

**Tarku Resources Ltd.**

(An Exploration Stage Corporation)

**Interim Financial Statements**

Quarter ended March 31, 2016

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

**TARKU RESOURCES LTD.**  
**UNAUDITED**  
**INTERIM FINANCIAL STATEMENTS**

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

**NOTICE TO READER**  
**OF THE INTERIM FINANCIAL STATEMENTS**

The Management of Tarku Resources Ltd. is responsible for the preparation of the accompanying interim financial statements as at March 31, 2016.

These interim financial statements have not been reviewed on behalf of the shareholders by independent external auditors of the Company.

The interim financial statements have been prepared by management and include the selection of appropriate accounting principles, judgments and estimates necessary to prepare these financial statements in accordance with International Financial Reporting Standards.

"Bernie Kennedy"

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Bernie Kennedy  
CEO, Director

"Glen J Diduck"

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Glen J. Diduck  
CFO

**Tarku Resources Ltd.**  
**Interim Statements of Financial Position**  
**(Expressed in Canadian Dollars)**

	March 31, 2016 (Unaudited)	September 30, 2015 (Audited)
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 7,584	\$ 5,598
Trade and other receivables	912	875
Prepaid	1,100	1,100
Quebec mining tax credit receivable	58,100	58,100
	<b>67,696</b>	<b>65,673</b>
<b>Non-current</b>		
Exploration and evaluation assets (note 4)	179,321	179,321
<b>Total assets</b>	<b>\$ 247,017</b>	<b>\$ 244,994</b>
<b>Liabilities</b>		
<b>Current</b>		
Trade and other payables (note 7)	\$ 61,578	\$ 46,834
Loans payable (note 7)	57,993	54,938
Shareholder loans (note 7)	23,867	-
	<b>143,438</b>	<b>101,722</b>
<b>Equity</b>		
Share capital (note 5)	1,771,430	1,771,430
Deficit	(1,667,851)	(1,628,208)
	<b>103,579</b>	<b>143,222</b>
<b>Total liabilities and equity</b>	<b>\$ 247,017</b>	<b>\$ 244,994</b>

Nature of business and continuance of operations (note 1)

Subsequent events (note 12)

APPROVED ON BEHALF OF THE BOARD

“Bernie Kennedy”

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Bernie Kennedy, Director

“Tim Termuende”

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Tim Termuende, Director

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

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**Tarku Resources Ltd.****Interim Statements of Comprehensive Loss****(Expressed in Canadian Dollars)**

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	<b>Three months ended March 31, 2016</b>	<b>Six months ended March 31, 2016</b>	<b>Three months ended March 31, 2015</b>	<b>Six months ended March 31, 2015</b>
<b>Expenses</b>				
Administrative expenses	<b>\$7,912</b>	<b>\$12,175</b>	\$12,669	\$21,735
Professional fees	<b>6,658</b>	<b>8,392</b>	581	1,396
Listing and filing fees	<b>13,578</b>	<b>15,814</b>	11,412	18,174
Investor Relations expenses	<b>120</b>	<b>538</b>	2,545	3,001
Consulting fees (note 7)	<b>-</b>	<b>2,500</b>	13,333	32,499
Exploration costs (notes 4 and 7)	<b>224</b>	<b>224</b>	2,099	16,516
	<b>(28,492)</b>	<b>(39,643)</b>	(42,639)	(93,321)
<b>Other Items</b>				
Interest and other income	-	-	44	61
<b>Comprehensive loss for the period</b>	<b>\$(28,492)</b>	<b>\$(39,643)</b>	\$(42,595)	\$(93,260)
<b>Basic and diluted loss per share</b>	<b>(0.00)</b>	<b>(0.00)</b>	(0.00)	(0.01)
<b>Weighted average number of shares outstanding - basic and diluted</b>	<b>20,214,167</b>	<b>20,214,167</b>	15,555,000	15,555,000

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

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**Tarku Resources Ltd.****Interim Statements of Cash Flows****(Expressed in Canadian Dollars)**

