,000 by way of a brokered private placement.

(c) On June 18, 2015, Montan announced the establishment of an Advisory Board and the appointment of Ms. Jenna Hardy, B.Sc., M.Sc., MBA, a Professional Geologist with a specialization in health, safety and environmental, as initial member and Chair. In conjunction with her appointment to the Advisory Board, the Company granted Ms. Hardy 75,000 incentive stock options exercisable for a period of five years from the date of grant at a price of $0.20 per share.