



## **CLEGHORN MINERALS LTD.**

**(A Capital Pool Company)**

### **Interim Financial Statements Three month period ended June 30, 2016**

**Unaudited**

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##### **Interim Financial Statements**

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#### **IMPORTANT NOTICE**

The attached financial statements have been prepared by Management of Cleghorn Minerals Ltd. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

**Cleghorn Minerals Ltd.**  
**Interim Statement of Financial Position**  
(Unaudited)  
(In Canadian dollars)



	Notes	June 30, 2016 \$	March 31, 2016 \$
<b>ASSETS</b>			
Current			
Cash		39 406	56 256
Receivables	12	68 309	68 309
Sales taxes recoverable		1 841	342
Prepaid expenses		<u>681</u>	<u>681</u>
Total assets		<u><u>110 237</u></u>	<u><u>125 588</u></u>
<b>LIABILITIES</b>			
Current			
Accounts payable and accrued liabilities and total liabilities		<u>1 612</u>	<u>396</u>
<b>EQUITY</b>			
Capital stock	8	880 100	880 100
Contributed surplus		115 327	115 327
Deficit		<u>(886 802)</u>	<u>(870 235)</u>
Total equity		<u>108 625</u>	<u>125 192</u>
Total liabilities and equity		<u><u>110 237</u></u>	<u><u>125 588</u></u>

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

These financial statements were approved and authorized for issue by the Board of Directors on August 26, 2016.

"Glenn J. Mullan"  
(signed Glenn J. Mullan)  
Director

"Dr. C. Jens Zinke"  
(signed C. Jens Zinke)  
Director

# Cleghorn Minerals Ltd.

## Interim Statements of Comprehensive Loss



(Unaudited)

(All amounts are expressed in Canadian dollars, unless otherwise noted.)

	Notes	Three-month period ended	
		June 30, 2016	June 30, 2015
		\$	\$
Operating expenses			
Office expenses			629
Professional fees	11	15,461	22,886
Travel			743
Expenses related to potential Qualifying Transactions	7	1,048	67,785
Operating loss		(16,509)	(92,043)
Financial income (costs)			
Interest income			116
Interest expense		(58)	(60)
		(58)	56
<b>Net loss and comprehensive loss</b>		<b>(16,567)</b>	<b>(91,987)</b>
Basic and diluted net loss per share	10	(0.01)	(0.03)
Weighted average number of common shares outstanding	10	2,800,500	2,800,500

The accompanying notes are an integral part of the Interim financial statements.

# Cleghorn Minerals Ltd.

## Interim Statements of Changes in Equity

(Unaudited)

(In Canadian dollars)



	Notes	Common shares outstanding Number	Capital Stock \$	Warrants \$	Contributed Surplus \$	Deficit \$	Total Equity \$
<b>Balance at March 31, 2016</b>		4,400,500	880,100		115,327	(870,235)	125,192
Net loss and comprehensive loss						(16,567)	(16,567)
<b>Balance at June 30, 2016</b>		<b>4,400,500</b>	<b>880,100</b>		<b>115,327</b>	<b>(886,802)</b>	<b>108,625</b>
<b>Balance at March 31, 2015</b>		4,400,500	880,100		115,327	(765,159)	230,268
Net loss and comprehensive loss						(91,987)	(91,987)
<b>Balance at June 30, 2015</b>		<b>4,400,500</b>	<b>880,100</b>		<b>115,327</b>	<b>(857,146)</b>	<b>138,281</b>

The accompanying notes are an integral part of the Interim financial statements.