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	Six months ended March 31, 2016	Six months ended March 31, 2015
<u>Operating activities</u>		
Loss for the period	\$(39,643)	\$(93,260)
Adjustments:		
Interest accrued on related party loans	3,712	-
Changes in non-cash working capital items:		
Prepaid	-	12,400
Trade and other receivables	(37)	8,372
Trade and other payables	14,744	(169,570)
	<u>(21,224)</u>	<u>(242,058)</u>
<u>Financing activities</u>		
Cash received from related parties	23,210	-
	<u>23,210</u>	<u>-</u>
<u>Investing activities</u>		
Additions to Exploration and evaluation assets	-	(5,000)
	<u>-</u>	<u>(5,000)</u>
Increase (Decrease) in cash and cash equivalents	1,986	(247,058)
Cash and cash equivalents, beginning of period	5,598	290,344
<b>Cash and cash equivalents, end of period</b>	<b><u>\$7,584</u></b>	<b><u>\$43,286</u></b>
Cash and Cash Equivalents consists of:		
Cash	\$5,384	\$21,231
Term Deposit	2,200	22,055
	<u>\$7,584</u>	<u>\$43,286</u>
<u>Additional cash flow information</u>		
Interest received in cash	\$ -	\$ 61
Interest paid in cash	\$ -	\$ -
Income taxes paid in cash	\$ -	\$ -

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

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**Tarku Resources Ltd.****Interim Statements of Changes in Equity****(Expressed in Canadian Dollars)**

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	Number of Shares	Share Capital \$	Deficit \$	Total Equity \$
Balance, September 30, 2014	15,555,000	1,435,553	(1,186,282)	249,271
Comprehensive loss for the period			(93,260)	(93,260)
<b>Balance, March 31, 2015</b>	<b>15,555,000</b>	<b>1,435,553</b>	<b>(1,279,542)</b>	<b>156,011</b>
Balance, September 30, 2015	20,214,167	1,771,430	(1,628,208)	143,222
Comprehensive loss for the period			(39,643)	(39,643)
<b>Balance, March 31, 2016</b>	<b>20,214,167</b>	<b>1,771,430</b>	<b>(1,667,851)</b>	<b>103,579</b>

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

# **Tarku Resources Ltd.**

Notes to the Interim Financial Statements

March 31, 2016

(Expressed in Canadian dollars)

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## **1. Nature of business and continuance of operations**

Clear Creek Resources Ltd. ("Clear Creek") was incorporated on March 21, 2011 and Ituna Capital Corporation ("Ituna") was incorporated on August 26, 2011 both under the British Columbia Business Corporations Act.

On May 14, 2014, Clear Creek completed a transaction structured as a three-cornered amalgamation ("Amalgamation") with Ituna and Ituna's wholly-owned subsidiary, Tarku Resources Ltd. As consideration for the Amalgamation, each outstanding Clear Creek's common share was exchanged for one common share of Ituna. Pursuant to the amalgamation agreement, an aggregate of 11,375,000 Ituna common shares were issued to Clear Creek shareholders.

The shareholders of Ituna approved the change of its name to Tarku Resources Ltd. (the "Company") at the Company's Annual General and Special Meeting held on August 18, 2014.

Subsequent to the Amalgamation, the Company's principal business activity is the exploration for mineral resources in the Province of Saskatchewan and Quebec. The Company's corporate office is located at Suite 200, 16 - 11th Ave S., Cranbrook, British Columbia.

The financial statements have been prepared on a going concern basis which assumes the Company will realize its assets and discharge its liabilities in the normal course of business. The Company's ability to continue as a going concern is dependent upon its ability in the future to achieve profitable operations and, in the meantime, to obtain the necessary financing to meet its obligations and repay its liabilities when they become due. External financing, predominantly by the issuance of equity to the public, will be sought to finance the operations of the Company. Although the Company has a history of raising money, there is no guarantee of this in the future. As a result, there exists material uncertainty which raises significant doubt about the Company's ability to continue as a going concern. These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business.

## **2. Basis of preparation**

### **(a) Statement of compliance**

The Company's financial statements for the quarter ended March 31, 2016 are prepared in accordance with International Financial Reporting Standards ("IFRS") and IAS 34 – Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC").

