



**KING'S BAY GOLD**  
CORPORATION

**(An Exploration Company)**

## Condensed Interim Financial Statements

Six Months Ended June 30, 2016

(Unaudited - Expressed in Canadian Dollars)

**Notice of No Auditor Review of  
Interim Financial Statements**

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

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

# King's Bay Gold Corporation

Condensed Interim Statements of Financial Position

Unaudited - Expressed in Canadian dollars

	<b>June 30, 2016</b>	December 31, 2015
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 57,238	\$ 1,971
GST receivable	4,105	1,348
Marketable securities (Note 5)	24,801	-
Prepaid expenses	30,000	-
	<b>116,144</b>	<b>3,319</b>
Exploration and evaluation assets (Note 7)	<b>126,277</b>	<b>162,312</b>
	<b>\$ 242,421</b>	<b>\$ 165,631</b>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 92,525	\$ 767,782
Total current liabilities	<b>92,525</b>	<b>767,782</b>
<b>Shareholders' Equity</b>		
Share capital (Note 8)	17,008,725	16,103,286
Reserves (Note 9)	1,310	1,310
Deficit	(16,860,139)	(16,706,747)
	<b>149,896</b>	<b>(602,151)</b>
	<b>\$ 242,421</b>	<b>\$ 165,631</b>

Approved and authorized by the Board of Directors on August 22, 2016:

*"Dusan Berka"*

\_\_\_\_\_  
President

*"Kevin Bottomley"*

\_\_\_\_\_  
Director

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

# King's Bay Gold Corporation

Condensed Interim Statements of Operations and Comprehensive Loss  
Unaudited - Expressed in Canadian dollars

	<b>Three months ending June 30, 2016</b>	Three months ending June 30, 2015	<b>Six months ending June 30, 2016</b>	Six months ending June 30, 2015
<b>Expenses</b>				
Accounting and audit fees	\$ 200	\$ 19,910	\$ 3,729	\$ 19,910
Administrative fees (Note 14)	37,500	-	75,000	-
Advertising and promotion (Note 14)	16,293	-	33,288	-
Filing fees	12,268	5,396	22,438	13,884
Legal expenses	10,884	-	12,931	-
Office expenses (recovery)	189	(6,084)	441	(4,303)
Salaries and consulting fees	4,351	42,005	4,351	77,545
Travel	-	10	-	337
<b>Operating expenses</b>	<b>81,685</b>	61,237	<b>152,178</b>	107,373
<b>Other expenses</b>				
Interest income	-	(5)	20	(5)
Gain on sale of marketable securities (Note 5)	-	15,650	-	15,650
Gain on sale of exploration assets (Note 7)	766	-	766	-
Other income (Note 13)	-	66,615	-	66,615
Unrealized loss on marketable securities	(2,000)	-	(2,000)	(1,425)
<b>Net (income) loss and comprehensive (income) loss for the period</b>	<b>82,919</b>	(21,023)	<b>153,392</b>	26,538
<b>Basic and diluted loss per share</b>	<b>\$ (0.00)</b>	\$ (0.00)	<b>\$ (0.00)</b>	\$ (0.00)
<b>Weighted average number of common shares outstanding</b>	<b>220,130,549</b>	99,226,914	<b>129,370,012</b>	99,226,914
- basic and diluted				

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

## King's Bay Gold Corporation

Condensed Interim Statements of Changes in Equity

For the six months ended June 30, 2016 and 2015

Unaudited - Expressed in Canadian dollars

	Number of Shares	Share Capital \$	Reserves \$	Deficit \$	Total \$
<b>Balance, December 31, 2014</b>	<b>98,976,914</b>	<b>16,102,036</b>	<b>1,310</b>	<b>(14,825,121)</b>	<b>1,278,225</b>
Shares issued for property	250,000	-	-	-	-
Net loss for the period	-	-	-	(26,538)	(26,538)
<b>Balance, June 30, 2015</b>	<b>99,226,914</b>	<b>16,102,036</b>	<b>1,310</b>	<b>(14,851,659)</b>	<b>1,251,687</b>
	Number of Shares	Share Capital \$	Reserves \$	Deficit \$	Total \$
<b>Balance, December 31, 2015</b>	<b>99,226,914</b>	<b>16,103,286</b>	<b>1,310</b>	<b>(16,706,747)</b>	<b>(602,151)</b>
Shares issued for cash	183,334,320	919,172	-	-	919,172
Share issuance costs	-	(13,733)	-	-	(13,733)
Net loss for the period	-	-	-	(153,392)	(153,392)
<b>Balance, June 30, 2016</b>	<b>282,561,234</b>	<b>17,008,725</b>	<b>1,310</b>	<b>(16,860,139)</b>	<b>149,896</b>

