



**Copper One Inc.**

**CONDENSED INTERIM CONSOLIDATED  
FINANCIAL STATEMENTS**

for the three and six months ended  
June 30, 2016 and 2015

(in Canadian dollars)

(unaudited)

**NOTICE OF NO AUDITOR REVIEW OF  
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim consolidated 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.

# Copper One Inc.

## Condensed Interim Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

As at

	Note	June 30, 2016	December 31, 2015
		(unaudited)	
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		\$ 45,877	\$ 53,849
Marketable securities	4	90,000	11,250
Receivables		27,109	31,306
Prepaid expenses and deposits		-	1,384
Total current assets		162,986	97,789
<b>Non-current assets</b>			
Exploration and evaluation assets	5	854,996	854,996
<b>TOTAL ASSETS</b>		<b>\$ 1,017,982</b>	<b>\$ 952,785</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		\$ 1,536,708	\$ 1,455,869
Total liabilities		1,536,708	1,455,869
<b>Shareholders' (Deficiency) Equity</b>			
Share capital	6	17,170,798	17,014,798
Share-based payments reserves	7	409,117	409,117
Deficit		(18,098,641)	(17,926,999)
Total shareholders' (deficiency) equity		(518,726)	(503,084)
<b>TOTAL LIABILITIES AND SHAREHOLDERS' (DEFICIENCY) EQUITY</b>		<b>\$ 1,017,982</b>	<b>\$ 952,785</b>
Nature of operations and going concern	1		
Commitments and contingencies	9		
Subsequent events	12		
Approved on behalf of the Directors:			
<u>"Scott Moore"</u>		<u>"Paul Cowley"</u>	
Director		Director	

(The accompanying notes are an integral part of these condensed interim consolidated financial statements.)

## Copper One Inc.

### Condensed Interim Consolidated Statements of Operations and Comprehensive Loss

Unaudited

(Expressed in Canadian dollars)

		For the three months ended June 30,		For the six months ended June 30,	
	Note	2016	2015	2016	2015
Operating expenses					
Management and consulting fees	8	117,481	151,422	264,796	316,730
Share-based payments	7	-	-	-	3,090
Directors' fees		10,000	40,000	23,333	80,000
Office and rent		2,958	18,996	6,545	43,918
Investor relations		8,316	9,859	9,011	26,388
Travel and promotion		-	-	-	6,067
Accounting and legal		6,229	10,000	6,229	20,298
Regulatory and transfer agent		3,243	4,853	8,792	10,053
Exploration and evaluation (recovery) expense		-	-	(29,362)	7,500
Foreign exchange (gain)		(20)	(175)	48	(175)
Total operating expenses		148,207	234,955	289,392	513,869
Loss before other income (expenses)		(148,207)	(234,955)	(289,392)	(513,869)
Other income (expenses)					
Gain on debt settlement	6	-	-	39,000	-
Unrealized gain on held for trading marketable securities	4	56,250	22,500	78,750	22,500
Interest income		-	-	-	114
Net loss and comprehensive loss for the period		(91,957)	(212,455)	(171,642)	(491,255)
Basic and diluted loss per share					
		\$ (0.01)	\$ (0.03)	\$ (0.02)	\$ (0.07)
Weighted average number of shares outstanding:					
Basic and diluted		10,753,385	6,853,385	10,517,671	6,853,385

(The accompanying notes are an integral part of these condensed interim consolidated financial statements.)