These financial statements were authorized for issue by the Board of Directors on May 10, 2016.

### **(b) Use of Estimates and Judgments**

The preparation of financial statements in compliance with IFRS requires management to make certain judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates and assumptions.

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.

# **Tarku Resources Ltd.**

Notes to the Interim Financial Statements

March 31, 2016

(Expressed in Canadian dollars)

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## **2. Basis of preparation (continued)**

The estimates and underlying assumptions are continuously evaluated and 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 revision affects both current and future periods.

Significant areas requiring the use of management estimates include amounts of provisions, if any, for impairment of exploration and evaluation assets, reclamation and environmental obligations, deferred income taxes, and contingencies reported in the notes to the financial statements.

### **(c) Use of Estimates and Judgments (continued)**

Significant areas requiring the use of management judgments include recognition of impairment of exploration and evaluation assets, reclamation and environmental obligations, deferred income taxes, classification of financial instruments and disclosure of contingencies reported in the notes to the financial statements.

### **(d) Basis of Measurement**

These financial statements have been prepared on a historical cost basis except for financial instruments classified as fair value through profit or loss ("FVTPL") and available-for-sale which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow.

These financial statements are presented in Canadian dollars, which is also the Company's functional currency.

## **3. Significant Accounting Policies**

### **(a) Cash and cash equivalents**

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

### **(b) Exploration and Evaluation Assets**

Exploration expenditures are expensed as incurred until an economic feasibility study has established the presence of proven and probable reserves and development of the project has commenced, at which time exploration and development expenditures incurred on the property thereafter are capitalized.

Costs incurred relating to the acquisition and claim maintenance of mineral properties, including option payments and annual fees to maintain the property in good standing, are capitalized and deferred by property until the project to which they relate is sold, abandoned, impaired or placed into production. The Company uses the cost model for exploration and evaluation assets.

The Company assesses its capitalized mineral property costs for indications of impairment on a regular basis and when events and circumstances indicate a risk of impairment. A property is



# Tarku Resources Ltd.

Notes to the Interim Financial Statements

March 31, 2016

(Expressed in Canadian dollars)

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## 3. Significant Accounting Policies (continued)

### (b) Exploration and Evaluation Assets (continued)

written down or written off when the Company determines that an impairment of value has occurred or when exploration results indicate that no further work is warranted.

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

### (c) Mineral tax credit

Mining exploration tax credits for certain exploration expenditures in Quebec are treated as a reduction of the exploration costs. The amounts are accounted for on an accrual basis.

### (d) Reclamation obligations

The Company recognizes liabilities for statutory, contractual or legal obligations associated with the reclamation of exploration and evaluation assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the period in which the obligation is incurred. Upon initial recognition of the liability, the corresponding asset retirement cost is added to the carrying amount of the related asset and the cost is amortized as an expense over the economic life of the asset using either the unit-of-production method or the straight-line method, as appropriate. Following the initial recognition of the asset retirement obligation, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the amount or timing of the underlying cash flows needed to settle the obligation.

As at March 31, 2016, the Company has no asset retirement obligations and accordingly, has not recorded an asset retirement obligation in the financial statements.

### (e) Impairment of non-financial assets

At the end of each reporting period the carrying amounts of non-financial assets are reviewed to determine whether there is any indication that those assets are impaired. Impairment is recognized when the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. The impairment loss is recognized in profit or loss for the period.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount had no impairment loss been recognized. A reversal of an impairment loss is recognized immediately in profit or loss.

### (f) Income taxes

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

# Tarku Resources Ltd.

Notes to the Interim Financial Statements

March 31, 2016

(Expressed in Canadian dollars)

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## 3. Significant Accounting Policies (continued)

### (f) Income taxes (continued)

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years.

Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

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

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

### (g) Share Capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, share warrants, options and flow-through shares are classified as equity instruments.

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

#### Flow-through shares

Resource expenditure deductions for income tax purposes related to exploratory activities funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenses being renounced, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued until qualifying expenditures are incurred.