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

**King's Bay Gold Corporation**  
Condensed Interim Statements of Cash Flows  
For the six months ended June 30, 2016 and 2015  
Unaudited - Expressed in Canadian dollars

	<b>2016</b>	2015
<b>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:</b>		
Net loss for the period	\$ (153,392)	\$ (26,538)
Adjustments for items not involving cash:		
Unrealized loss on marketable securities	2,000	1,425
Gain on sale of exploration asset	(766)	-
Gain on sale of marketable securities	-	(15,650)
Changes in non-cash operating working capital:		
GST receivable	(2,757)	(995)
Prepaid expenses	(30,000)	(2,273)
Accounts payable and accrued liabilities	(675,257)	12,494
<b>Net cash flows (used in) operating activities</b>	<b>(860,172)</b>	<b>(31,537)</b>
<b>CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:</b>		
Proceeds from sale of exploration asset	10,000	-
Proceeds from sale of marketable securities	-	27,050
Exploration and evaluation expenditures	-	(1,626)
<b>Net cash flows from investing activities</b>	<b>10,000</b>	<b>25,424</b>
<b>CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:</b>		
Shares issued for cash	919,172	-
Share issuance costs	(13,733)	-
<b>Net cash flows from investing activities</b>	<b>905,439</b>	<b>-</b>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>55,267</b>	<b>(6,113)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>1,971</b>	<b>9,127</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 57,238</b>	<b>\$ 3,014</b>

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

# King's Bay Gold Corporation

## Notes to the Condensed Interim Financial Statements

For the six months ended June 30, 2016

Unaudited - Expressed in Canadian dollars

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### 1. NATURE OF OPERATIONS

King's Bay Gold Corporation ("King's Bay" or the "Company") was incorporated in Canada pursuant to the *Canada Business Corporations Act* on March 20, 1998, and is in the business of acquiring, exploring, developing and evaluating mineral resource properties. The Company is a public company listed on Tier 1 of the TSX Venture Exchange in Canada with the symbol "KBG".

The head office, principal address and registered and records office of the Company are located at Suite 1450 – 789 West Pender, Vancouver, BC, Canada, V6C 1H2.

### 2. GOING CONCERN

The Company has not generated any revenues and has incurred accumulated losses of \$16,860,139 (December 31, 2015 – \$16,706,747) since inception. As at June 30, 2016, the Company has a working capital surplus of \$23,619 (December 31, 2015 – \$764,463 deficiency). These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

The application of the going concern concept is dependent upon the Company's ability to satisfy its liabilities as they become due and to obtain the necessary financing to continue operations, the attainment of profitable mining operations or the receipt of proceeds from the disposition of its mineral property interests. Management is actively engaged in the review and due diligence on opportunities of merit in the mining sector and is seeking to raise the necessary capital to meet its funding requirements. The conditions described above, cast significant doubt as to the appropriateness of the use of the going concern assumption.

The Company is not expected to be profitable during the ensuing twelve months and therefore must rely on securing additional funds from either debt or equity financings for cash consideration. While the Company is expanding its best efforts to achieve the continued financing, there is no assurance that any such activity will generate sufficient funds for future operations.

### 3. BASIS OF PRESENTATION

#### Statement of Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), applicable to the presentation of interim financial statements, including IAS 34, Interim Financial Reporting.

#### Basis of Measurement

These financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

#### Approval of the Financial Statements

The financial statements of King's Bay Gold Corporation for the six months ended June 30, 2016, were authorized for issue in accordance with a resolution of the directors on August 22, 2016.