# Copper One Inc.

## Condensed Interim Consolidated Statements of Cash Flows

Unaudited

(Expressed in Canadian dollars)

		For the six months ended June 30,	
	Note	2016	2015
<b>Cash provided by (used in) operations:</b>			
<b>Loss for the period</b>		\$ (171,642)	\$ (491,255)
Items not involving cash:			
Share-based payments	7	-	3,090
Unrealized (gain) on held for trading marketable securities	4	(78,750)	(22,500)
Change in working capital items:			
Receivables		4,197	(56,224)
Prepaid expenses and deposits		1,384	(2,680)
Accounts payable and accrued liabilities		236,839	358,026
<b>Net cash provided by (used in) operating activities</b>		(7,972)	(211,543)
Change in cash and cash equivalents		(7,972)	(211,543)
Cash and cash equivalents, beginning of period		53,849	222,994
<b>Cash and cash equivalents, end of period</b>		\$ 45,877	\$ 11,451
<b>Supplemental information:</b>			
Common shares issued for debt	6	\$ 156,000	\$ -

(The accompanying notes are an integral part of these condensed interim consolidated financial statements)

## Copper One Inc.

### Condensed Interim Consolidated Statements of Changes in Equity

Unaudited

(Expressed in Canadian dollars)

	Number of Shares	Share Capital	Share-based payments reserve (Note 7)	Deficit	Total
Balance, December 31, 2014	6,853,385	\$17,014,798	\$ 449,571	\$(16,835,719)	\$ 628,650
Share-based payments	-	-	3,090	-	3,090
Net loss for the period	-	-	-	(491,255)	(491,255)
<b>Balance, June 30, 2015</b>	<b>6,853,385</b>	<b>\$17,014,798</b>	<b>\$ 452,661</b>	<b>\$(17,326,974)</b>	<b>\$ 140,485</b>
Balance, December 31, 2015	6,853,385	\$17,014,798	\$ 409,117	\$(17,926,999)	\$ (503,084)
Shares issued for debt settlement	3,900,000	156,000	-	-	156,000
Net loss for the period	-	-	-	(171,642)	(171,642)
<b>Balance, June 30, 2016</b>	<b>10,753,385</b>	<b>\$17,170,798</b>	<b>\$ 409,117</b>	<b>\$(18,098,641)</b>	<b>\$ (518,726)</b>

(The accompanying notes are an integral part of these condensed interim consolidated financial statements.)

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# Copper One Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

June 30, 2016 and 2015 – Unaudited  
(Expressed in Canadian dollars)

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### 1. Nature of operations and going concern

Copper One Inc. (the “Company”) operates under the Canada Business Corporations Act. The Company’s wholly owned subsidiary 7231300 Canada Ltd. was incorporated on August 26, 2009. The Company’s common shares trade on the TSX Venture Exchange under the symbol “CUO”.

The Company is in the process of exploring and evaluating mineral property interests in Quebec, Canada. The Company has not yet determined whether its exploration and evaluation assets contain mineral reserves that are economically recoverable. The Company’s continuing operations, and the recoverability of the amounts shown for exploration and evaluation assets are entirely dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its exploration and evaluation assets, and on future profitable production or proceeds from the disposition of the exploration and evaluation assets.

The business of exploring for and mining of minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company’s title. Property title may be subject to unregistered prior agreements, unregistered claims, aboriginal claims and non-compliance with regulatory and environmental requirements.

The condensed interim consolidated financial statements of the Company for the period ended June 30, 2016 were reviewed, approved and authorized for issue by the Board of Directors on August 25, 2016.

The Company has an accumulated deficit of \$18,098,641 as at June 30, 2016 and has incurred losses totaling \$171,642 during six months ended June 30, 2016. The Company has a need for equity capital and financing for working capital and exploration and development of its properties. Because of continuing operating losses, the Company’s continuance as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operation. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operations. Continued support of shareholders and the ability to raise funds through the issuance of equity or debt will be required. See Note 12.

The head office and principal address of the Company is at Suite 805, 65 Queen Street West, Toronto, Ontario M5H 2M5.

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# Copper One Inc.

(Expressed in Canadian dollars)

## Notes to the Condensed Interim Consolidated Financial Statements

June 30, 2016 and 2015 – Unaudited

(Expressed in Canadian dollars)

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### 2. Significant accounting policies

#### a) Statement of compliance

These condensed interim consolidated financial statements of the Company and its subsidiary have been prepared in accordance with International Account Standards (“IAS”) 34, Interim Financial Reporting, as issued by the International Accounting Standards Board (“IASB”). The policies set out in the Company’s Annual Consolidated Financial Statements for the twelve months ended December 31, 2015 were consistently applied to all the periods presented unless otherwise noted below.