#### 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

# Tarku Resources Ltd.

Notes to the Interim Financial Statements

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(Expressed in Canadian dollars)

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## 3. Significant Accounting Policies (continued)

### (g) Share Capital (continued)

to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in the private placements was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, was allocated to the attached warrants. Any fair value attributed to the warrants is recorded as contributed surplus. If the warrants expire unexercised, the value attributed to the warrants is transferred to deficit.

### (h) Earnings (loss) per common share

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

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

### (i) Share-based payments

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

The grant date fair value is recognized in profit or loss over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in profit or loss, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

All equity-settled share-based payments are reflected in share-based payment reserve of contributed surplus, until exercised. Upon exercise, shares are issued from treasury and the

# Tarku Resources Ltd.

Notes to the Interim Financial Statements

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(Expressed in Canadian dollars)

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## 3. Significant Accounting Policies (continued)

### (i) Share-based payments

amount reflected in share-based payment reserve of contributed surplus is credited to share capital, adjusted for any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

### (j) Financial instruments

#### Financial Assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held-to-maturity, available-for-sale, loans-and-receivables or at FVTPL.

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit and loss. Regular way purchases and sales of FVTPL financial assets are accounted for at trade date, as opposed to settlement date. The Company has classified its cash and cash equivalents as FVTPL.

Financial assets classified as loans-and-receivables and held-to-maturity are measured at amortized cost. The Company's trade and other receivables are classified as loans-and-receivables.

Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income/loss except for losses in value that are considered other than temporary.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

#### Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other-financial-liabilities.

Financial liabilities classified as other-financial-liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other-financial-liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's trade and other payables are classified as other-financial-liabilities.

## Tarku Resources Ltd.

Notes to the Interim Financial Statements

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(Expressed in Canadian dollars)

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### 3. Significant accounting policies (continued)

(j) Financial instruments (continued)

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized through profit or loss. The Company has not classified any financial liabilities as FVTPL.

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.

(k) New standards, amendments and interpretations not yet adopted

Although the Company does not expect any of the following changes to have a material impact on the financial results of the Company, the Company has not yet fully assessed the impact of these standards and amendments:

IFRS 9 – ‘Financial Instruments’

This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortized cost or fair value. To be classified and measured at amortized cost, assets must satisfy the business model test for managing the financial assets and have certain contractual cash flow characteristics. All other financial instrument assets are to be classified and measured at fair value. This standard allows an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income, with dividends as a return on these investments being recognized in profit or loss. In addition, those equity instruments measured at fair value through other comprehensive income would no longer have to apply any impairment requirements nor would there be any ‘recycling’ of gains or losses through profit or loss on disposal. The accounting for financial liabilities continues to be classified and measured in accordance with IAS 39, with one exception, being that the portion of a change of fair value relating to the entity’s own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. This standard is effective for reporting periods beginning on or after January 1, 2018.

IFRS 15 – ‘Revenue From Contracts with Customers’

IFRS 15 clarifies the principles for recognizing revenue from contracts with customers. The application of this standard is effective for annual periods beginning on or after January 1, 2017.

### 4. Exploration and evaluation assets

*Chateau Fort gold property, Quebec*

On March 24, 2015, Anthem Resources Inc. (TSXV: AYN) ("Anthem"), a company related by a common director, signed a binding letter of intent ("LOI") to option its Chateau Fort gold property ("Property") in central Quebec to the Company.

## **Tarku Resources Ltd.**

Notes to the Interim Financial Statements

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(Expressed in Canadian dollars)

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### **4. Exploration and evaluation assets (continued)**

#### **Chateau Fort gold property, Quebec (continued)**

On July 27, 2015, Boss Power Corp. completed the acquisition of Anthem and changed its name to Eros Resources Corp. ("Eros"). The option agreement continues with Eros.