**Cleghorn Minerals Ltd.**  
**Interim Statements of Cash Flows**

**(Unaudited)**

(In Canadian dollars)



	Three-month period ended	
	June 30, 2016	June 30, 2015
	\$	\$
<b><i>OPERATING ACTIVITIES</i></b>		
Net loss	(16,567)	(91,987)
Changes in working capital items		
Sales taxes recoverable	(1,499)	(2,494)
Prepaid expenses		1,250
Accounts payable and accrued liabilities	1,216	(2,419)
Cash flows from operating activities	<u>(16,850)</u>	<u>(95,650)</u>
<b><i>INVESTING ACTIVITIES</i></b>		
Term deposit cashed and cash flows from investing activities	<u>                    </u>	<u>                    </u>
<b>Net increase in cash</b>	<b>(16,850)</b>	<b>(95,650)</b>
Cash, beginning of period	<u>56,256</u>	<u>160,834</u>
Cash, end of period	<u><u>39,406</u></u>	<u><u>65,184</u></u>

The accompanying notes are an integral part of the Interim financial statements.

# Cleghorn Minerals Ltd.

## Notes to Interim Financial Statements

June 30, 2016

(All amounts are expressed in Canadian dollars, unless otherwise noted.)



### *1 - NATURE OF OPERATIONS*

Cleghorn Minerals Ltd. (the "Company") is classified as a "Capital Pool Company" ("CPC") for purposes of the policies of the TSX Venture Exchange (the "Exchange"). The Company's current business is to identify and evaluate businesses and assets in order to complete a "Qualifying Transaction" in accordance with the rules of the Exchange. Until completion of such Qualifying Transaction, the Company will not carry on any other business.

### *2 - GOING CONCERN ASSUMPTION AND COMPLIANCE WITH IFRS*

The financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) and the basis of the going concern assumption, meaning the Company will be able to realize its assets and discharge its liabilities in the normal course of operations.

The Company's ability to continue as a going concern depends upon the realization of a successful Qualifying Transaction that will achieve a profitable level of operations and also on the ability of the Company to obtain necessary financing to fund its operations and continued support of suppliers and creditors. The Company's ability to achieve these objectives cannot be determined at this time. As at June 30, 2016, the Company has a cumulated deficit of \$886,802 (\$870,235 as at March 31, 2016).

The business of the Company involves a high degree of risk and there is no assurance that the Company will identify an appropriate business for acquisition or investment under the policies of the Exchange, and even if a business is identified, the Company may not be able to finance such an acquisition or investment. Additional funds may be required to enable the Company to pursue such an initiative and the Company may be unable to obtain such financing on terms that are satisfactory. Furthermore, there is no assurance that the business will be profitable. Any acquisition or investment proposed by the Company will be subject to regulatory approval. These material uncertainties cast significant doubt regarding the ability to continue as a going concern.

The carrying amounts of assets, liabilities, income and expenses presented in the financial statements and the classification used in the financial statements have not been adjusted as would be required if the going concern assumption was not appropriate. Those adjustments could be material.

### *3 - GENERAL INFORMATION*

The Company was incorporated on February 16, 2010 under the Business Corporations Act of British Columbia. The head office of the Company is located at 152 Chemin de la Mine École, Val d'Or, Québec, Canada.

In February 2013, following the Company's failure to meet the Exchange requirement of completing a Qualifying Transaction within the prescribed time period of 24 months of its listing, the common shares of the Company were transferred to NEX, rather than being delisted. On February 21, 2013, the common shares of the Company commenced trading on NEX under the symbol JZZ.H.

# Cleghorn Minerals Ltd.

## Notes to Interim Financial Statements

June 30, 2016

(All amounts are expressed in Canadian dollars, unless otherwise noted.)



### 4 - BASIS OF PRESENTATION

These interim financial statements are covering the three month period ended June 30, 2016 and were prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), under International Accounting Standard ("IAS") 34 - Interim Financial Reporting. These interim financial statements were prepared using the same accounting policies, methods of computation and basis of presentation as outlined in Note 5 - Summary of Accounting Policies, as described in the Company's annual audited financial statements for the year ended March 31, 2016. The interim financial statements do not include all the notes required in annual financial statements and, accordingly, should be read in conjunction with with the annual financial statements for the year ended March 31, 2016.

### 5 - SUMMARY OF ACCOUNTING POLICIES

#### 5.1 - Overall considerations

The significant accounting policies that have been applied in the preparation of these financial statements are summarized in Note 5 - Summary of Accounting Policies, of the Company's annual audited financial statements for the year ended March 31, 2016.