#### b) Basis of preparation

These condensed interim consolidated financial statements have been prepared on a historical cost basis except for available-for-sale investments which are reflected at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

#### c) Basis of Consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiary 7231300 Canada Ltd. All significant intercompany transactions and balances have been eliminated upon consolidation.

#### Subsidiaries

Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company and are de-consolidated from the date control ceases. The financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions.



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# Copper One Inc.

(Expressed in Canadian dollars)

## Notes to the Condensed Interim Consolidated Financial Statements

June 30, 2016 and 2015 – Unaudited

(Expressed in Canadian dollars)

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### 3. Significant accounting policies

#### d) New and future accounting policies

IAS 1 – Presentation of Financial Statements (“IAS 1”) was amended in December 2014 in order to clarify, among other things, that information should not be obscured by aggregating or by providing immaterial information, that materiality consideration apply to all parts of the financial statements and that even when a standard requires a specific disclosure, materiality considerations do apply. The amendments are effective for annual periods beginning on or after January 1, 2016. This new standard did not have any material impact on the Company’s condensed interim consolidated financial statements.

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after January 1, 2016 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IFRS 9 – Financial Instruments (“IFRS 9”) was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity’s own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.

IAS 12 – Income Taxes (“IAS 12”) was amended in January 2016 to clarify that, among other things, unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument’s holder expects to recover the carrying amount of the debt instrument by sale or by use; the carrying amount of an asset does not limit the estimation of probable future taxable profits; and estimates for future taxable profits exclude tax deduction resulting from the reversal of deductible temporary differences. The amendments are effective for annual periods beginning on or after January 1, 2017. Earlier adoption is permitted.

### 4. Marketable securities

On August 22, 2013, the Company received 2,250,000 common shares of Cornerstone Metal Inc. At June 30, 2016, the quoted market value of these shares was \$90,000 (December 31, 2015 - \$11,250). An unrealized gain of 78,750 was recorded for the six months ended June 30, 2016 (December 31, 2015: loss of \$11,250).

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# Copper One Inc.

(Expressed in Canadian dollars)

## Notes to the Condensed Interim Consolidated Financial Statements

June 30, 2016 and 2015 – Unaudited

(Expressed in Canadian dollars)

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### 5. Exploration and evaluation assets

The exploration and evaluation assets of the Company are comprised as follows:

	Rivière Doré	Queylus	Total
	\$	\$	\$
Balance, December 31, 2014	854,996	135,729	990,725
Impairment (b)	-	(135,729)	(135,729)
Balance, December 31, 2015 and June 30, 2016	854,996	-	854,996

#### (a) Rivière Doré

On November 30, 2011, the Company signed an agreement with Cartier Resources Inc. (“Cartier”) to acquire 100% of the Rivière Doré Copper Nickel property (“Rivière Doré”) located southeast of the town Val D’Or, Quebec. This agreement superseded the agreement signed with Cartier in January 2011. In consideration for a 100% interest in Rivière Doré, the Company paid \$150,000 in cash, issued 2,000,000 common shares of the Company with an estimated fair value of \$550,000 and granted a royalty of 1% of the net smelter return in connection with ore extracted from the property. The Company is also committed to a 2% royalty payment of the net smelter return on 36 of its 1,052 existing claims on the property. This transaction closed on December 15, 2011.

The Company has also agreed to pay to Cartier an amount equal to 2% of the net present value shown in a bankable feasibility study on Rivière Doré, payable in cash in three equal installments over the 18-month period from the commencement of commercial production on the property.

The Rivière Doré property was under suspension since July 4, 2011 as a result of discussions between the Company, government officials and the Algonquin Community of Barriere Lake in relation to the property.

