

Condensed Consolidated Interim Financial Statements of

**American CuMo Mining
Corporation**

(Formerly Mosquito Consolidated Gold Mines Limited)
December 31, 2015

UNAUDITED

NOTICE

The accompanying unaudited condensed consolidated interim financial statements of American CuMo Mining Corporation (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 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.

American CuMo Mining Corporation			
(formerly Mosquito Consolidated Gold Mines Limited)			
Condensed consolidated interim statements of financial position - Unaudited			
(Expressed in Canadian dollars)			
		December 31,	June 30,
ASSETS	Note	2015	2015
Current		\$	\$
Cash and cash equivalents		80,723	169,243
Trade and other receivables	6	9,087	6,454
Prepaid expenses and deposits		4,000	4,000
Investments	5	31,363	31,363
		125,173	211,060
Non-current assets			
Reclamation bonds	12	175,155	425,272
Property, plant and equipment	8	4,743	4,743
Unproven mineral right interests	9	20,140,023	20,063,033
		20,445,094	20,704,108
LIABILITIES			
Current			
Trade and other payables	7	1,037,827	943,073
Convertible notes	10	-	219,121
Promissory Notes	11	311,850	311,850
		1,349,677	1,474,044
Non-current liabilities			
Convertible notes	10	2,897,741	2,678,620
Promissory notes	11	626,934	623,700
Reclamation provision	12	175,155	425,271
Deferred income tax liability		295,183	295,183
		5,344,689	5,496,819
EQUITY			
Equity component of convertible notes	11	294,147	294,147
Share capital	14	51,532,637	51,095,199
Equity reserve		11,014,129	11,014,129
Deficit		-47,490,426	(46,895,224)
Accumulated other comprehensive income (loss)		(250,083)	-300,962
		15,100,405	15,207,289
		20,445,094	20,704,108
Nature of Operations	1		
Commitments	18		
Contingencies	17		
Subsequent	19		
Approved on Behalf of the Board of Directors			
Trevor Burns		Joseph Baird	

See accompanying notes to the condensed consolidated interim financial statements.

American CuMo Mining Corporation					
(formerly Mosquito Consolidated Gold Mines Limited)					
Condensed consolidated interim statements of financial position - Unaudited					
(Expressed in Canadian dollars)					
		Three months ended December 31		Six months ended December 31	
	Note	2015	2014	2015	2014
		\$	\$	\$	\$
Expenses					
Interest expense and bank charges		37,703	2,570	63,225	4,120
Convertible note expense	10	344,651	44,838	344,651	44,838
Depreciation		0	0	0	0
Foreign exchange loss		(76,853)	(25,488)	(78,782)	8,384
Salaries and management fees	12	49,713	26,503	84,587	54,517
Office and miscellaneous		34,790	27,665	51,450	36,283
Consulting and professional fees		125	(130,688)	12,173	(90,687)
Rent		16,844	10,976	32,612	32,800
Shareholder comm. and regulatory		27,645	3,296	67,753	193,461
Share-based expense	14	7,388	1,700	7,388	1,700
Travel and business development		2,834	3,218	10,166	(21)
		444,841	(35,409)	595,224	285,396
Loss before other items		(444,841)	35,409	(595,224)	(285,396)
Other items					
Gain on sale of unproven mineral right interests	8	0	-	0	-
Gain on dissolution of subsidiary		22	0	22	0
Gain (loss) on sale or forfeiture of investments	5	0	(65,515)	0	(65,515)
write off reclamation bond		0			
Other income		0	22	0	22
Net loss from continuing operations		(444,819)	(30,084)	(595,202)	(303,389)
Discontinued operations, net of tax		0	(13,805)	0	278,503
Net loss		(444,819)	(43,888)	(595,202)	(24,886)
Other comprehensive loss, net of tax					
Items that may be reclassified to net loss					
Unrealized gain (loss) on investments	5	0	0	0	(7,941)
Transfer of other comprehensive	5	0	0	0	0
Cumulative translation adjustment		0	0	50,879	(18,241)
Sub total		0	0	50,879	(26,182)
Comprehensive loss		(444,819)	(43,888)	(544,323)	(51,067)
Loss per common share:					
Basic and diluted		(0.00)	(0.00)	(0.00)	(0.00)
Weighted average number of common shares outstanding					
Basic and diluted		98,856,196	93,262,446	98,856,196	93,262,446

See accompanying notes to the condensed consolidated interim financial statements.