The Company will have the option to acquire 100% interest in the Property, subject to reservations of diamonds on the claims identified as Melkior OJV and royalty interests on the Property, by funding expenditures on the Property, issuing shares and making cash payments, according to the following schedule:

- (i) \$5,000 deposit payable on execution of this letter (paid);
- (ii) make total cash payments of \$95,000 and issue total 8,000,000 shares of Tarku as follows:
  - (1) on approval of TSX Venture Exchange, no later than April 21, 2015, or such later date as mutually agree upon, \$10,000 in cash (paid) and 2,000,000 shares (issued);
  - (2) on or before March 31, 2016, \$20,000 cash payments and 1,500,000 shares;
  - (3) on or before March 31, 2017, \$20,000 cash payments and 1,500,000 shares;
  - (4) on or before March 31, 2018, \$20,000 cash payments and 1,500,000 shares;
  - (5) on or before March 31, 2019, \$25,000 cash payments and 1,500,000 shares;
- (iii) fund expenditures of not less than \$200,000 and renew claims in the amount of \$25,000 (done) on or before July 10, 2015 which expenditures will be a firm commitment;

The Company also has a requirement to complete a private placement financing of not less than \$215,000 by June 15, 2015, of which Eros has deemed satisfied by way of the Company's private placement financing of \$219,450 completed in June 2015.

Anthem (subsequently Eros) retains a 2% net smelter return royalty ("Royalty") on claims not subject to other underlying agreements. The Company will have the right to buy down such Royalty to 1% for \$2,000,000 on or before commencement of commercial production. In addition, Anthem retains the right to maintain its pro rata percentage ownership of the Company via future financings, and first right of refusal on third party offers to purchase the Property.

#### **Tarku Property, Saskatchewan**

On January 15, 2014, Clear Creek entered into an option agreement with Eagle Plains Resources Ltd. ("Optionor") (related by virtue of common directors) to earn an undivided 60% interest in the Tarku Property situated in Saskatchewan subject to the following terms:

- (i) make total cash payments of \$500,000 to the Optionor as follows:
  - (1) \$10,000 within 5 business days of the execution of the option agreement (paid);
  - (2) \$25,000 on or before May 21, 2014 (paid);
  - (3) \$50,000 on or before May 21, 2015 (unpaid);
  - (4) \$75,000 on or before May 21, 2016;
  - (5) \$100,000 on or before May 21, 2017;
  - (6) \$120,000 on or before May 21, 2018;
  - (7) \$120,000 on or before May 21, 2019.

## Tarku Resources Ltd.

Notes to the Interim Financial Statements

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(Expressed in Canadian dollars)

### 4. Exploration and evaluation assets (continued)

#### Tarku Property, Saskatchewan (continued)

(ii) issue total of 1,200,000 common shares of the Company to the Optionor as follows:

- (1) 200,000 on or before May 21, 2014 (issued);
- (2) 200,000 on or before May 21, 2015 (unissued);
- (3) 200,000 on or before May 21, 2016;
- (4) 200,000 on or before May 21, 2017;
- (5) 200,000 on or before May 21, 2018;
- (6) 200,000 on or before May 21, 2019.

(iii) incur total expenditures of \$5,000,000 on the Tarku Property as follows:

- (1) \$200,000 on or before May 21, 2015 (incurred);
- (2) \$500,000 on or before May 21, 2016;
- (3) \$800,000 on or before May 21, 2017;
- (4) \$1,500,000 on or before May 21, 2018;
- (5) \$2,000,000 on or before May 21, 2019.

The following is a summary of changes to exploration and evaluation assets:

<u>Expenditures</u>	Tarku Property, Saskatchewan	Chateau Fort	Total
Balance at September 30, 2014	\$ 96,678	\$ -	\$ 96,678
<u>Additions</u>			
Acquisition costs	-	5,000	5,000
Balance at March 31, 2015	\$ 96,678	\$ 5,000	\$ 101,678
Balance at September 30, 2015	\$ 1	\$179,320	\$179,321
<b>Balance at March 31, 2016</b>	<b>\$ 1</b>	<b>\$179,320</b>	<b>\$179,321</b>

The Company wrote down the Tarku property by \$96,677 in 2015 as there was no work planned for the next year.