On June 29, 2016, the Company announced that it has received a written notification from the Quebec Ministry of Energy and Natural Resources that effective June 28, 2016 all claims under suspension on the Company’s Rivière Doré project have been lifted. The notice also stated that pursuant to the claims the Company has a right of access to the land under the claims and has the right to conduct any and all exploration work deemed appropriate, and the claims have been extended by an additional two years.

#### (b) Queylus

On January 23, 2012, the Company entered into an agreement with Lounor Exploration Inc. (“Lounor”) to acquire 100% of the Queylus copper gold property, located near the town of Chibougamau, Quebec. Under the terms of the purchase agreement, the Company acquired 100% of the Queylus property by paying \$23,750, issuing 475,000 common shares of the Company valued at \$61,750 and granting royalties ranging from 1% to 2% of the net smelter return in connection with ore extracted from certain claims comprising the property. In connection with the transactions contemplated under the purchase agreement, the Company entered into an agreement with SOQUEM Inc. (“SOQUEM”) whereby SOQUEM agreed to renounce its right of first refusal over certain claims comprising the Queylus property in consideration for the Company paying \$2,500 and issuing to SOQUEM 50,000 shares of the Company valued at \$6,500. This transaction closed on August 7, 2012.

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# Copper One Inc.

(Expressed in Canadian dollars)

## Notes to the Condensed Interim Consolidated Financial Statements

June 30, 2016 and 2015 – Unaudited

(Expressed in Canadian dollars)

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

On February 8, 2012, the Company signed a purchase agreement with Diagnos Inc. (“Diagnos”) to acquire a 100% interest in certain claims (the “Claims”) contiguous to the Queylus copper gold property. Under the terms of the purchase agreement, the Company has acquired 100% of the Claims by paying \$10,000, issuing 175,000 common shares of the Company valued at \$52,500 and granting a royalty of 2% of the net smelter return in connection with ores and concentrates extracted from the property underlying the Claims. The purchase agreement provides that the Company has the right to reduce such royalty from 2% to 1% at any time by paying to Diagnos \$1,000,000 in cash.

The Company has allowed the Queylus claims to lapse. As at December 31, 2015, the Company wrote off \$135,729 related to the carrying value of Lounor claim.

### 6. Share Capital

#### Preferred Shares

Authorized: unlimited, without par value

Issued and outstanding: nil preferred shares

#### Common Shares

Authorized: unlimited, without par value

Issued and outstanding:

Common Shares	Number of Shares	Amount
<b>Balance, December 31, 2014 and 2015</b>	<b>6,853,385</b>	<b>\$ 17,014,798</b>
Shares issued for debt settlement (i)	3,900,000	\$ 156,000
<b>Balance, June 30, 2016</b>	<b>10,753,385</b>	<b>\$ 17,170,798</b>

- (i) On January 11, 2016, the Company entered into a shares for debt agreement with Forbes & Manhattan, Inc (“Forbes”) and 2227929 Ontario Inc. (“2227929”) wherein \$195,000 worth of debt was settled through the issuance of 3,900,000 common shares at a deemed price per share of \$0.05. The fair value market value of shares issued in the settlement of debts was \$156,000 based on the share price of the Company on the date the debt was settled. As a result, a gain of \$39,000 was recorded on the settlement of debt (2015: \$nil).

### 7. Share-based payments reserve

The Company has a stock-option plan whereby the Company may grant to directors, officers, employees and consultants options to purchase shares of the Company. The plan provides for the issuance of stock options to acquire up to 10% of the Company's issued and outstanding capital. The plan is a rolling plan as the number of shares reserved for issuance pursuant to the grant of stock options will increase as the Company's issued and outstanding share capital increases. Options granted under the plan will be for a term not to exceed 5 years.

During the six months ended June 30, 2016, no stock options expired (six months ended June 30, 2015: nil).

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## Copper One Inc.