American CuMo Mining Corporation		
(formerly Mosquito Consolidated Gold Mines Limited)		
Condensed consolidated interim statements of financial position - Unaudited		
(Expressed in Canadian dollars)		
	Six months ended December	
	2015	2014
	\$	\$
OPERATING ACTIVITIES		
Net loss from continuing operations	(595,202)	(24,885)
Items not involving cash		
Depreciation	0	0
Share-based expense	0	1,700
Loss on sale of available for sale assets		
Gain on sale of unproven mineral right interests	-	-
Impairment of unproven mineral right interests	0	0
Loss on sale or forfeiture of investments	0	18,015
Convertible note expense	344,651	44,838
Gain on dissolution of subsidiary	(22)	(278,503)
Changes in non-cash working capital items:		
Decrease (increase) in trade and other receivables	(2,633)	2,825
(Increase) decrease in prepaid expenses	0	0
Increase (decrease) in trade and other payables	94,754	(371,922)
	(158,452)	(607,932)
INVESTING ACTIVITIES		
reclamation of short term bond	250,117	
Purchase of other asset	-	(22,673)
Proceeds from sale of property, plant and equipment	-	-
Expenditures on unproven mineral right interests	(280,990)	(61,375)
Proceeds from sale of unproven mineral right interests		61,375
Proceeds from sale of investment		65,000
	(30,873)	(42,327)
FINANCING ACTIVITIES		
Issue/ Increase in long-term notes	(246,883)	
Proceeds from issuance of shares	437,438	550,000
	437,438	550,000
Net change in cash and cash equivalents from continuing operations	1,229	(15,604.86)
Net change in cash and cash equivalents from discontinued operations		
Effect of exchange rate changes on cash	(89,749)	8,384
Cash and cash equivalents, beginning of the period	169,243	42,652
Cash and cash equivalents, end of the period	80,723	35,431

Supplemental cash flow information (Note 19)

(formerly Mosquito Consolidated Gold Mines Limited)								
Condensed consolidated interim statements of financial position - Unaudited								
(Expressed in Canadian dollars)								
		Share Capital		Convertible	Equity		Comprehensive	Other Total
	note	Number of shares	Amount	Notes	Reserve	Deficit	(Loss) Income	Equity
			\$		\$	\$	\$	\$
Balance on July 1, 2013	8	82,262,446	50,545,199	294,147	10,693,430	(42,130,554)	(1,227,286)	18,174,936
Net loss			-	-	-	(3,776,207)	-	(3,776,207)
Equity component of convertible notes								
Share-based expense				-	60,305	-	-	60,305
Unrealized loss on investments			-	-	-	-	(85,211)	(85,211)
Transfer of other comprehensive loss on sale of investments			-	-	-	-	1,503,370	1,503,370
Cumulative translation adjustment			-	-	-	-	265,996	265,996
Balance on June 30 2014	8	82,262,446	50,545,199	294,147	10,753,735	(45,906,761)	456,869	16,143,189
Balance on July 1 2014	8	82,262,446	50,545,199	294,147	10,753,735	(45,906,761)	456,869	16,143,189
Net loss after tax						(988,463)		(988,463)
Private placements		11,000,000	550,000					550,000
Share-based expense					260,394			260,394
Unrealized loss on investments							(13,093)	(13,093)
Transfer of AOCI on dissolution of subsidiary							(690,111)	(690,111)
Cumulative translation adjustment							(54,627)	(54,626)
Balance on June 30 2015		93,362,446	51,095,199	294,147	11,014,129	(46,895,224)	(300,962)	15,207,289
Net loss						(595,202)		(595,202)
Share Financing		5,593,750	437,438					437,438
Cumulative translation adjustment						0	50,879	50,879
Balance on December 31 2015		98,856,196	51,532,637	294,147	11,014,129	(47,490,426)	(250,083)	15,100,404

See accompanying notes to the condensed consolidated interim financial statements.

American CuMo Mining Corporation

(formerly Mosquito Consolidated Gold Mines Limited)

Notes to the condensed consolidated interim financial statements

December 31, 2015

(Expressed in Canadian dollars)

1. Nature of operations

American CuMo Mining Corporation ("CuMoCo") is an exploration and development company with mineral right interests in the United States of America and Canada. CuMoCo was incorporated under the laws of British Columbia in 1971.

These consolidated financial statements include the accounts of CuMoCo and its wholly-owned subsidiaries (collectively, the "Company"): Idaho CuMo Mining Corp. ("Idaho CuMo", formerly Mosquito Mining Corp.), MSQ Operations Inc. (inactive) and 1156207 Ontario Ltd.

In recent years the Company also conducted operations as an operator of drilling rigs. These operations were discontinued in the fiscal year ended June 30, 2013.

The Company is in the process of exploring its mineral right interests in the United States and at the date of these consolidated interim financial statements, has not yet determined whether any of its mineral properties contain economically recoverable mineral reserves. Accordingly, the carrying amount of mineral right interests represents cumulative expenditures incurred to date and does not necessarily reflect present or future values. The recovery of these costs is dependent upon the discovery of economically recoverable mineral reserves and the ability of CuMoCo to obtain the necessary financing to complete their exploration and development and to resolve any environmental, regulatory, or other constraints. Uncertainty also exists with respect to the recoverability of the carrying value of certain mineral right interests. The ability of the Company to realize on its investment in resource properties is contingent upon resolution of the uncertainties and confirmation of the Company's title to the mineral properties.

