

Financial Statements of  
(Expressed in Canadian Dollars)

**REDLINE RESOURCES INC.**

Years ended June 30, 2015 and 2014



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## INDEPENDENT AUDITORS' REPORT

To the Shareholders of Redline Resources Inc.

We have audited the accompanying financial statements of Redline Resources Inc., which comprise the statements of financial position as at June 30, 2015 and 2014, the statements of comprehensive loss, changes in shareholders' deficiency and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### ***Management's responsibility for the financial statements***

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

### ***Auditors' responsibility***

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

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

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

### ***Opinion***

In our opinion, the financial statements present fairly, in all material respects, the financial position of Redline Resources Inc. as at June 30, 2015 and 2014, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

***Emphasis of matter***

Without qualifying our opinion, we draw attention to note 1(c) to the financial statements which describes that Redline Resources Inc. has no current sources of revenues and has both a working capital and shareholders' deficiency at June 30, 2015. These conditions, along with other matters as set forth in note 1, indicate the existence of a material uncertainty that may cast significant doubt about Redline Resources Inc.'s ability to continue as a going concern.



Chartered Professional Accountants

October 27, 2015  
Vancouver, Canada

# Redline Resources Inc.

Statements of Financial Position

(Expressed in Canadian Dollars)

		June 30, 2015	June 30, 2014
	Note		
<b>Assets</b>			
Current			
Cash		\$ 141	\$ 2,352
HST/GST receivable		3,150	1,803
Loan receivable	5	12,967	12,560
Prepaid expenses		1,321	1,250
Deferred acquisition costs	6	1,740	-
<b>Total assets</b>		<b>\$ 19,319</b>	<b>\$ 17,965</b>
<b>Liabilities</b>			
Accounts payable & accrued liabilities	11	\$ 141,032	\$ 91,937
Loans payable	8	99,121	59,912
Due to related parties	11	9,679	9,679
		249,832	161,528
<b>Shareholders' Deficiency</b>			
Share capital	7	691,769	691,769
Contributed surplus		166,758	166,758
Deficit		(1,089,040)	(1,002,090)
		(230,513)	(143,563)
<b>Total Liabilities and shareholders' deficiency</b>		<b>\$ 19,319</b>	<b>\$ 17,965</b>

Nature of operations, proposed acquisition and going concern assumption (note 1)

Related party transactions (note 11)

Subsequent events (note 13)

See accompanying notes to financial statements

**Approved on behalf of the board:**

"Raymond Strafehl"

"Jeffrey B. Lightfoot"

**Director**

**Director**

## Redline Resources Inc.

Statements of Operations and Comprehensive Loss  
(Expressed in Canadian Dollars)

Years ended June 30, 2015 and 2014

		2015	2014
	Note		
<b>Expenses</b>			
Accounting and audit		\$ 11,365	\$ 10,900
Transfer agent		779	3,450
Office and miscellaneous		223	5,634
Legal	11	44,252	6,171
Listing fees		24,155	7,995
Write-off of deferred acquisition costs	6	-	26,267
<b>Loss before the following items</b>		(80,774)	(60,417)
<b>Net finance income (expense):</b>			
Interest income		1,233	2,771
Interest expense		(7,409)	(4,977)
		(6,176)	(2,206)
<b>Net loss and comprehensive loss for the year</b>		\$ (86,950)	\$ (62,623)
<b>Loss per share, basic and diluted</b>		\$ (0.03)	\$ (0.02)
<b>Weighted average number of shares outstanding</b>		3,050,000	3,050,000

See accompanying notes to financial statements

## Redline Resources Inc.

Statement of Changes in Shareholders' Deficiency  
(Expressed in Canadian Dollars)

Years ended June 30, 2015 and 2014

	Share Capital	Contributed Surplus	Deficit	Total
Balance, July 1, 2013	\$ 691,769	\$ 166,758	\$ (939,467)	\$ (80,940)
Net loss for the year			(62,623)	(62,623)
Balance, June 30, 2014	691,769	166,758	(1,002,090)	(143,563)
Net loss for the year			(86,950)	(86,950)
Balance, June 30, 2015	\$ 691,769	\$ 166,758	\$ (1,089,040)	\$ (230,513)

See accompanying notes to financial statements

# Redline Resources Inc.

Statements of Cash Flows  
(Expressed in Canadian Dollars)

