AZ MINING INC. (formerly Wildcat Silver Corporation)

Condensed Consolidated Interim Financial Statements

For the Three and Six Months Ended June 30, 2015

Notice to Reader

These unaudited condensed consolidated interim financial statements have been prepared by management and have not been reviewed by the Company's auditor.

AZ Mining Inc.

Condensed Consolidated Interim Statements of Financial Position
(Unaudited – U.S. dollars)

	June 30, 2015	December 31, 2014
Assets		
Current assets:		
Cash and cash equivalents	$ 29,288	$ 46,910
Amounts receivable	19,031	19,588
Prepaids and other	51,507	132,167
	99,826	198,665
Property, plant and equipment	39,066	53,945
Other assets (note 7)	241,745	259,937
Exploration and evaluation assets (note 5)	72,256,057	70,371,838
	$ 72,636,694	$ 70,884,385
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	$ 1,581,193	$ 1,003,943
Due to related parties (note 7)	300,655	-
	1,881,848	1,003,943
Due to related party (note 7)	-	608,251
Deferred rental contribution (note 8)	446,331	594,235
	2,328,179	2,206,429
Equity		
Equity attributable to shareholders of the Company:		
Common shares	86,030,230	84,534,381
Reserves	6,474,387	5,740,931
Deficit	(28,020,298)	(27,292,971)
	64,484,319	62,982,341
Non-controlling interest (note 4)	5,824,196	5,695,615
Total equity	70,308,515	68,677,956
	$ 72,636,694	$ 70,884,385

Nature of operations and going concern (note 1)
Subsequent event (note 10)

See accompanying notes to the condensed consolidated interim financial statements.

AZ Mining Inc.
Condensed Consolidated Interim Statements of Net Loss and Comprehensive Loss
(Unaudited – U.S. dollars)

	Three months ended June 30, 2015	Three months ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
Expenses:				
Stock based compensation (note 6b)	$ 161,669	$ 65,569	$ 164,317	$ 128,981
Salaries and benefits	130,140	151,053	293,963	296,992
Office and administrative	29,418	81,295	54,001	155,423
Investor relations	24,724	7,354	31,672	33,704
Professional services	16,520	99,150	30,843	139,390
Directors' fees	13,064	19,601	26,418	38,975
Fiscal and advisory services	12,464	1,121	14,068	3,206
Insurance	11,992	11,896	17,852	23,653
Filing and regulatory	7,052	9,510	28,527	25,220
Travel	2,324	7,585	3,624	9,350
Depreciation	2,130	2,277	4,258	4,550
Legal	1,471	3,551	2,406	8,001
Loss from operations	(412,968)	(459,962)	(671,949)	(867,445)
Interest and finance charges	(33,001)	(5,991)	(79,748)	(6,982)
Foreign exchange loss	(4,606)	(9,511)	(7,855)	(8,689)
Interest and other income	21,962	-	29,249	126
Net loss	(428,613)	(475,464)	(730,303)	(882,990)
Other comprehensive loss (income):				
Items that may be reclassified to profit or loss:				
Foreign currency translation (gain) loss	39,196	(2,735)	(61,094)	32,217
	(39,196)	2,735	61,094	(32,217)
Comprehensive loss	$ (467,809)	$ (472,729)	$ (669,209)	$ (915,207)
Net loss attributable to:				
Shareholders of the Company	$ (427,250)	$ (471,137)	$ (727,327)	$ (874,194)
Non-controlling interest	(1,363)	(4,327)	(2,976)	(8,796)
	$ (428,613)	$ (475,464)	$ (730,303)	$ (882,990)
Comprehensive loss attributable to:				
Shareholders of the Company	$ (466,446)	$ (468,402)	$ (666,233)	$ (906,411)
Non-controlling interest	(1,363)	(4,327)	(2,976)	(8,796)
	$ (467,809)	$ (472,729)	$ (669,209)	$ (915,207)
Basic and diluted net loss per share attributable to shareholders of the Company	$ (0.003)	$ (0.003)	$ (0.005)	$ (0.006)
Weighted average number of shares outstanding	149,229,387	143,518,317	148,638,423	143,484,984

See accompanying notes to the condensed consolidated interim financial statements.