#### 5.2 - Functional and presentation currency

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

### 6 - JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. These judgements, estimates and assumptions are summarized in Note 6 - Judgements Estimates and Assumptions, of the Company's annual audited financial statements for the year ended March 31, 2016.

### 7 - QUALIFYING TRANSACTION

On October 9, 2012, the Company entered into a Mineral Claim Purchase Agreement (the "Purchase Agreement") with Globex Mining Enterprises Inc. ("Globex") to acquire Globex's 100% ownership interest in the mineral claims located on the Hematite Property in the Labrador Trough in Northern Quebec. The Company was unable to raise the required financing to complete the acquisition of the Hematite Property by the April 30, 2013 deadline and the transaction was dropped. The Company had spent a total of \$192,031 (net after deduction of refundable tax credits) in view of acquiring the Hematite Property.

#### *Meech Lake Matachewan Prospect*

On January 5, 2015, the Company entered into a Mineral Claim Purchase Agreement, as amended and restated on April 1, 2015 and further amended and restated on May 14, 2015, with 2973090 Canada Inc. (the "Vendor") to acquire a 100% undivided interest in the Meech Lake Matachewan Prospect. The Meech Lake Matachewan Prospect consists of three (3) mining claims situated in the Argyle, McNeil and Robertson Townships, approximately 25 km Northwest of Matachewan, in Northeastern Ontario.

As consideration for the property, the Company shall, on the closing of the acquisition, a) pay to the Vendor \$5,000 (representing staking fees with respect to the property), b) issue an aggregate of 7,888,928 common shares , c) grant the Vendor a 3% net smelter royalty ("NSR") on the property.

# Cleghorn Minerals Ltd.

## Notes to Interim Financial Statements

June 30, 2016

(All amounts are expressed in Canadian dollars, unless otherwise noted.)



### *Meech Lake Matachewan Prospect (continued)*

The transaction is subject to the following conditions, among others, which had not all been fulfilled at June 30, 2016: a) the Company obtaining approval of the transaction by its minority shareholders, its board of directors and amongst others by the regulatory authorities, and b) the Vendor providing the Company with a title opinion satisfactory to the Company.

Concurrent with the acquisition of the Meech Lake Matachewan Prospect, the Company intends to complete a non brokered private placement for gross proceed of \$500,000, by issuing 5,000,000 units at a price of \$0.10 per unit. Each unit will consist of one common share and one-half of one non-transferable common share warrant. Each whole warrant will entitle the holder to purchase one common share at a per share price of \$0.15 for a period of two years from the date of issuance.

The TSX Venture Exchange had issued its conditional acceptance of the acquisition of the Meech Lake Matachewan Prospect by the Company, the proposed private placement offering and the proposed 10% rolling stock option incentive plan, subject to the Company fulfilling all of the requirements of the Exchange on or before August 20, 2015. Subsequently, the Exchange granted the Company extensions to the required deadline for completion of the Qualifying Transaction to August 18, 2016.

In July 2016, the Company announced that it will conduct a modified non-brokered private placement offering to replace the financing announced on August 10, 2015 and described above. For additional details on the new contemplated financing refer to Note 14 - Subsequent Events.

### *Non-arm's length transaction*

The Vendor is a privately held mineral exploration company wholly-owned and controlled by Glenn J. Mullan, who is also the president and CEO of the Company. In addition, in the case of a successful closing of the transaction, other directors of the Company would receive some of the shares to be issued by the Company in payment of the property.

	Quarter ended June 30, 2015	Year ended March 31, 2016	Quarter ended June 30, 2016	Cumulative amount
	\$	\$	\$	\$
Non refundable deposit	-	-	-	50,000
Legal fees	56,345	61,932	1,048	118,896
Technical consultants	-	-	-	80,755
Other expenses	11,440	11,440	-	37,872
Airborne survey	-	-	-	146,967
Tax credits (1)	-	(8,663)	-	(77,169)
	<u>67,785</u>	<u>64,709</u>	<u>1,048</u>	<u>357,321</u>

(1) Refundable tax credit and refundable mining duties related to the airborne survey performed on Hematite Property, received in February 2014 and in July 2015.