Years ended June 30, 2015 and 2014

	2015	2014
<b>Cash provided by (used in):</b>		
<b>Operating activities</b>		
Net loss for the year	\$ (86,950)	\$ (62,623)
<b>Adjustments</b>		
Net finance expense	6,176	2,206
Write-off of deferred acquisition costs (note 6)	-	26,267
<b>Changes in non-cash working capital</b>		
HST/GST receivable	(1,347)	3,319
Prepaid expenses	(71)	-
Accounts payable & accrued liabilities	49,095	(14,572)
<b>Net cash used in operating activities</b>	<b>(33,097)</b>	<b>(45,403)</b>
<b>Investing activities</b>		
Deferred acquisition costs (note 6)	(1,740)	-
<b>Net cash used in investing activities</b>	<b>(1,740)</b>	<b>-</b>
<b>Financing activities</b>		
Receipt of payment on loan receivable (note 5)	826	35,000
Proceeds from loans received (note 8)	31,800	11,000
Proceeds from related parties (note 11)	-	1,679
<b>Cash provided by financing activities</b>	<b>32,626</b>	<b>47,679</b>
<b>Net increase (decrease) in cash</b>	<b>(2,211)</b>	<b>2,276</b>
<b>Cash, beginning of year</b>	<b>2,352</b>	<b>76</b>
<b>Cash end of year</b>	<b>\$ 141</b>	<b>\$ 2,352</b>

See accompanying notes to financial statements

# REDLINE RESOURCES INC.

Notes to Financial Statements  
(Expressed in Canadian dollars)

Years ended June 30, 2015 and 2014

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## 1. Nature of operations, proposed acquisition and going concern assumption:

### (a) Nature of operations

Redline Resources Inc. ("the Company"), formerly Benzai Capital Corp., was incorporated on January 16, 2007 under the Business Corporations Act of British Columbia. The Company is a Capital Pool Company ("CPC") for regulatory purposes as defined by the TSX Venture Exchange ("the Exchange") Policy 2.4. The activities of the Company have been limited to efforts to identify and evaluate acquisitions of assets and businesses, which would represent a "Qualifying Transaction" for regulatory purposes.

The Company did not initially complete a Qualifying Transaction within the necessary time and the Company was required to transfer its listing to the NEX board of the Exchange ("NEX"). The Company's application for listing was approved by NEX effective July 16, 2010. As a Capital Pool Company listed on NEX, the Company continues to be required to comply with all of the requirements and restrictions in Exchange Policy 2.4.

As a result of delays in filing certain disclosure documents, including its annual and quarterly financial statements and management discussion and analysis, on November 7, 2013, the British Columbia Securities Commission issued a cease trade order (the "Cease Trade Order") suspending trading of the Company's securities. As a result of the Cease Trade Order, the TSX Venture Exchange suspended trading of the Company's common shares until such time as the Company's filings were up-to-date and it accepted a reinstatement application by the Company. The Cease Trade Order was revoked effective June 23, 2015.

### (b) Proposed transactions

#### *Proposed acquisition of Redline Minerals Inc.*

On February 10, 2012, the Company announced that it had reached an agreement in principle to acquire all of the shares of Redline Minerals Inc. ("RMI"). RMI is a private Canadian company in the business of sourcing, exploring and developing mineral properties in the southwestern United States. Effective June 25, 2012, the Company entered into an agreement with RMI and its shareholders, pursuant to which the Company agreed to acquire all of the issued and outstanding common shares of RMI in exchange for an equivalent number of the Company's common shares (the "Proposed RMI Acquisition"). The Company anticipated issuing 10,896,974 common shares to acquire RMI. The Proposed RMI Acquisition was conditional upon the approval by the Company's shareholders of the transaction, a share consolidation and the Company raising a minimum of \$500,000 through private placement offerings prior to the closing of the Acquisition in order to fund acquisition expenditures, a future initial phase of work on RMI's mineral property interests and for general working capital purposes.

On January 9, 2013, the Company's shareholders approved the Proposed RMI Acquisition and the share consolidation; and on February 11, 2013, the Company consolidated its issued and outstanding common shares on the basis of one new common share for every two common shares previously issued and outstanding. The completion of the Proposed RMI Acquisition remained conditional on the Company raising sufficient funds through private placements to meet its funding requirement.