# King's Bay Gold Corporation

Notes to the Condensed Interim Financial Statements

For the six months ended June 30, 2016

Unaudited - Expressed in Canadian dollars

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## 3. BASIS OF PRESENTATION – continued

### Significant Accounting Judgments, Estimates and Assumptions

The preparation of these financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

#### Estimates and assumptions

In particular, information about significant areas of estimation uncertainty considered by management in preparing the financial statements includes:

- The recoverability of the carrying value of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest;
- The inputs used in assessing the recoverability of deferred tax assets to the extent that the deductible temporary differences will reverse in the foreseeable future and that the Company will have future taxable income;

#### Management judgments

The critical judgments that the Company's management has made in the process of applying the Company's accounting policies from those involving estimations that have the most significant effect on the amounts recognized in the Company's financial statements are as follows:

- Economic recoverability and probability of future economic benefits of exploration, evaluation and development costs

Management has determined that exploratory drilling, evaluation, development and related costs incurred which have been capitalized are economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefit including geologic information, scoping and feasibility studies, accessible facilities, existing permits and life of mine plans.

- Going concern

Significant judgments used in the preparation of these financial statements include, but are not limited to those relating to the assessment of the Company's ability to continue as a going concern.

## 4. SIGNIFICANT ACCOUNTING POLICIES

The policies applied in these condensed interim financial statements are consistent with policies disclosed in Note 4 of the financial statements for the year ended December 31, 2015. These condensed interim financial statements should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2015.

# King's Bay Gold Corporation

## Notes to the Condensed Interim Financial Statements

For the six months ended June 30, 2016

Unaudited - Expressed in Canadian dollars

### 5. MARKETABLE SECURITIES

Marketable securities consist of equity securities over which the company does not have control or significant influence and are designated as financial assets at fair value through profit or loss ("FVTPL"). Unrealized gains and losses due to period end revaluation to fair value are included in profit or loss for the period.

During the six months ended June 30, 2016, the Company received 200,000 common shares and 200,000 share purchase warrants of Intact Gold Corporation ("Intact") in accordance with the sale agreement of the Blackjack Property.

During the six months ended June 30, 2016, the Company sold nil (December 31, 2015 – 285,000) common shares of Mega Precious Metals Inc. ("Mega"). As at June 30, 2016 the Company owned nil (December 31, 2015 – nil) common shares of Mega.

### 6. MACHINERY AND EQUIPMENT

During the year ended December 31, 2015, the Company disposed or impaired all of the remaining assets of the Company.

	Exploration & evaluation Equipment	Vehicles	Computer equipment	Total
<b>Costs</b>				
December 31, 2014	\$ 21,741	7,568	16,418	45,727
Disposals	-	(7,568)	-	(7,568)
<b>December 31, 2015 &amp; June 30, 2016</b>	<b>\$ 21,741</b>	<b>\$ -</b>	<b>\$ 16,418</b>	<b>\$ 38,159</b>
<b>Accumulated Amortization</b>				
December 31, 2014	\$ 14,425	5,361	16,243	36,029
Write off assets	7,316	-	175	7,491
Disposals	-	(5,361)	-	(5,361)
<b>December 31, 2015 &amp; June 30, 2016</b>	<b>\$ 21,741</b>	<b>\$ -</b>	<b>\$ 16,418</b>	<b>\$ 38,159</b>
<b>Net Book Value</b>				
<b>December 31, 2015 &amp; June 30, 2016</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

### 7. EXPLORATION AND EVALUATION ASSETS

#### Menary Gold Project

- (i) The Company entered into an agreement to acquire an option for a number of claim units in a property known as Menary Gold Project. Between 2011 and April 2013, the Company has paid \$72,000 cash and issued 200,000 common shares under this option agreement.

The vendors will retain a 4.5% NSR interest in the property. The Company has the right to purchase one half of the NSR for \$1,500,000 at any time.

- (ii) The Company entered into an agreement to acquire an option for 44 claim units located in the Menary and Claxton townships commonly known as Menary Gold Project. Between August 2011 and August 2013, the Company paid \$20,000 and issued 1,100,000 common shares for the property.

The vendor will retain a 2.0% NSR interest in the property. The Company has the right to purchase one half of the NSR for \$1,000,000 at any time.