# Cleghorn Minerals Ltd.

## Notes to Interim Financial Statements

June 30, 2016

(All amounts are expressed in Canadian dollars, unless otherwise noted.)



### **8 - EQUITY**

#### **8.1 - Capital stock**

The capital stock of the Company consists only of fully paid common shares.

##### Authorized

Unlimited number of common shares, without par value, voting and participating.

Unlimited number of preferred shares, without par value, non-participating. The directors will define the rights, privileges, restrictions and conditions of these shares upon issuance.

#### **8.2 - Escrowed Shares**

The Company issued 3,200,000 common shares (the "Seed Shares") to the founders of the Company in consideration of \$320,000 cash. These shares are subject to an escrow agreement, 10% of the escrowed common shares will be released from escrow on the issuance of the bulletin of the Exchange announcing final acceptance of the Qualifying Transaction (the "Initial Release"). An additional 15% of the escrowed common shares will be released every 6 months following the Initial Release. Any common shares acquired pursuant to the Company Stock Option Plan prior to the completion of the Company's Qualifying Transaction will be deposited in escrow and subject to the same terms. In addition, shares acquired by related parties as part of the Company's initial public offering were also escrowed under the same terms.

In February 2013 in connection with the transfer of the Company's common shares to NEX and as required by the Exchange policy, an aggregate 1,600,000 common shares beneficially owned by the four founder directors of the Company have been cancelled and returned to treasury. As at June 30, 2016, there were 1,625,000 common shares held in escrow (1,625,000 as of March 31, 2016 and June 30, 2015).

### **9 - SHARE-BASED PAYMENTS**

The Company has adopted an incentive stock option plan dated May 11, 2010 and amended on December 17, 2010 in accordance with the policies of the TSX Venture Exchange (the "Stock Option Plan") pursuant to which it has granted options to purchase common shares to directors, officers and technical consultants. The options will be exercisable at the price set by the Company's board of directors and for a period of up to ten years from the date of grant, provided that the number of common shares reserved for the Share Option Plan do not exceed ten percent (10%) of the issued and outstanding common shares of the Company and that the option price is not to be lower than the Initial Public Offering share price. Any common share acquired pursuant to the exercise of options prior to the completion of the Qualifying Transaction must be deposited in escrow.

# Cleghorn Minerals Ltd.

## Notes to Interim Financial Statements

June 30, 2016

(All amounts are expressed in Canadian dollars, unless otherwise noted.)



### 9 - SHARE-BASED PAYMENTS (continued)

A summary of the status of the Company's incentive stock options is presented below:

	<u>Remaining life</u>	<u>Expiry Date</u>	<u>Options</u>	<u>Exercise price</u>
			Number	\$
Outstanding and exercisable				
as at March 31, 2015	5.63 years	Nov 16, 2020	350,000	0.20
as at June 30, 2015	5.38 years	Nov 16, 2020	350,000	0.20
as at March 31, 2016	4.63 years	Nov 16, 2020	350,000	0.20
as at June 30, 2016	4.38 years	Nov 16, 2020	350,000	0.20

### 10 - LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the period divided by the weighted average number of shares in circulation during the period. In calculating the diluted loss per share, potential common shares such as share options and warrants have not been included as they would have the effect of decreasing the loss per share. Decreasing the loss per share would be antidilutive. Details of share options issued that could potentially dilute earnings per share in the future are given in Note 7.

Both the basic and diluted loss per share have been calculated using the loss attributable to owners of the Company as the numerator, i.e. no adjustment to the loss were necessary in either of the years ended June 30, 2016 and 2015.

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Loss for the period attributable to the owners of the Company	16,567	91,987
Weighted average number of shares outstanding (1)	2,800,500	2,800,500
Basic and diluted loss per share	0.01	0.03

There have been no other transactions involving common shares between the reporting date and the date of authorization of these financial statements.