(Expressed in Canadian dollars)

### Notes to the Condensed Interim Consolidated Financial Statements

June 30, 2016 and 2015 – Unaudited

(Expressed in Canadian dollars)

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#### 7. Share-based payments reserve (continued)

	Number of options	Weighted average exercise price	Estimated Grant Date Fair Value of Options	Total
<b>December 31, 2014</b>	<b>522,000</b>	<b>1.10</b>	<b>449,571</b>	<b>449,571</b>
Vested	-	1.00	3,090	3,090
Expired	(45,000)	1.32	(43,544)	(43,544)
<b>December 31, 2015 and June 30, 2016</b>	<b>477,000</b>	<b>\$ 1.07</b>	<b>\$ 409,117</b>	<b>\$ 409,117</b>

#### STOCK OPTIONS:

As at June 30, 2016, outstanding options to acquire common shares of the Company were as follows:

Expiry Date	Number of Options Outstanding	Number of Options Exercisable	Exercise Price (\$)	Estimated Grant Date Fair Value (\$)
05-Dec-2016	20,000	20,000	3.50	40,187
06-Feb-2017	35,000	35,000	3.50	72,008
27-Sep-2017	15,500	15,500	1.60	20,210
22-Feb-2018	35,000	35,000	1.00	27,807
14-May-2019	361,500	361,500	0.70	242,205
03-Jul-2019	10,000	10,000	0.70	6,700
	<b>477,000</b>	<b>477,000</b>	<b>1.07</b>	<b>409,117</b>

The Company recorded stock based compensation of \$nil during the six months ended June 30, 2016 (six months ended June 30, 2015: \$3,090).

The weighted average remaining contractual life of outstanding options and exercisable options as of June 30, 2016 is 2.67 years (as of June 30, 2015 – 3.45 years).

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# Copper One Inc.

(Expressed in Canadian dollars)

## Notes to the Condensed Interim Consolidated Financial Statements

June 30, 2016 and 2015 – Unaudited

(Expressed in Canadian dollars)

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### 8. Related party transactions and balances

During the three and six months ended June 30, 2016 and 2015, the Company entered into the following transactions in the ordinary course of business with related parties that are not subsidiaries of the Company.

	Purchase of goods and services			
	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Forbes & Manhattan, Inc.	\$ 75,000	\$ 75,000	\$ 150,000	\$ 150,000

Mr. Stan Bharti is the Executive Chairman of Forbes. The Company is part of the Forbes Group of Companies.

The following balances were outstanding at the end of the reporting period:

	Amounts owed to related parties			
	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Forbes & Manhattan Inc.	\$ 84,750	\$ 84,750	\$ 611,250	\$ 367,250

See Note 6 and 12.

#### Compensation of Key Management, Directors and Officers

The remuneration of directors and other members of key management personnel during the three and six months ended June 30, 2016 and 2015 were as follows:

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
	Short-term benefits	\$ 62,500	\$ 92,500	\$ 128,333
Share-based payments	-	-	-	3,090

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends. See Note 9.

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# Copper One Inc.

(Expressed in Canadian dollars)

## Notes to the Condensed Interim Consolidated Financial Statements

June 30, 2016 and 2015 – Unaudited

(Expressed in Canadian dollars)

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### 9. Commitments and contingencies

Contractual Obligations	Payments (Receipts) Due by Period				
	Total	Less than 1 Year	1 – 3 Years	4 – 5 Years	After 5 Years
Minimum commitment under management contracts (i)	\$ 362,000	\$ 362,000	\$ -	\$ -	\$ -
Minimum commitment under Montreal office space lease (ii)	33,000	33,000	-	-	-
Minimum commitment under Montreal office sub-lease (iii)	(26,000)	(26,000)	-	-	-

- (i) The Company is party to certain management contracts. These contracts contain clauses requiring additional payments of up to approximately \$1,020,000 be made upon the occurrence of certain events such as a change of control. As a triggering event has not taken place, the contingent payments have not been reflected in these consolidated financial statements. Additional minimum management contract commitments remaining under these contracts approximate \$362,000 due within one year.
- (ii) In June 2012, the Company entered into a 52 month lease agreement for office space rental in Montreal, ending on September 30, 2016. The total commitments remaining under this lease agreement is approximately \$33,000 at June 30, 2016.
- (iii) In December 2013, the Company signed a sublease agreement with a third party to rent out the Montreal office space, ending on September 30, 2016. Total rent receivable over the term of the sublease is expected to be approximately \$26,000.