# King's Bay Gold Corporation

## Notes to the Condensed Interim Financial Statements

For the six months ended June 30, 2016

Unaudited - Expressed in Canadian dollars

### 7. EXPLORATION AND EVALUATION ASSETS - continued

#### Menary Gold Project - continued

- (iii) On April 23, 2012, the Company entered into an agreement to acquire a 100% interest in a number of mining claim units in the townships of Menary and Senn in the District of Kenora in the Province of Ontario. Between July 2012 and March 2014, the company paid \$22,000 and issued 500,000 common shares. During the year ended December 31, 2015, the Company issued 250,000 shares with a fair value of \$1,250. The Company has agreed to pay additional consideration for these options as follows:

2015	\$16,000
2016	\$25,000

The vendor will retain a 2.0% NSR interest in the property. The Company has the right to purchase one half of the NSR for \$1,000,000 at any time.

#### Blackjack Property

On January 20, 2013, the Company entered into an agreement to acquire an option in a number of claim units known as the Gold Hill - Blackjack Property in the townships of Kirkup and Manross in the Kenora Mining District in the Province of Ontario. The Company can earn a 100% interest in the property by making a one-time payment of \$18,100 and issuing 500,000 common shares. In December 2012, the Company made an advance of \$1,000 and in January 2013 made an additional payment of \$1,000. In March 2013 the Company issued the 500,000 common shares and in April 2013 made a payment of \$15,875.

The vendor will retain a 2.0% NSR interest in the property. The company has the right to purchase one half of the NSR for \$1,000,000 at any time.

On February 3, 2016, the Company signed an agreement with Intact Gold Corp. ("Intact") for the sale of the Blackjack Property. In consideration, the Company will receive cash of \$10,000 (received), 200,000 post-split common shares of Intact (received and fair valued at \$19,000) within 10 days of TSX Venture approval, and 200,000 post-split purchase warrants of Intact priced at \$0.17 for a term of 24 months from the date of the agreement (received and fair valued at \$7,801 using Black Scholes). There is a 2% Net Smelter Return ("NSR") on future gold production payable to original vendors. Intact can buy back one half or 1% of the NSR at any time by paying \$1,000,000 to the original vendors.

#### Halkirk-Watten Claims

In 2004, the Company staked 4 claims, totaling 672 hectares, in an area where microdiamonds had been found. The Company has determined it will not complete any further exploration and has impaired the property in 2015.

#### Hook Bay of Helena Lake

In 2003, the Company staked 2 claims to explore for gold. In 2005, the Company staked one claim and in 2014, the Company staked one additional claim. The current property covers 560 hectares.

#### Darkwater at Sturgeon Lake

In 2010, the Company staked 3 claims totaling 752 hectares, in the pursuit of exploring for gold. The Company has determined it will not complete any further exploration and has impaired the property in 2015.

# King's Bay Gold Corporation

## Notes to the Condensed Interim Financial Statements

For the six months ended June 30, 2016

Unaudited - Expressed in Canadian dollars

### 7. EXPLORATION AND EVALUATION ASSETS - continued

The following schedule shows the property costs for the six months ended June 30, 2016 and the year ended December 31, 2015:

	Menary Gold	Halkirk- Watten	Blackjack	Hook Bay of Helena Lake	Darkwater at Sturgeon Lake	Total
<b>Balance, January 1, 2015</b>	\$1,455,322	\$640,590	\$35,968	\$88,754	\$89,508	\$2,310,142
Additions during the year						
Exploration	1,580	-	67	26	-	1,673
Shares	1,250	-	-	-	-	1,250
Total additions during the year	2,830	-	67	26	-	2,923
Impairment	(1,341,901)	(640,590)	-	(78,754)	(89,508)	(2,150,753)
<b>Balance, December 31, 2015</b>	\$116,251	\$ -	\$36,035	\$10,026	\$ -	\$162,312
Additions during the year						
Proceeds received for sale	-	-	(36,801)	-	-	(36,801)
Gain on sale of property	-	-	766	-	-	766
Total additions during the year	-	-	(36,035)	-	-	(36,035)
<b>Balance, June 30, 2016</b>	\$116,251	\$ -	\$ -	\$10,026	\$ -	\$126,277

### 8. SHARE CAPITAL

- a) Authorized: Unlimited Class A common voting shares with no par value, and Unlimited Class B common non-voting shares with no par value
- b) Issued and Outstanding:

As at June 30, 2016, the Company had 282,561,234 (December 31, 2015 – 99,226,914) issued and outstanding.