### 5. Share capital

(a) *Authorized*

Unlimited common shares with no par value

Unlimited preferred shares the series rights and restrictions to be determined by the Board of Directors on issuance

\* As of March 31, 2016, 4,300,875 (2014 – 7,168,125) common shares were held in escrow.

## Tarku Resources Ltd.

Notes to the Interim Financial Statements

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(Expressed in Canadian dollars)

### 5. Share capital (continued)

- (i) On June 17, 2015, the Company completed a private placement for gross proceeds of \$219,450 as follows: issued 671,667 flow-through units at a price of \$0.09 per unit and 1,987,500 non-flow-through units at a price of \$0.08 per unit. Each unit consists of one flow-through or non-flow-through common share and one share purchase warrant. The Company incurred share issue costs of \$4,513.
- (ii) On April 21, 2015, 2,000,000 common shares were issued at a deemed price of \$0.055 per share to Anthem Resources Inc. pursuant to the option agreement in respect of the Chateau Fort gold property, Quebec.

(b) *Stock option Plan*

The Company has a stock option plan whereby options to purchase common shares are granted by the board of directors to directors, officers, employees and consultants to the Company. Under the terms of the plan, the Company has reserved an amount of common shares for options up to 10% of the issued and outstanding common shares. Options granted under this plan are non-transferable; expire no later than the tenth anniversary of the date the option is granted and must comply with the requirements of the regulatory authorities.

There are no stock options outstanding at March 31, 2016.

(c) *Warrants*

During the periods ended March 31, 2016 and 2015, the Company had the following warrant activities:

Total issued and outstanding	Number of Warrants	Exercise Price	Weighted Average Exercise Price
Balance, December 31, 2014 and March 31, 2015	-	-	-
Balance, December 31, 2015 and <b>March 31, 2016</b>	<b>2,659,167</b>	<b>\$0.20</b>	<b>\$0.20</b>

At March 31, 2016, the following table summarizes information about warrants outstanding:

Total issued and outstanding	Warrants Outstanding	Expiry Date	Exercise Price
	2,659,167	June 3, 2017	\$0.20

### 6. Commitments and contingencies

As of March 31, 2016, the Company has \$2,200 (2014 - \$22,055) in term deposits with a Canadian financial institution for the guarantee of business credit cards.

Under the terms of the Company's by-laws, the Company indemnifies individuals who have acted at the Company's request to be a director and/or officer of the Company. The claims covered by such indemnifications are subject to statutory and other legal limitation periods.



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### 7. Related party transactions

The Company had the following related party transactions during the quarter:

- (a) A director of the Company provided consulting services to the Company. Fees incurred during the quarter were \$nil (2015 - \$13,333).
- (b) A wholly-owned subsidiary of Eagle Plains Resources Ltd. which has common directors with the Company provided exploration services in the amount of \$nil (2015 - \$2,099) to the Company.
- (c) A director of the Company advanced \$5,000 (2015 - \$nil) to the Company to allow the Company to continue operations and bear interest at 7.5% per annum. Interest of \$657 (2015 - \$nil) was accrued in the quarter on loans from directors and officers.
- (d) The Company has a loan payable in the amount of \$54,938 (2015 - \$nil) bearing interest at 10% per annum, to EROS Resources Corp., a company related by a common director. Repayment of the loan will be made from the proceeds of a Quebec tax rebate. Interest of \$3,055 (2015 - \$nil) was accrued in the quarter.
- (e) The Company has an accounts payable of \$5,000 (2015 - \$nil) to a company which is owned by a director of the Company.
- (f) A director of the Company provided services as an officer of the Company. Fees incurred during the quarter were \$5,000 (2015 - \$nil). At March 31, 2016, \$5,000 (2015 - \$nil) is included in accounts payable and accrued liabilities.

These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Key Management Compensation	Quarter ended March 31, 2016	Quarter ended March 31, 2015
Consulting fees	\$ -	\$ 13,333

### 8. Segmented information

The Company operates in one operating segment, being exploration of mineral properties. The Company's exploration and evaluation assets by geographic location are as follows:

	March 31 2016	March 31 2015
Saskatchewan, Canada	\$ 1	\$ 1
Quebec, Canada	179,320	179,320
	<u>\$179,321</u>	<u>\$179,321</u>

### 9. Capital management

The Company includes cash and cash equivalents and equity, comprising of issued common shares, contributed surplus and deficit, in the definition of capital.