# REDLINE RESOURCES INC.

Notes to Financial Statements  
(Expressed in Canadian dollars)

Years ended June 30, 2015 and 2014

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## 1. Nature of operations, proposed acquisition and going concern assumption (continued):

### (b) Proposed transactions (continued)

The Company was not able to raise the necessary funds to close the Proposed RMI Acquisition with RMI.

#### *Proposed acquisition of Tyko Resources Inc.*

The Company entered into a Share Exchange Agreement, effective January 30, 2015, concerning a proposed transaction whereby the Company will acquire ownership of Tyko Resources Inc. ("Tyko"), a private Canadian company in the business of sourcing, exploring and developing mineral properties in Ontario (the "Proposed Transaction"). The Proposed Transaction with Tyko is now expected to constitute the Company's Qualifying Transaction as defined under Policy 2.4 of the Exchange, thereby replacing the Proposed RMI Acquisition. Closing of the Proposed Transaction is subject to certain receipts and third-party consents, Exchange approval, the Company raising a minimum of \$1,000,000 through the issuance of common shares, completion by Tyko of a National Instrument 43-101 technical report and title opinion on the Tyko mineral property, the settlement of certain of the Company's outstanding debts, the removal of the Company's Cease Trade Order and the changing of the Company's name to Nickel One Inc. If the closing does not occur on or before December 31, 2015, the Share Exchange Agreement will terminate unless extended by mutual agreement of the parties.

Under the terms of the Proposed Transaction, the Company will acquire all of the issued and outstanding common shares of Tyko (being 13,036,966 common shares) in exchange for the issuance of common shares of the Company on the basis of one common share of the Company for each Tyko common share outstanding. Following completion of the share exchange, the Company will own all of the issued and outstanding shares of Tyko and will operate the Tyko business.

Before the closing of the Proposed Transaction, and subject to regulatory approval, the Company is required to settle its outstanding debt in the amount of \$158,490 by way of common shares for debt settlement at \$0.10 per share resulting in the issuance of 1,584,900 common shares. The Company must also complete a financing, subject to regulatory approval and concurrent with the closing of the Proposed Transaction, to raise a minimum of \$1,000,000 through the issuance of common shares at a price of not less than \$0.10 per common share. The proceeds from this financing will be used for the completion of the Proposed Transaction, exploration of Tyko's mineral properties and for general corporate working capital purposes. Subject to Exchange approval, a finder's fee of 10% of the value of the Proposed Transaction will also be payable by the issuance of up to an additional 1,300,000 common shares.

# REDLINE RESOURCES INC.

Notes to Financial Statements  
(Expressed in Canadian dollars)

Years ended June 30, 2015 and 2014

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## 1. Nature of operations, proposed acquisition and going concern assumption (continued):

### (c) Going concern

These financial statements have been prepared using accounting policies applicable to a going concern which contemplates the realization of assets and settlement of liabilities in the normal course of business. At June 30, 2015, the Company had no operating assets generating revenue, a history of losses resulting in a deficit of \$1,089,040 (2014 - \$1,002,090), a shareholder's deficiency of \$230,513 (2014 - \$143,563) a working capital deficiency of \$230,513 (2014 - \$143,563), and has yet to complete a Qualifying Transaction. These factors cast significant doubt as to the ability of the Company to continue as a going concern.

The Company will require additional financing in order to have sufficient funds to complete the proposed Qualifying Transaction with Tyko. During the year ended June 30, 2015, the Company acquired additional loans totaling \$31,800 (2014 - \$11,000) and management expects that it will be able to raise sufficient funds to meet its obligations and complete its Qualifying Transaction during the year ending June 30, 2016. There is no assurance that the Company will be able to obtain adequate financing in the future.

The ability of the Company to recover its cumulative expenditures and continue as a going concern is dependent upon raising additional capital and completing a Qualifying Transaction. The ultimate outcomes of these matters cannot presently be determined because they are contingent on future events.

These financial statements do not reflect adjustments to the carrying amounts of assets and liabilities, the reported revenue and expenses and the statement of financial position classifications used that would be necessary if the going concern assumption were not appropriate.

## 2. Basis of presentation:

### (a) Statement of compliance:

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") effective for the Company's reporting period ended June 30, 2015.

The financial statements were authorized for issue on October 27, 2015, by the Directors of the Company.

### (b) Basis of measurement:

The financial statements of the Company have been prepared on a historical cost basis.