The Company's exploration and evaluation activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

See Note 5.

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# Copper One Inc.

(Expressed in Canadian dollars)

## Notes to the Condensed Interim Consolidated Financial Statements

June 30, 2016 and 2015 – Unaudited

(Expressed in Canadian dollars)

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### 10. Financial instruments

Financial assets and financial liabilities as at June 30, 2016 and December 31, 2015 were as follows:

	Loans and receivables	Assets at fair value through profit or loss	Total
June 30, 2016			
Cash and cash equivalents	\$ 45,877	\$ -	\$ 45,877
Held for trading marketable securities	-	90,000	90,000
Receivables	27,109	-	27,109
Accounts payable and accrued liabilities	(1,536,708)	-	(1,536,708)
December 31, 2015			
Cash and cash equivalents	\$ 53,849	\$ -	\$ 53,849
Held for trading marketable securities	-	11,250	11,250
Receivables	31,306	-	31,306
Accounts payable and accrued liabilities	(1,455,869)	-	(1,455,869)

The Company's risk exposure and the impact on the Company's financial instruments are summarized below. There have been no significant changes in the risks, objectives, policies and procedures for managing risk during the three and six months ended June 30, 2016 and 2015.

The carrying values of cash, receivable and accounts payable and accrued liabilities reflected on the consolidated statements of financial position approximate fair value due to the limited terms of these instruments.

#### Credit risk

The Company's credit risk is primarily attributable to cash and cash equivalents and receivables. The Company has no significant concentration of credit risk arising from operations. Financial instruments included in receivables consist of receivables from related and unrelated companies. Management believes that the credit risk concentration with respect to these financial instruments is remote.

#### Liquidity risk

The Company's approach to managing liquidity risk is to endeavor to ensure that it will have sufficient liquidity to meet liabilities when due. As at June 30, 2016, the Company had a cash and cash equivalent balance of \$45,877 (December 31, 2015 – \$53,849) to settle current liabilities of \$1,536,708 (December 31, 2015 - \$1,455,869). The Company's financial liabilities generally have contractual maturities of less than 30 days.

#### (a) Interest rate risk

The Company has cash balances subject to fluctuations in the prime rate. The Company's current policy is to invest excess cash in investment-grade deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

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# Copper One Inc.

(Expressed in Canadian dollars)

## Notes to the Condensed Interim Consolidated Financial Statements

June 30, 2016 and 2015 – Unaudited

(Expressed in Canadian dollars)

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### 10. Financial instruments (continued)

#### (b) Foreign currency risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars.

#### (c) Price risk

The Company is exposed to price risk with respect to commodity prices. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company. The Company's future operations will be significantly affected by changes in the market prices for commodities. Commodity prices fluctuate on a daily basis and are affected by numerous factors beyond the Company's control. The supply and demand for commodities, the level of interest rates, the rate of inflation, and stability of exchange rates can all cause significant fluctuations in commodity prices. Such external economic factors may in turn be influenced by changes in international investment patterns, monetary systems and political developments.

#### Sensitivity analysis

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over the year.

- The Company does not hold interest bearing debt at interest rates subject to market fluctuations to give rise to interest rate risk.
- The Company does not hold significant cash balances in foreign currencies to give rise to foreign exchange risk.

#### (d) Fair value

A fair value hierarchy prioritizes the methods and assumptions used to develop fair value measurements for those financial assets where fair value is recognized on the balance sheet. These have been prioritized into three levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

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

Fair value amounts represent point-in-time estimates and may not reflect fair value in the future. The measurements are subjective in nature, involve uncertainties and are a matter of significant judgment.