AZ Mining Inc.

Condensed Consolidated Interim Statements of Changes in Equity
(Unaudited – U.S. dollars)

	Share Capital		Reserves					
	Number of Shares	Amount	Accumulated other comprehensive income	Options and warrants	Total	Deficit	Non-controlling interest (note 4)	Total equity
Balance, January 1, 2015	148,040,893	$ 84,534,381	$ (612,991)	$ 6,353,922	$ 5,740,931	$ (27,292,971)	$ 5,695,615	$ 68,677,956
Stock based compensation expense	-	-	-	164,317	164,317	-	-	164,317
Stock based compensation applied to exploration and evaluation assets	-	-	-	50,546	50,546	-	-	50,546
Shares issued for debt settlement (note 6a)	6,008,499	1,953,348	-	-	-	-	-	1,953,348
Fair value of warrants issued	-	(457,499)	-	457,499	457,499	-	-	-
Required contributions for project costs (note 4)	-	-	-	-	-	-	131,557	131,557
Comprehensive loss	-	-	61,094	-	61,094	(727,327)	(2,976)	(669,209)
Balance, June 30, 2015	154,049,392	$ 86,030,230	$ (551,897)	$ 7,026,284	$ 6,474,387	$ (28,020,298)	$ 5,824,196	$ 70,308,515

	Share Capital		Reserves					
	Number of Shares	Amount	Accumulated other comprehensive income	Options and warrants	Total	Deficit	Non-controlling interest (note 4)	Total equity
Balance, January 1, 2014	143,399,836	$ 83,075,289	$ (613,130)	$ 5,727,970	$ 5,114,840	$ (25,697,122)	$ 5,438,510	$ 67,931,517
Stock based compensation expense	-	-	-	128,981	128,981	-	-	128,981
Stock based compensation applied to exploration and evaluation assets	-	-	-	46,163	46,163	-	-	46,163
Issued on exercise of stock options (note 6)	126,906	-	-	-	-	-	-	-
Fair value of options exercised	-	119,083	-	(119,083)	(119,083)	-	-	-
Required contributions for project costs (note 4)	-	-	-	-	-	-	57,087	57,087
Comprehensive loss	-	-	(32,217)	-	(32,217)	(874,194)	(8,796)	(915,207)
Balance, June 30, 2014	143,526,742	$ 83,194,372	$ (645,347)	$ 5,784,031	$ 5,138,684	$ (26,571,316)	$ 5,486,801	$ 67,248,541

See accompanying notes to the condensed consolidated interim financial statements.

AZ Mining Inc.
Condensed Consolidated Interim Statements of Cash Flows
(Unaudited – U.S. dollars)

	Three months ended June 30, 2015	Three months ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
Cash provided by (used in):				
Operating activities:				
Net loss	$ (428,613)	$ (475,464)	$ (730,303)	$ (882,990)
Items not affecting cash:				
Stock based compensation	161,669	65,569	164,317	128,981
Unrealized foreign exchange (gain) loss	2,206	(6,631)	26,456	(8,795)
Interest and finance charges	31,681	4,723	77,341	4,723
Amortization of deferred rental contribution	(53,923)	-	(107,347)	-
Depreciation	2,130	2,277	4,258	4,550
	(284,850)	(409,526)	(565,278)	(753,531)
Net changes in non-cash working capital items:				
Amounts receivable	104	90,445	(10,579)	65,072
Prepaids and other	32,886	35,403	116,784	52,543
Accounts payable and accrued liabilities	24,692	73,676	1,237	141,836
Due to related parties	20,169	69,329	20,169	117,090
	(206,999)	(140,673)	(437,667)	(376,990)
Financing activities:				
Contributions from non-controlling interest	87,528	15,361	202,028	121,953
Advances from related parties	809,344	515,302	1,535,845	515,302
Finance fees paid	-	-	(25,413)	-
	896,872	530,663	1,712,460	637,255
Investing activities:				
Purchase of property, plant and equipment	-	-	(256)	-
Additions to exploration and evaluation expenditures	(733,103)	(381,558)	(1,282,948)	(839,995)
	(733,103)	(381,558)	(1,283,204)	(839,995)
Effect of exchange rate changes on cash and cash equivalents	(178)	(1,821)	(9,211)	(22,055)
Increase (decrease) in cash and cash equivalents	(43,408)	6,611	(17,622)	(601,785)
Cash and cash equivalents, beginning of period	72,696	41,951	46,910	650,347
Cash and cash equivalents, end of period	$ 29,288	$ 48,562	$ 29,288	$ 48,562
Supplementary information:				
Cash equivalents, end of period comprise:				
Cash and balances with banks	$ 10,793	$ 16,181	$ 10,793	$ 16,181
Short-term investments	18,495	32,381	18,495	32,381
	$ 29,288	$ 48,562	$ 29,288	$ 48,562
Non-cash financing and investing activities:				
Conversion of advances from related parties to equity (note 6a)	$ (1,953,348)	$ -	(1,953,348)	$ -
Change in accounts payable and accrued liabilities reflected in investing activities	$ 296,531	$ 47,640	576,013	$ 525,257