### (c) Functional and presentation currency:

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

# REDLINE RESOURCES INC.

Notes to Financial Statements  
(Expressed in Canadian dollars)

Years ended June 30, 2015 and 2014

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## 2. Basis of presentation (continued):

### (d) Use of estimates and judgments:

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results may differ from these estimates. Areas requiring a significant degree of estimation and judgment include fair value measurements for financial instrument disclosures and the assumptions made in assessing the going concern assumption (note 1(c)). Due to the inherent uncertainty involved with making such estimates, actual results reported in future years may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

## 3. Significant accounting policies:

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

### (a) Cash and cash equivalents:

Cash and cash equivalents includes cash and those highly liquid market instruments which, at the time of acquisition, have a term to maturity of three months or less and which are intended to be used in short term operating activities.

### (b) Financial instruments:

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument to another entity. Financial assets and financial liabilities are recognized in the statement of financial position at the time the Company becomes a party to the contractual provisions of the instrument. An entity classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity, available-for-sale and other financial liabilities.

Upon initial recognition, financial instruments are measured at fair value. Measurement in subsequent periods is dependent on the classification of the financial instrument. Financial assets and liabilities classified as fair value through profit and loss are to be measured at fair value, with gains and losses recognized in net income. Financial assets classified as held-to-maturity, loans and receivables, and financial liabilities other than those classified as fair value through profit and loss are to be measured at amortized cost, using the effective interest method. Financial assets classified as available-for-sale are to be measured at fair value, with unrealized gains and losses being recognized as other comprehensive income until realized, or if an unrealized loss is considered other than temporary, the unrealized loss is recorded in income.

# REDLINE RESOURCES INC.

Notes to Financial Statements  
(Expressed in Canadian dollars)

Years ended June 30, 2015 and 2014

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### 3. Significant accounting policies (continued):

#### Financial instrument assets:

The Company's financial instrument assets have all been classified as loans and receivables. The Company has designated its cash, HST/GST receivable, and loans receivable (including accrued interest receivable) as loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and such assets are recognized initially at fair value and subsequently on an amortized cost basis using the effective interest method, less any impairment losses. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets.

#### Financial instrument liabilities:

The Company's non-derivative financial liabilities include its accounts payable and accrued liabilities, loans payable and amounts due to related parties, which are designated as other liabilities.

All financial liabilities are recognized initially at fair value plus any directly attributable transaction costs on the date at which the Company becomes a party to the contractual provisions of the instrument. Subsequent to initial recognition, the Company's financial liabilities are measured at amortized cost using the effective interest method. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

#### (c) Impairment of financial assets:

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the assets' original effective interest rate. Losses are recognized in profit or loss with a corresponding reduction in the financial asset. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

#### (d) Share issue costs:

Transaction costs directly attributable to financing transactions are reported as deferred financing costs until the transactions are completed, if the completion of the transaction is considered to be probable. Share issue costs are charged to share capital when the related shares are issued. Costs relating to financing transactions that are not completed, or for which successful completion is considered unlikely, are charged to operations.

# REDLINE RESOURCES INC.

Notes to Financial Statements  
(Expressed in Canadian dollars)

Years ended June 30, 2015 and 2014

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### 3. Significant accounting policies (continued):

(d) Share issue costs (continued):

Agent's options are valued using the Black-Scholes Option Pricing Model.

(e) Share-based payments:

The Company grants stock options to directors and officers pursuant to the stock option plan. The Company complies with the valuation method set forth by IFRS 2, *Share Based Payment*, requiring the use of the fair value method of accounting for stock-based compensation transactions. The fair value of stock options is estimated at the date of grant using the Black-Scholes Option Pricing Model. The calculated cost is amortized to operations on a systematic basis over the vesting terms of the stock options with an offsetting credit to contributed surplus. If and when the options are ultimately exercised, the applicable amounts of contributed surplus are transferred to share capital.

(f) Loss per share:

Basic loss per share is calculated using the weighted average number of shares outstanding during the year. The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on loss per share is measured based on the use of proceeds that could be obtained upon exercise of the option or warrant. It assumes that the proceeds would be used to purchase common shares of the Company at the average market price during the period. This calculation generally produces an anti-dilutive effect for loss years.

(g) Income taxes:

Income tax expense comprises current and deferred tax. Current tax is the expected tax payable or receivable on the taxable income or loss for the year using tax rates enacted or substantively enacted at the reporting date. As the Company is in a loss position there is no current tax payable.