#### During the six months ended June 30, 2016:

On April 26, 2016, the Company closed the first tranche of a private placement of 153,834,320 shares at a price of \$0.005 per share for proceeds of \$771,672. The shares issued pursuant to the private placement are subject to a statutory hold period expiring four months and one day after August 27, 2016. Insiders of the Company subscribed for an aggregate of 15,500,500 shares under the private placement, which is a “related party transaction” within the meaning of Multilateral Instrument 61-101 Protection of Minority Security Holders in Special Transactions (“MI 61-101”). The participation of the insider in the private placement was exempt from the valuation and minority shareholder approval requirements of MI 61-101 by virtue of the exemptions contained in Sections 5.5(a) and 5.7(a) of MI 61-101 in that the fair market value of the consideration of the Units to be issued to the insider did not exceed 25% of the Company’s market capitalization.

On May 27, 2016, the Company closed the second and final tranche of a private placement of 29,500,000 shares at a price of \$0.005 per share for proceeds of \$147,500. The shares issued pursuant to the private placement are subject to a statutory hold period expiring four months and one day after September 28, 2016. Insiders of the Company subscribed for an aggregate of 9,500,000 shares under the private placement, which is a “related party transaction” within the meaning of Multilateral Instrument 61-101 Protection of Minority Security Holders in Special Transactions (“MI 61-101”). The participation of the insider in the private placement was exempt from the valuation and minority shareholder approval requirements of MI 61-101 by virtue of the exemptions contained in Sections 5.5(a) and 5.7(a) of MI 61-101 in that the fair market value of the consideration of the Units to be issued to the insider did not exceed 25% of the Company’s market capitalization.

**King's Bay Gold Corporation**  
Notes to the Condensed Interim Financial Statements  
For the six months ended June 30, 2016  
Unaudited - Expressed in Canadian dollars

**8. SHARE CAPITAL** - continued

b) Issued and Outstanding: - continued

**During the year ended December 31, 2015:**

On April 15, 2015 the company issued 250,000 common shares under a land option agreement relating to the Menary Gold Project. Based on the estimated fair value of the land options, the shares were valued at \$1,250 (Note 7).

**9. SHARE-BASED PAYMENTS**

The Company has a Stock Option Plan (the "Plan") under which it is authorized to grant options to directors, officers, consultants or employees of the Company. At the Company's Annual and Special General Meeting on May 31, 2016, the shareholders approved the "2016 stock Option Plan", and set the number of options granted under the Plan to not exceed 10% of the issued and outstanding shares. Options granted to employees vest fully on grant. Options issued to investor relations consultants vest in stages over 12 months with one quarter of the options vesting in any three month period.

The following is a summary of option transactions under the Company's stock option plan for the six months ended June 30, 2016 and the year ended December 31, 2015:

	<b>June 30, 2016</b>		<b>December 31, 2015</b>	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance, beginning of period	800,000	\$ 0.10	800,000	\$ 0.10
Cancelled	(800,000)	0.10	-	-
Balance, end of period	-	-	800,000	\$ 0.10

On April 1, 2016, the Company cancelled the remaining 800,000 options that were issued to former directors and officers of the Company.

**10. RELATED PARTY TRANSACTIONS**

(a) Key management personnel compensation

The Company did not pay employment based remuneration to directors, officers and other members of key management for the six month ended June 30, 2016 and 2015. However, the Company did pay contract based remuneration to directors, officers and other members of key management as disclosed in Note 10 (b).

(b) Other related party transactions

Included in these financial statements are the following related party transactions, which have been determined by negotiation amongst the related parties. These transactions are in the normal course of operations and are measured at the same value as if the transactions had occurred with non-related parties. Certain expenditures relating to exploration have been capitalized to exploration and evaluation assets.