At June 30, 2016, the Company's financial instruments that are carried at fair value, consist of marketable securities of which \$90,000 (December 31, 2015 – \$11,250) have been classified as Level 1 within the fair value hierarchy.



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# Copper One Inc.

(Expressed in Canadian dollars)

## Notes to the Condensed Interim Consolidated Financial Statements

June 30, 2016 and 2015 – Unaudited

(Expressed in Canadian dollars)

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### 11. Management of capital risk

The Company considers its capital structure to consist of its cash and cash equivalents, common shares, stock options and warrants. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares and, acquire or dispose of assets.

In order to maximize ongoing exploration efforts, the Company does not pay out dividends. The Company's investment policy is to invest its short-term excess cash in highly liquid short-term interest-bearing investments with short term maturities, selected with regards to the expected timing of expenditures from continuing operations.

The Company's capital management objectives, policies and processes have remained unchanged during the three and six months ended June 30, 2016 and 2015.

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the TSX Venture Exchange ("TSXV") which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months. As of June 30, 2016, the Company may not be compliant with the policies of the TSXV. The impact of this violation is not known and is ultimately dependent on the discretion of the TSXV.

### 12. Subsequent events

On August 4, 2016, the Company announced the closing of a first tranche of a brokered private placement financing comprising 17,084,801 units at a price of \$0.13 per unit for gross proceeds of \$2,221,024 (the "First Tranche"). Each unit is comprised of one common share and one-common share purchase warrant. Each whole warrant will entitle the holder thereof to acquire one common share of the Company at an exercise price of \$0.20 per share for a period of 24 months from the date of closing of the First Tranche. An amount equal to 7% of the proceeds from certain subscribers of share issuance cost was paid, and issued 863,987 compensation options (the "Broker Options"). Each Broker Option is exercisable at a price of \$0.13 into one common share of the Company and one Warrant (a "Broker Warrant") for a period of 24 months following the closing date of the First Tranche. Each whole Broker Warrant shall entitle the holder to acquire one additional common share of the Company at a price of \$0.20 for a period of 24 months following the closing date of the First Tranche. Directors and officers of the Company subscribed to 2,972,308 units of this private placement.

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# Copper One Inc.

(Expressed in Canadian dollars)

## Notes to the Condensed Interim Consolidated Financial Statements

June 30, 2016 and 2015 – Unaudited

(Expressed in Canadian dollars)

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### 12. Subsequent events (continued)

On August 17, 2016, the Company announced the closing of a second tranche of a brokered private placement financing comprising 1,650,000 units at a price of \$0.13 per unit for gross proceeds of \$214,500 (the “Second Tranche”). Each unit is comprised of one common share and one-common share purchase warrant. Each whole warrant will entitle the holder thereof to acquire one common share of the Company at an exercise price of \$0.20 per share for a period of 24 months from the date of closing of the Second Tranche. An amount equal to 7% of the proceeds from certain subscribers of share issuance cost was paid, and issued 115,500 Broker Options. Each Broker Option is exercisable at a price of \$0.13 into one common share of the Company and one Broker Warrant for a period of 24 months following the closing date of the Second Tranche. Each whole Broker Warrant shall entitle the holder to acquire one additional common share of the Company at a price of \$0.20 for a period of 24 months following the closing date of the Second Tranche.

On August 19, 2016, the Company announced that it has entered into a settlement agreement with a creditor to settle an aggregate of \$611,250 of debt in consideration for the issuance of an aggregate of 4,701,923 common shares of the Company at a deemed price of \$0.13 per common share ((the “Shares for Debt Settlement”). The Shares for Debt Settlement will not create a new control person holding more than 20% of the issued and outstanding common shares of the Company. The Shares for Debt Settlement is subject to the approval of the TSXV. The common shares issued pursuant to the Shares for Debt Settlement will be subject to a statutory four month and one day hold period.