Deferred income tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the tax laws that have been enacted or substantively enacted by the reporting date. The effect on deferred income tax assets and liabilities of a change in tax rates is included in profit or loss in the period that such change is substantively enacted.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

# REDLINE RESOURCES INC.

Notes to Financial Statements  
(Expressed in Canadian dollars)

Years ended June 30, 2015 and 2014

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## 4. Recent accounting pronouncements:

### (a) Change in accounting policy:

There were no new standards effective July 1, 2014 that had an impact on the Company's financial statements.

### (b) New standards and interpretations yet to be adopted:

A number of new standards, amendments to standards and interpretations, are not yet effective for the year ended June 30, 2015, and have not been applied in preparing these financial statements. Based on the Company's financial statements at June 30, 2015, none of these standards are expected to have a significant effect on the financial statements of the Company.

## 5. Loan receivable:

On May 4, 2012, the Company advanced a loan of \$40,000 to RMI for the purpose of making option payments on its New Mexico properties and for geological sampling. The Chief Executive Officer of RMI is also the Chief Executive Officer of the Company. Interest is payable on the loan at the rate of 10% per annum and the principal was due to be repaid, plus interest, on the closing of the Qualifying Transaction with RMI described in note 1(b), or if the proposed acquisition was not completed, the loan plus interest is due at the earliest of twelve months following the first advance under the loan agreement or the date RMI obtains financing sufficient to repay the loan amount outstanding. The loan is secured against RMI's current and hereafter-acquired assets. During the year-ended June 30, 2014, the Company received a total of \$35,000 in repayments against the principal of the loan. On September 16, 2014, RMI paid an outstanding accounts payable on behalf of the Company in the amount of \$825, the payment was applied against the balance of the outstanding loan receivable. At June 30, 2015, the total outstanding amount of the loan plus accrued interest was \$12,967 (2014 - \$12,560).

## 6. Deferred acquisition costs:

Direct costs incurred in respect of the proposed acquisition of RMI described in note 1(b) were being deferred until the completion of the transaction. Given the delays in completing the proposed Qualifying Transaction the Company wrote-off the previously incurred deferred acquisition costs of \$26,267 at June 30, 2014.

Direct costs incurred in respect to the planned acquisition of Tyko described in note 1(b) are being deferred until the completion of the transaction.

# REDLINE RESOURCES INC.

Notes to Financial Statements  
(Expressed in Canadian dollars)

Years ended June 30, 2015 and 2014

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## 7. Share capital:

(a) Authorized share capital:

Unlimited number of common shares with no par value.

(b) Issued share capital was as follows:

	Number of common shares	Amount
Balance, July 1, 2013, June 30, 2014 and June 30, 2015	3,050,000	\$ 691,769

(c) Stock options:

The Company has in place a 10% rolling a stock option plan ("the Plan") whereby the Company may grant options to purchase common shares of the Company to directors, officers and consultants of the Company. The aggregate number of common shares issuable under the Plan may not exceed 10% of the issued and outstanding common shares of the Company. The exercise price of the stock options is to be determined by the Board but shall not be less than the closing price of the Company's common shares on the day preceding the day on which the directors grant such options, less any discount permitted by the TSX Venture Exchange to a minimum of \$0.10 per common share.

As at June 30, 2015 and 2014, the Company had no outstanding stock options.

(d) Escrowed shares:

At June 30, 2015 and 2014, a total of 250,000 outstanding common shares are held under an escrow agreement and are to be released on a staged basis, with 10% to be released on the date of regulatory approval of a Qualifying Transaction of the Company, and 15% to be released every six months thereafter.

(e) Warrants:

As at June 30, 2015 and 2014, the Company had no outstanding warrants.

# REDLINE RESOURCES INC.

Notes to Financial Statements  
(Expressed in Canadian dollars)

Years ended June 30, 2015 and 2014

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## 8. Loans payable:

On October 4, 2011 and November 1, 2011, the Company entered into arm's length loan agreements for loans aggregating \$22,800, bearing interest at 12% per annum and payable on demand. The loans were used to finance expenses related to completion and filing of the Company's audited financial statements, an application to the Alberta Securities Commission for the revocation of its Cease Trade Order and an application to the NEX Board of the TSX Venture Exchange to lift the suspension of the trading of the Company's securities.

On January 16, 2012, the Company entered into an arm's length loan agreement for a loan of \$5,000, bearing interest at 12% per annum and payable on demand. The loan was to be used for general working capital purposes and for the Company's continued efforts to identify a Qualifying Transaction.