**King's Bay Gold Corporation**  
Notes to the Condensed Interim Financial Statements  
For the six months ended June 30, 2016  
Unaudited - Expressed in Canadian dollars

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**10. RELATED PARTY TRANSACTIONS** - continued

The Company incurred the following fees and expenses in the normal course of operations:

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<b>Related parties</b>	<b>Type of Service</b>	<b>Six Months ended June 30,</b>	
		<b>2016</b>	<b>2015</b>
7851235 Canada Ltd (a)	Consulting services	-	68,180

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As at June 30, 2016 and December 31, 2015, there were no amounts due to related parties.

- a) 7851235 Canada Ltd., a business owned by a former director, for consulting services relating to marketing and administrative support.

These transactions are in the normal course of operations and have been valued in these financial statements at the exchange amount which is the amount of consideration established and agreed to by the related parties. The amounts due to related parties are unsecured, non-interest bearing, and have no specific terms of repayment.

**11. FINANCIAL RISK MANAGEMENT**

The Company is exposed in varying degrees to a variety of financial instrument-related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

- (a) Credit risk

Credit risk is the risk of loss associated with a counter party's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to its cash balances. The Company manages its credit risk on bank deposits by holding deposits in high credit quality banking institutions in Canada.

- (b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

- (d) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has cash balances and is not exposed to any significant interest rate risk.

- (e) Capital management

Capital is comprised of the Company's shareholders' equity and any debt it may issue. As at June 30, 2016, the Company's shareholders' equity was \$149,896 (December 31, 2015 – \$602,151 deficiency). The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support its operations and business development. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

**King's Bay Gold Corporation**  
Notes to the Condensed Interim Financial Statements  
For the six months ended June 30, 2016  
Unaudited - Expressed in Canadian dollars

**11. FINANCIAL RISK MANAGEMENT – continued**

(f) Capital management - continued

The Company has not generated any revenues and cash flows since its inception; therefore, the Company is dependent on external financing to fund its future intended business plan. The capital structure of the Company currently consists of working capital and shareholders' equity. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements. The Company is not subject to externally imposed capital requirements.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

(g) Fair value

The fair value of the Company's financial assets and liabilities approximates the carrying amount.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value 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 that are not based on observable market data.

The following is an analysis of the Company's financial assets measured at fair value as at June 30, 2016 and December 31, 2015:

	<b>As at June 30, 2016</b>		
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Cash and cash equivalents	\$ 57,238	\$ -	\$ -
Marketable securities	\$ 24,801	\$ -	\$ -
<b>Total</b>	<b>\$ 82,039</b>	<b>\$ -</b>	<b>\$ -</b>
	<b>As at December 31, 2015</b>		
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Cash and cash equivalents	\$ 1,971	\$ -	\$ -
<b>Total</b>	<b>\$ 1,971</b>	<b>\$ -</b>	<b>\$ -</b>

**12. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified in order to conform to the current year's financial statements presentation.

**13. OTHER INCOME**

During the year ended December 31, 2015, the Company received a refund from the Canada Revenue Agency for payroll taxes, interest, and penalties that had been previously paid by the Company in prior years and were recovered through an appeal and settlement.

# King's Bay Gold Corporation

Notes to the Condensed Interim Financial Statements

For the six months ended June 30, 2016

Unaudited - Expressed in Canadian dollars

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## 14. COMMITMENTS

On January 1, 2016, the Company signed a Management Services Agreement with Zimtu Capital Corp. ("Zimtu") to provide management and administrative services at a rate of \$12,500 per month for one year.

On January 1, 2016, the Company signed a corporate development and marketing agreement with Zimtu to provide services, including, but not limited to, business development, strategic planning, marketing, financial services, research, and communication products, at a rate of \$5,000 per month for one year.

## 15. SUBSEQUENT EVENTS

- a. On July 6, 2016, the shares of the Company were consolidated on the basis of ten (10) pre-consolidation Shares for one (1) post-consolidation Share (the "**Consolidation**"). Upon the Consolidation becoming effective, a total of 28,256,123 Shares, subject to adjustments for rounding, will be issued and outstanding.
- b. On August 11, 2016, the Company announced that the Company will not proceed with the proposed non-brokered private placement that was announced on June 9, 2016.