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Notes to the Interim Financial Statements

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## 9. Capital management (continued)

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 relies on the expertise of the Company's management to sustain future development of the business.

The property in which the Company currently has an interest is in the exploration stage; as such the Company is dependent upon external financings to fund activities. In order to carry out planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional funds 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. There were no changes in the Company's approach to capital management during the period ended December 31, 2015. The Company was not subject to any externally imposed capital requirements, other than maintained term deposits for the guarantee of business cards (note 6).

## 10. Financial risk management

The Company is exposed in varying degrees to a variety of financial instrument related risks by virtue of its activities. The overall financial risk management program focuses on preservation of capital, and protecting current and future Company assets and cash flows by reducing exposure to risks posed by the uncertainties and volatilities of financial markets.

The types of risk exposure and the way in which such exposures are managed are as follows:

*Credit Risk* - The Company's credit risk is primarily attributable to its liquid financial assets. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash and cash equivalents with high-credit quality financial institutions. The Company does not have financial assets that are invested in asset backed commercial paper.

*Liquidity Risk* - The Company ensures that there is sufficient capital in order to meet short term business requirements. The Company had a cash infusion from directors and officers subsequent to year end to provide working capital. The Company believes that these sources will be sufficient to cover the likely short term cash requirements.

*Interest rate risk* - In respect to the Company's financial assets, the interest rate risk mainly arises from the interest rate impact on our cash and cash equivalents. For the quarter ended December 31, 2015, every 1% fluctuation in interest rates up or down would have had little impact on net loss

*Commodity price risk* - The value of the Company's mineral resource properties is related to the price of various commodities and the outlook for them. Commodity prices have historically fluctuated widely and are affected by numerous factors outside of the Company's control, including, but not limited to, industrial retail demand, central bank lending, forward sales by producers and speculators, level of worldwide production and short-term changes in supply and demand.

*Fair Value* - The Company has various financial instruments comprised of cash and cash equivalents, trade and other receivables and trade and other payables.

For disclosure purposes, all financial instruments measured at fair value are categorized into one of three hierarchy levels, described below. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities:

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### 10. Financial risk management (continued)

**Level 1** – Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

**Level 2** – Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

**Level 3** – Values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

<b>March 31, 2016</b>	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents	\$7,584	\$ -	\$ -	\$ 7,584

  

March 31, 2015	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents	\$43,286	\$ -	\$ -	\$ 43,286

### 11. Income taxes

- (a) As of September 30, 2015, a reconciliation of income taxes at statutory rates with reported taxes is as follows:

	2015	2014
Loss before income taxes for the year	\$ (441,926)	\$ (527,623)
Statutory tax rate	26.00%	26.00%
Income tax recovery	(114,901)	(137,182)
Unrecognized items for tax purposes	130	1,427
Effect of tax rate change	-	-
Unrecognized tax benefit	114,771	135,755
Deferred income tax expense (recovery)	\$ -	\$ -

- (b) The component of the Company's deferred income tax asset is a result of the origination and reversal of temporary differences and is comprised of the following:

	September 30, 2015	September 30, 2014
Share issue costs	\$ 15,000	\$ -
Non-capital losses carried forward	332,000	284,000
Exploration and evaluation asset	85,000	16,000
Deferred tax assets (liabilities)	432,000	300,000
Unrecognized deferred tax assets	(432,000)	(300,000)
Net deferred tax assets (liabilities)	\$ -	\$ -

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### 11. Income taxes (continued)

At September 30, 2015, the Company had estimated non-capital losses for Canadian income tax purposes that may be carried forward to reduce taxable income derived in future years, if not utilized, expiring as follows:

Year of expiry	Losses for tax purposes
2031	\$ 40,000
2032	370,000
2033	167,000
2034	509,000
2035	192,000
	<u>\$ 1,278,000</u>

### 12. Subsequent events

No subsequent events.