On October 30, 2012, the Company entered into an arm's length loan agreement for a loan of \$2,500, bearing no interest and with no specific repayment terms. The loan was used to finance expenses related to filing fees for the Company's 2012 audited financial statements. Subsequent to entering into this agreement the lender has become Chief Executive Officer of the Company.

On January 30, 2013, the Company entered into an arm's length short-term loan agreement for an amount of \$3,500, bearing interest of 10% per annum and maturing effective July 30, 2013. All principal and accrued interest was due and payable at the time of maturity. The loan was used for general working capital purposes and for the costs related to completing a Qualifying Transaction. As of the date of approval of these financial statements the loan has not been repaid and is past due, but no demand notice has been received.

On March 5, 2013, the Company entered into an arm's length short-term loan agreement for an amount of \$2,500, bearing interest of 10% per annum and maturing effective September 5, 2013. All principal and accrued interest was due and payable at the time of maturity. This loan was used for general working capital purposes and for the costs related to completing a Qualifying Transaction. As of the date of approval of these financial statements the loan has not been repaid and is past due, but no demand notice has been received.

On May 2, 2013, the Company entered into an arm's length short-term loan agreement for an amount of \$1,000, bearing interest of 10% per annum and maturing effective November 2, 2013. All principal and accrued interest was due and payable at the time of maturity. The Company can repay all or any portion of this loan at any time and without penalty. This loan was used for general working capital purposes and for the costs related to completing a Qualifying Transaction. As of the date of approval of these financial statements the loan has not been repaid and is past due, but no demand notice has been received.

On March 1, 2014, the Company entered into an arm's length short-term loan agreement for an aggregate loan amount of \$6,000 bearing interest of 10% per annum and without a specific repayment term. There were three draws of \$2,000 each against this loan on March 1, 2014, March 11, 2014 and March 21, 2014. All principal and accrued interest will be due and payable at the time of maturity. The Company can repay all or any portion of this loan at any time and without penalty.



# REDLINE RESOURCES INC.

Notes to Financial Statements  
(Expressed in Canadian dollars)

Years ended June 30, 2015 and 2014

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## 8. Loans payable (continued):

This loan was used for general working capital purposes and for the costs related to completing a Qualifying Transaction.

On May 30, 2014, the Company entered into an arm's length short-term loan agreement for an amount of \$5,000, bearing interest of 10% per annum and maturing effective May 30, 2015. All principal and accrued interest was due and payable at the time of maturity. The Company can repay all or any portion of this loan at any time and without penalty. This loan was used for general working capital purposes and for the costs related to completing a Qualifying Transaction. As of the date of approval of these financial statements the loan has not been repaid and is past due, but no demand notice has been received.

On October 31, 2014, the Company entered into an arm's length short-term loan agreement for an amount of \$1,100, bearing interest of 10% per annum and maturing effective October 31, 2015. All principle and accrued interest was due and payable at the time of maturity. The Company can repay all or any portion of this loan at any time and without penalty. This loan was used for general working capital purposes and for the costs related to completing the Qualifying Transaction. As of the date of approval of these financial statements the loan has not been repaid and is past due, but no demand notice has been received.

On January 30, 2015, the Company entered into two arm's length short-term loan agreement for an aggregate amount of \$10,000, bearing interest of 10% per annum and maturing effective January 30, 2016. All principal and accrued interest will be due and payable at the time of maturity. The Company can repay all or any portion of these loans at any time and without penalty. The loans were used for general working capital purposes and for the costs related to completing a Qualifying Transaction.

On February 19, 2015, the Company entered into an arm's length short-term loan agreement for an aggregate amount of \$2,000, bearing interest of 10% per annum and maturing effective February 19, 2016. All principal and accrued interest will be due and payable at the time of maturity. The Company can repay all or any portion of this loan at any time and without penalty. This loan was used for general working capital purposes and for the costs related to completing a Qualifying Transaction.

On March 10, 2015, the Company entered into an arm's length short-term loan agreement for an aggregate amount of \$3,500, bearing interest of 10% per annum and maturing effective March 10, 2016. All principal and accrued interest will be due and payable at the time of maturity. The Company can repay all or any portion of this loan at any time and without penalty. This loan was used for general working capital purposes and for the costs related to completing a Qualifying Transaction.