See accompanying notes to the condensed consolidated interim financial statements.

1. Nature of Operations and Going Concern

AZ Mining Inc. (formerly Wildcat Silver Corporation, the "Company" or "AZ Mining") is incorporated in British Columbia, Canada. The Company holds a majority ownership interest in the Hermosa property in Arizona, United States, through its ownership of 80% of the common shares and approximately 90% of the preference shares of Arizona Minerals Inc. ("Arizona Minerals"), a Nevada corporation and the holder of the property. The remaining 20% of the common shares and approximately 10% of the preference shares of Arizona Minerals are held by 5348 Investments Ltd. ("5348 Investments"), an indirect wholly-owned subsidiary of Diamond Hill Investment Corp. ("Diamond Hill"). Diamond Hill is a private British Columbia company controlled by R. Stuart Angus, a former director of the Company. Diamond Hill also indirectly holds a 2% net smelter royalty interest in the patented claims and unpatented claims on the Hermosa property. The Company's registered office is located at Suite 555 – 999 Canada Place, Vancouver, British Columbia, V6C 3E1 and its shares are listed on the Toronto Stock Exchange.

The Company is engaged in the acquisition, exploration and development of mineral property interests. The business of mining and the exploration for minerals involves a high degree of risk and there can be no assurance that such activities will result in profitable mining operations. The amounts shown as exploration and evaluation assets represent acquisition and exploration costs and do not necessarily represent present or future values. Recoverability of the amounts shown for exploration and evaluation assets is dependent upon maintaining title and beneficial interest in the properties, the ability of the Company to obtain financing necessary to complete the exploration and development of its mineral properties, and on future profitable production or proceeds from the disposition of the mineral properties. 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.

At June 30, 2015 the Company had cash and cash equivalents of $29,288, negative working capital of $1,782,022, a net loss for the six months ended June 30, 2015 of $730,303, and a deficit of $28,020,298. The Company requires funding to meet its ongoing operating and working capital requirements and for the recently announced acquisition of patented mining claims (see note 10a), which it estimates may require up to $3 million prior to closing. The Company will also require funding to continue drilling and other work on its Hermosa projects. The Company has historically raised funds principally through the sale of securities and recently, through advances from Company insiders. Subsequent to the period end, the Company received C$212,500 of advances for working capital purposes from the Company's Chairman and CEO on the same terms as the C$275,000 advanced in June, 2015 (note 10b). The Company expects that it will continue to obtain funding through similar or other means depending on market conditions and other relevant factors at the time. However, there can be no assurance that the Company will be able to obtain such additional funding or obtain it on acceptable terms. This material uncertainty casts significant doubt about the Company's ability to continue as a going concern.

These condensed consolidated interim financial statements have been prepared on the basis of a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of operations. These financial statements do not reflect the adjustments to carrying values of assets and liabilities that would be necessary should the going concern assumption prove to be inappropriate, and these adjustments could be material.

2. Basis of Presentation

a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). Accordingly, they do not include all of the information and notes to the consolidated financial statements required by IFRS for complete financial statements and should be read in conjunction with the Company's most recent audited consolidated financial statements.