(1) Seed shares are excluded from weighted average number of shares outstanding because they are considered as contingently issuable share until the qualifying transaction occurs.

# Cleghorn Minerals Ltd.

## Notes to Interim Financial Statements

June 30, 2016

(All amounts are expressed in Canadian dollars, unless otherwise noted.)



### 11 - PROFESSIONAL FEES

	June 30,	
	2016	2015
	\$	\$
Audit, tax and accounting fees	7,280	7,280
Legal fees	825	1,899
Regulatory and transfer agent fees	7,356	13,707
	<u>15,461</u>	<u>22,886</u>

### 12 - RELATED PARTY TRANSACTIONS

#### *Transaction with key management*

Key management includes members of the Board of Directors. There was no related party transaction during the periods ended June 30, 2016 and 2015.

The proposed acquisition of the Meech Lake Matachewan Prospect would, if realized, constitute a related party transaction. The Vendor is a privately held mineral exploration company wholly owned and controlled by Glenn J. Mullan, who is also the president, CEO, secretary and a director of the Company.

In addition, in the case of a successful closing of the transaction, other directors of the Company would receive some of the shares to be issued by the Company in payment of the property.

As at June 30, 2016, the Company had total receivables from related parties of \$68,309; \$55,554 from the Vendor, an entity wholly-owned by the Company's President, and \$12,755 from a company with common directors. The aggregate \$68,309 represents disbursements incurred by the Company on behalf of the Vendor in connection with exploration of the Meech Lake Matachewan Prospect.

### 13 - CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Company's objectives in managing capital is to safeguard its ability to continue its operations as well as identify an appropriate business for acquisition or investment. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares to improve its financial performance and flexibility.

The Company's capital is composed of its equity. The Company is not subject to any externally imposed capital requirements.

# Cleghorn Minerals Ltd.

## Notes to Interim Financial Statements

June 30, 2016

(All amounts are expressed in Canadian dollars, unless otherwise noted.)



### 14 - SUBSEQUENT EVENT

#### *Acquisition of Meech Lake Matachewan Prospect*

On August 18, 2016, the Company announced that it had completed the acquisition of the Meech Lake Matachewan Prospect, which serves as the Company's Qualifying Transaction in accordance with Exchange Policy 2.4. The acquisition of the Meech Lake Matachewan Prospect is a non-arm's length transaction that received shareholders approval on June 25, 2015. In connection with the acquisition, the Company issued an aggregate of 7,888,928 common shares in payment at a deemed price of \$0.05 a share. The common shares issued in payment for the acquisition are subject to escrow restrictions in accordance with the policies of the Exchange.

#### *Financing*

The Company also announced that it had completed a non-brokered private placement offering for gross proceeds of \$846,602 as follows:

The Company issued 3,263,350 flow-through units (the "FT Units") at a per FT Unit price of \$0.12 for gross proceeds of \$391,602, each FT Unit consisting of one common share in the capital of the Company issued on a flow-through basis under the Canada Income Tax Act and one-half of one non-transferable non-flow-through common share purchase warrant, each whole warrant entitling the holder to purchase one non-flow-through common share in the capital of the Company at a per share price of \$0.15 until February 18, 2018.

The Company issued 4,550,000 units (the "Units") at a per Unit price of \$0.10 for gross proceeds of \$455,000, each Unit consisting of one non-flow-through common share in the capital of the Company and one non-transferable common share purchase warrant, entitling the holder to purchase one common share in the capital of the Company at a per share price of \$0.12 until February 18, 2018.

In connection with the above described financing, the Company paid finder's fees to various arms' length parties of an aggregate of \$48,434.16 in cash and issued an aggregate of 155,840 common shares in lieu of cash fees at a deemed per share price of \$0.10, plus an aggregate of 602,200 non-transferable warrants (the "Finder Warrants"). Each Finder Warrant will entitle the holder to purchase one common share in the capital of the Company at a per share price of \$0.12 until February 18, 2018.