On March 23, 2015, the Company entered into an arm's length short-term loan agreement for an aggregate amount of \$2,500, bearing interest of 10% per annum and maturing effective March 23, 2016. All principal and accrued interest will be due and payable at the time of maturity. The Company can repay all or any portion of this loan at any time and without penalty. This loan was

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## 8. Loans payable (continued):

used for general working capital purposes and for the costs related to completing a Qualifying Transaction.

On April 13, 2015, the Company entered into an arm's length short-term loan agreement for an aggregate amount of \$1,200, bearing interest of 10% per annum and maturing effective April 13, 2016. All principal and accrued interest will be due and payable at the time of maturity. The Company can repay all or any portion of this loan at any time and without penalty. This loan was used for general working capital purposes and for the costs related to completing a Qualifying Transaction.

On April 23, 2015, the Company entered into an arm's length short-term loan agreement for an aggregate amount of \$2,500, bearing interest of 10% per annum and maturing effective April 23, 2016. All principal and accrued interest will be due and payable at the time of maturity. The Company can repay all or any portion of this loan at any time and without penalty. This loan was used for general working capital purposes and for the costs related to completing a Qualifying Transaction.

On May 7, 2015, the Company entered into an arm's length short-term loan agreement for an aggregate amount of \$2,500, bearing interest of 10% per annum and maturing effective May 7, 2016. All principal and accrued interest will be due and payable at the time of maturity. The Company can repay all or any portion of this loan at any time and without penalty. This loan was used for general working capital purposes and for the costs related to completing a Qualifying Transaction.

On May 20, 2015, the Company entered into an arm's length short-term loan agreement for an aggregate amount of \$6,500, bearing interest of 10% per annum and maturing effective May 20, 2016. All principal and accrued interest will be due and payable at the time of maturity. The Company can repay all or any portion of this loan at any time and without penalty. This loan was used for general working capital purposes and for the costs related to completing a Qualifying Transaction.

As at June 30, 2015, the aggregate amount of the loans was \$80,100 (2014 - \$48,300) and \$19,021 (2014 - \$11,612) in interest had accrued.

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## 9. Income taxes:

- (a) A reconciliation of expected Canadian income taxes at statutory rates to reported income tax expense (recovery) is as follows:

	2015	2014
Loss before income taxes	\$ (86,950)	\$ (62,623)
Statutory tax rate	26.00%	26.00%
Provision for recovery of taxes at statutory rate	(22,607)	(16,282)
Change in rate	-	-
Other	-	6,829
Tax benefit of losses not recognized	22,607	9,453
Income tax recovery	\$ -	\$ -

- (b) At June 30, 2015 and 2014, deferred tax assets have not been recognized with respect to the Company's deductible temporary differences, which consist principally of non-capital loss carry forwards, as it is not probable that future taxable profit will be available against which the Company will be able to utilize the tax benefits.

At June 30, 2015, the Company has approximately \$585,000 (2014 - \$498,000) of non-capital loss carry forwards for Canadian income tax purposes which are available to reduce taxable income in future years that have expiry dates ranging between 2027 to 2035.

# REDLINE RESOURCES INC.

Notes to Financial Statements  
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## 10. Financial instruments and risk management:

### (a) Fair value of financial instruments:

As at June 30, 2015, the Company's financial instruments consist of cash, HST/GST receivable, loan and accrued interest receivable, accounts payable and accrued liabilities, loans and interest payable and amounts due to related parties. The carrying values of these financial instruments approximate their fair values because of their short-term nature and/or the existence of market related interest rates on the instruments.

IFRS requires disclosures about the inputs to fair value measurements for financial assets and liabilities recorded at fair value, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of hierarchy are:

Level 1- Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; and

Level 3- Inputs for the asset or liability that are not based on observable market data.

The Company has no financial instrument assets or liabilities recorded in the statements of financial position at fair value or that would be classified in Level 3 of the hierarchy.

### (b) Financial instruments risk:

The Company is exposed in varying degrees to a variety of financial instrument related risk. The Board approves and monitors the risk management processes:

#### (i) Credit risk:

Credit risk is the risk that one party to a financial instrument will fail to fulfill an obligation and cause the other party to incur a financial loss. Credit risk primarily arises from the Company's cash and receivables. The risk exposure is limited to their carrying amounts at the statement of financial position date. Cash is held as cash deposits at a financial institution with a good credit standing. The Company's receivables consist primarily of HST/GST receivable due from the Government of Canada of \$3,150 (2014 - \$1,803) and a loan receivable of \$4,175 (2014 - \$5,000) and accrued interest receivable of \$8,792 (2014 - \$7,560) from RMI which is secured against RMI's current and hereinafter-acquired assets.