These unaudited condensed consolidated interim financial statements follow the same accounting policies and methods of application used in the Company's audited consolidated financial statements as at and for the year ended December 31, 2014. Under the authority delegated to them by the Board of Directors, the Audit Committee authorized these financial statements for issue on August 10, 2015.

3. Changes in Accounting Policies

a) New accounting standards, amendments and interpretations

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or IFRIC. Some updates that are not applicable or are not consequential to the Company may have been excluded.

IFRS 9, *Financial Instruments: Classification and Measurement* is the first part of a new standard on classification and measurement of financial assets that will replace IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is measured at fair value through profit or loss. The standard was initially effective for annual periods beginning on or after January 1, 2013, but the complete version of IFRS 9, issued in July 2014, moved the mandatory effective date to January 1, 2018. The Company expects to adopt this standard effective January 1, 2018 and has not yet assessed the impact on its financial reporting.

4. Non-Controlling Interest

Non-controlling interest ("NCI") represents the 20% interest in the common shares and approximately 10% interest in the preference shares of Arizona Minerals held by 5348 Investments, an indirect wholly-owned subsidiary of Diamond Hill.

Pursuant to a shareholders' agreement (the "Shareholders' Agreement") governing the affairs of Arizona Minerals, the Company controls the affairs of Arizona Minerals and acts as the operator of the Hermosa property. Funding is provided to Arizona Minerals in accordance with the Shareholders' Agreement and is by way of advances, which are subsequently converted to preference shares. The preference shares have priority over the common shares with respect to distributions and repayment. The Shareholders' Agreement generally requires 5348 Investments to fund 10% of Arizona Minerals costs incurred on the originally acquired patented and unpatented claims on the Hermosa property and 20% of Arizona Minerals costs incurred on any other claims subsequently acquired or staked. The Shareholders' Agreement provides for dilution of 5348 Investments' interest in the common shares to a minimum of 10% in the event it fails to fund its share of any funding for approved programs.

Non-controlling interest increased by $128,581 in the six months ended June 30, 2015 (June 30, 2014 – $48,291) as a result of $131,557 (June 30, 2014 – $57,087) of required contributions less the non-controlling interest share of Arizona Minerals loss for the period of $2,976 (June 30, 2014 – $8,796). Due to related parties includes $59,335 (December 31, 2014 – $11,136 included in amounts receivable) payable to 5348 Investments with respect to these arrangements.

5. Exploration and Evaluation Assets

Exploration and evaluation assets relate to the acquisition costs and exploration and evaluation expenditures on the Company's interest in the Hermosa property, in Arizona, United States.

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

	Three months ended June 30, 2015	Three months ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
Balance, start of period	$ 71,178,210	$ 68,049,385	$ 70,371,838	$ 67,085,359
Additions:				
Drilling	436,118	-	832,609	-
Property access, restoration and maintenance	108,930	50,938	189,488	111,250
Assay and analysis	101,076	561	139,970	561
Salaries, benefits and stock based compensation	205,485	194,342	362,013	395,348
Geologic consulting and support	51,721	38,951	105,793	103,083
Engineering and metallurgy	-	77,080	-	409,238
Environmental baseline studies	97,031	-	97,031	17,458
Permitting	-	43,360	-	234,384
Claims maintenance	-	-	-	6,790
Other	77,486	58,335	157,315	149,481
	1,077,847	463,567	1,884,219	1,427,593
Balance, end of period	$ 72,256,057	$ 68,512,952	$ 72,256,057	$ 68,512,952

6. Share Capital

a) Shares issued for debt settlement

On June 12, 2015, C$2,320,000 ($1,885,566) of loans from the Company's directors and officers together with C$83,400 ($67,782) accrued interest and financing fees payable were converted into 6,008,499 units of the Company at a price of C$0.40 per unit (see note 7). Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of C$0.60 per common share until June 12, 2017.

The Company determined that the fair value of the warrants issued on June 12, 2015 was $457,499. This fair value was determined by separately calculating the fair value of the common shares and the warrants, and prorating these amounts by the actual proceeds received. The assumptions in the Black-Scholes pricing model used to calculate the fair value of the warrants were: an expected life of 2 years; annualized volatility of 72%; a risk free interest rate of 0.64%; and zero expected dividend yield. The expected volatility is based on the historical volatility of the Company's shares.

b) Stock options

For the six months ended June 30, 2015, the Company recognized a stock-based compensation charge against income of $164,317 (June 30, 2014 – $128,981). A further $50,546 (June 30, 2014 – $46,163) was capitalized to exploration and evaluation assets.

The following table shows the change in the Company's stock options during the six months ended June 30, 2015 and 2014:

	2015		2014	
	Number of Options	Weighted Average Exercise Price (in C$)	Number of Options	Weighted Average Exercise Price (in C$)
Balance, start of period	4,171,160	$0.97	6,218,160	$0.84
Granted	9,515,000	$0.40	52,000	$0.59
Exercised	-	-	(357,000)	$0.41
Forfeited	(51,500)	$0.81	-	-
Expired	(3,645,660)	$1.04	(147,000)	$1.95
Balance, end of period	9,989,000	$0.40	5,766,160	$0.84

At the Company's Annual General and Special Meeting of Shareholders on June 29, 2015 the shareholders approved the Company's Amended and Restated Stock Option Plan ("Plan") including approving all unallocated stock options under the Plan and giving the authority to grant stock options pursuant to and subject to the terms and conditions of the Plan until June 29, 2018. In addition, the shareholders approved the cancellation of certain stock options and the grant of stock options described below.

On May 25, 2015, 9,390,000 stock options with an exercise price of C$0.40 were granted to directors, officers and employees of the Company. Included in the grant are 1,964,798 stock options that replace an equivalent number of options with exercise prices of between C$0.46 to C$2.35 that were cancelled on the same date. The fair value of the 9,390,000 options of C$2,567,314, less the fair value of the cancelled options of C$465,813, was estimated using the Black-Scholes option-pricing model. The assumptions used in the pricing model were: an expected life of 5 years; annualized volatility of 91%; a risk free interest rate of 1.05%; and zero expected dividend yield. The expected volatility is based on the historical volatility of the Company's shares.

On May 27, 2015, 125,000 stock options with an exercise price of C$0.425 were granted to a director of the Company. The fair value of the options of C$37,095 was estimated using the Black-Scholes option-pricing model. The assumptions used in the pricing model were: an expected life of 5 years; annualized volatility of 91%; a risk free interest rate of 0.96%; and zero expected dividend yield. The expected volatility is based on the historical volatility of the Company's shares.

The following table provides information on outstanding and exercisable stock options at June 30, 2015:

		Options Outstanding		Options Exercisable	
Grant Date	Exercise Price (in C$)	Number of Options	Weighted average remaining contractual life (years)	Number of Options	Weighted average remaining contractual life (years)
August 25, 2010	$0.35	300,000	0.15	300,000	0.15
October 1, 2010	$0.41	50,000	0.25	50,000	0.25
March 24, 2014	$0.59	24,000	3.73	8,000	3.73
August 18, 2014	$0.51	100,000	4.14	50,000	4.14
May 25, 2015	$0.40	9,390,000	4.91	250,000	4.91
May 27, 2015	$0.43	125,000	4.91	62,500	4.91
		9,989,000	4.73	720,500	2.54

c) Warrants

The following summarizes the Company's warrants at June 30, 2015:

Date of Issue	Exercise Price (C$)	Expiry Date	December 31, 2014	Issued	June 30, 2015
August 20, 2014	$0.55	August 20, 2016	4,500,000	-	4,500,000
June 12, 2015	$0.60	June 12, 2017	-	6,008,499	6,008,499
			4,500,000	6,008,499	10,508,499

7. Related Party Transactions

In addition to the related party transactions or balances disclosed elsewhere in these condensed consolidated interim financial statements, the Company had the following related party transactions.

The Company shares office space, equipment, personnel and various administrative services with other companies related by virtue of certain common directors and management. These services have been mainly provided through a management company equally owned by the related companies. Costs incurred by the management company are allocated between the related companies based on time incurred and use of services and are charged at cost. In addition, certain other professional administrative services have been provided by other related companies and charged at cost. The Company was charged for the following with respect to these arrangements:

	Three months ended June 30, 2015	Three months ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
Salaries and benefits	$ 110,331	$ 136,672	$ 253,192	$ 266,076
Office and administrative	101,718	81,094	190,664	199,234
Other income	(21,962)	-	(29,215)	-
	$ 190,087	$ 217,766	$ 414,641	$ 465,310

In addition, for the three and six months ended June 30, 2015, the Company charged out $4,589 and $6,062, respectively, with respect to these arrangements (June 30, 2014 – $nil and $1,999). At June 30, 2015, prepaids and other includes $nil (December 31, 2014 – $70,577) and there is an amount due to related companies of $20,170 (December 31, 2014 – $nil) with respect to these arrangements.