#### (ii) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations and commitments as they become due. The Company manages liquidity risk through the management of its capital structure, as outlined in note 12 of these financial statements. The Company's liquidity risk arises as a result of its accounts payable, accrued liabilities, its loans (note 8) and amounts due to related parties (note 11) which are either past due or due within the next twelve months. See also note 1 to the financial statements.

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Notes to Financial Statements  
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## 10. Financial instruments and risk management (continued):

### (b) Financial instruments risk:

#### (iii) Interest rate risk:

Interest rate risk is the risk that the fair value of future cash flow of a financial instrument will fluctuate because of changes in market interest rates.

The Company's financial assets and liabilities are not exposed to significant interest rate risk as all interest bearing financial instruments have fixed rates of interest.

#### (iv) Currency risk:

The Company does not have any material exposures to financial instruments denominated in currencies other than the Canadian dollar.

## 11. Related party transactions:

### (a) Related party transactions:

In addition to the transactions with RMI noted in these financial statements, during the year ended June 30, 2015 the Company entered into the following related party transactions:

- (i) Legal expense for the year ended June 30, 2015 of \$44,252 (2014 - \$6,171) has been incurred with a law firm of which a partner is a director of the Company.
- (ii) Included in accounts payable and accrued liabilities at June 30, 2015 is an amount of \$108,182 (2014 - \$58,523) in respect to legal fees owed to two law firms, one firm as described in note 11(a)(i) and a second law firm of which the same director was formerly a partner, and an amount of \$5,795 (2014 - \$5,795) in respect of accounting service fees owed to a former director. Included in the legal fees balance are amounts in respect to disbursements incurred on behalf of the Company.
- (iii) During the year ended June 30, 2011 four directors each advanced \$2,000 to the Company. The loans are non-interest bearing, unsecured and with no fixed terms of repayment. As at June 30, 2015, the loans remained outstanding.
- (iv) During the year ended June 30, 2014 a director advanced \$1,679 to the Company. The loan is non-interest bearing, unsecured and with no fixed terms of repayment. As at June 30, 2015, the loan remained outstanding.

These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

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## 11. Related party transactions (continued):

### (b) Compensation of key management personnel:

The Company's key management personnel has the authority and responsibility for planning, directing and controlling the activities of the Company and consists of its Directors, Chief Executive Officer and Chief Financial Officer. No short term compensation was paid to the Company's key management personnel during the year ended June 30, 2015 and 2014. No share based payments, post-employment or other long-term benefits were incurred with respect to key management personnel.

## 12. Capital management:

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern such that it can provide returns for shareholders and benefits for other stakeholders. The Company considers the items included in shareholders' equity as capital. The management of the capital structure is based on the funds available to the Company in order to support a Qualifying Transaction and to maintain the Company in good standing with the various regulatory authorities. In order to maintain or adjust its capital structure, the Company may issue new shares, sell assets to settle liabilities or return capital to its shareholders. In order for the Company to carry out its planned Qualifying Transaction and pay for administrative costs, the Company will be required to raise additional capital.

The Company is not subject to externally imposed capital requirements, other than any minimum listing requirements that may apply.

There were no changes in the Company's management of capital during the year ended June 30, 2015.

## 13. Subsequent Events:

On July 13, 2015, the Company entered into an arm's length short-term loan agreement for an aggregate amount of \$6,563, bearing interest of 10% per annum and maturing effective October 1, 2015. All principal and accrued interest will be due and payable at the time of maturity. The Company can repay all or any portion of this loan at any time and without penalty. This loan was used for general working capital purposes and for the costs related to completing a Qualifying Transaction.

On August 10, 2015, a director advanced \$742 to the Company. The loan is non-interest bearing, unsecured and matures effective November 15, 2015.

On September 15, 2015, a director advanced \$260 to the Company. The loan is non-interest bearing, unsecured and matures effective November 15, 2015.

On October 8, 2015, the Company received a \$14,000 loan from RMI. The loan bears interest at 10% per annum and matures on December 31, 2017.

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## **13. Subsequent Events (continued):**

On October 14, 2015, the Company received a \$2,100 loan from RMI. The loan bears interest at 10% per annum and matures on December 31, 2017.