Other assets of $241,745 (December 31, 2014 – $259,937) relate to the Company's share of jointly owned assets (primarily security deposits, leasehold improvements, and furniture and equipment) held by the management company.

In late 2014 and early 2015, the Company entered into loan agreements with its directors and officers for an aggregate amount outstanding of C$2,320,000. The loans were unsecured, bearing interest at a rate of 12% per annum and repayable on the earlier of (i) one year from the date of advance, (ii) the completion of a financing of $3.5 million or more by way of sale of securities from treasury of the Company or through the issuance of debt or other form of financing, or (iii) a change of control of the Company. A fee of 2% of the principal amount of the loans was paid or payable to the lenders. On June 12, 2015, the loans, together with C$83,400 of accrued interest and financing fees were converted into units of the Company (see note 6a).

At June 30, 2015, due to related parties includes C$275,000 plus accrued interest of C$862 due to the Company's Chairman and CEO for loans advanced in June, 2015. The loans are unsecured, bear interest at 8% per annum and are repayable on the earlier of (i) one year from the date of advance, (ii) a change of control of the Company, or (iii) the completion of a financing of C$4.0 million or more by way of sale of securities from treasury of the Company or through the issuance of debt or other form of financing.

8. Commitments

During the year ended December 31, 2014, the Company received $743,873 from a company previously related through certain common directors and management with respect to the provisions of the agreements governing certain shared operating leases. The amount has been recorded as deferred rental contribution and will be amortized to office and administrative expense over the remaining term of the leases. The following is a summary of changes in deferred rental contribution:

		June 30, 2015		December 31, 2014
Balance, start of period	$	594,235	$	-
Deferred rental contribution received		-		743,873
Amortization of deferred rental contribution		(107,347)		(98,985)
Effect of foreign currency exchange differences		(40,557)		(50,653)
Balance, end of period	$	446,331	$	594,235

At June 30, 2015, the Company is committed to payments for office premises through 2018 in the total amount of approximately $560,700. Payments by fiscal year are:

2015	92,900
2016	185,100
2017	178,500
2018	104,200

9. Segment Information

The Company operates in one industry segment, being mineral exploration and development. Geographic information is as follows:

		United States		Canada		Total
Long-term assets as at:						
June 30, 2015	$	72,294,894	$	241,974	$	72,536,868
December 31, 2014	$	70,425,139	$	260,581	$	70,685,720

10. Subsequent Events

a) Land Acquisition

On July 24, 2015, the Company announced that it had reached agreement to acquire approximately 300 acres of patented mining claims adjacent to the Company's existing 152 acres of patented mining claims. Consideration for the acquisition will be the assumption of the environmental liabilities relating to the site that resulted from historic mining activity. The Company has submitted a remediation work plan that addresses the environmental liabilities with the Arizona Department of Environmental Quality ("ADEQ") and will construct a passive water treatment system estimated to cost $2.6 million, excluding contingency, of which the Company's share would be $1.6 million. In addition, the Company will be required to post bonds, in an amount to be agreed, that will provide a contingency for the capital cost and for the long-term operation and maintenance of the treatment system. The Company will be required to fund its share of the cost of the water treatment system and obtain the bonds prior to closing, which is to occur within 90 days of the ADEQ approving the budget for the remediation work plan. The Company is able to terminate the agreement at any time prior to the approval by the ADEQ of the budget for the remediation work plan at no cost to the Company.

b) Funding

Subsequent to June 30, 2015, the Company was advanced an additional C$212,500 from the Company's Chairman and CEO under the same terms and conditions as the C$275,000 advanced in June, 2015 (see note 7). The net proceeds from the loan are being used for general working capital purposes.