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assume that the Company will continue operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due. The Company does not generate material cash flows from operations and accordingly, CuMoCo will need to raise additional funds through future issuance of securities. Although CuMoCo has been successful in raising funds in the past, there can be no assurance CuMoCo will be able to raise sufficient funds in the future, in which case the Company may be unable to meet its obligations as they come due in the normal course of business. The Company has not determined whether any of its properties contain mineral reserves that are economically recoverable. It is not possible to predict whether financing efforts will be successful or if the Company will attain a profitable level of operations. Since inception, the Company has incurred cumulative losses of \$47,490,426 as of December 31, 2015 (June 30, 2015: \$46,895,224), and at December 31, 2015, had a working capital deficiency of \$1,224,504 (June 30, 2015: \$1,262,984). Should CuMoCo be unable to realize its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts on the statement of financial position.

CuMoCo's common shares are listed on the TSX Venture Exchange ("TSX-V") and on the OTCQX stock exchange in the United States, under the trading symbols "MLY" and "MLYCF", respectively. CuMoCo's share options and warrants are not listed.

The head office and principal address of the Company is 638 Millbank, Vancouver, British Columbia, Canada V5Z 4B7.

These consolidated financial statements were authorized for issue by the Board of Directors on February 1, 2016.

American CuMo Mining Corporation

(formerly Mosquito Consolidated Gold Mines Limited)

Notes to the condensed consolidated interim financial statements

December 31, 2015

(Expressed in Canadian dollars)

2. Basis of presentation and statement of compliance

The Company is following the same accounting policies and methods of computation in these condensed consolidated interim financial statements as were utilized in the preparation of the audited consolidated financial statements for the year ended June 30, 2015. Some accounts have been reclassified to ensure comparability with respect to the presentation of the June 30, 2015 consolidated financial statements.

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. These condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements for the year ended June 30, 2015, which have been prepared in accordance with IFRS as issued by the IASB.

3. Accounting policies

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

4. Estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited consolidated financial statements for the year ended June 30, 2015.

5. Investments

	December 31	June 30
	2015	2015
Beginning of fiscal year	31,363	87,584
Dispositions		(85,146)
Additions		42,018
Changes in fair Value		(13,093)
End of fiscal year	31,363	31,363

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December 31, 2015

(Expressed in Canadian dollars)

Investments include the following:

	December 31	June 30
	2015	2015
Golden Cariboo Resources Inc.	129	129
Barkerville Gold Mines Ltd.	4	4
Yamana Gold	15,732	15,732
Salmon River Resources Ltd.	-	-
Ximen Resources	15,498	15,498
Detour Gold Corp	-	-
End of year	31,363	31,363

a) The Company holds 4,300 shares of Golden Cariboo Resources Inc.

b) The Company holds 100,000 shares of Salmon River Resources Ltd.

c) The Company holds 258,300 shares of Ximen Resources Ltd.

6. Trade and other receivables

Trade and other receivables are comprised of the following:

	December 31	June 30,
	2015	2015
	\$	\$
Taxes receivable	9,087	6,454
	9,087	6,454

7. Trade and other payables

Trade and other payables are comprised of the following:

	December 31	June 30,
	2015	2015
	\$	\$
Trade payables	1,011,864	876,250
Payables due to related parties (Note 13)	25,963	66,823
	1,037,827	943,073

American CuMo Mining Corporation

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Notes to the condensed consolidated interim financial statements

December 31, 2015

(Expressed in Canadian dollars)

8. Property, plant and equipment

	Office equipment and furniture
	\$
Balance at June 30, 2013	175,562
Additions	-
Exchange differences	-
Balance at June 30, 2014	175,562
Additions	-
Exchange differences	-
Balance at June 30, 2015	175,562
Accumulated depreciation	
Balance at June 30, 2013	166,819
Depreciation	1,967
Exchange differences	-
Balance at June 30, 2014	168,786
Depreciation	2,033
Exchange differences	-
Balance at June 30, 2015	170,819
Carrying amount	
At June 30, 2014	6,776
At June 30, 2015	4,743
At December 31, 2015	4,743

9. Unproven mineral right interests

The Company's flagship project is the CuMo molybdenum project, located in Idaho, in the United States. The Company's Boise property, also located in Idaho, is contiguous to and provides access to the CuMo project.

The Company also has other unproven mineral right interests in the United States and in Canada, which have been optioned to other exploration companies.

CUMO PROJECT (United States)

The CuMo project is situated in the mountains of south-central Idaho, approximately 15 miles northeast of the town of Idaho City. It consists of 161 unpatented mineral claims.

The project was optioned to the Company by CuMo Molybdenum Mining Inc. in 2004. The terms of the option agreement called for 300,000 CuMoCo shares (issued) and a combination of advance royalty payments and work requirements outlined below.

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Notes to the condensed consolidated interim financial statements

December 31, 2015

(Expressed in Canadian dollars)

9. Unproven mineral right interests (cont'd)

CUMO PROJECT (United States) (cont'd)

1. Advance royalty payments:

- US\$10,000 upon signing (completed);
- US\$10,000 after 60 days (completed);
- US\$5,000 after 6 months (completed);
- US\$20,000 1st year anniversary (completed);
- US\$20,000 2nd year anniversary (completed);
- US\$15,000 3rd year anniversary (completed);
- US\$15,000 every 6 months thereafter (up-to-date).

These payments are to be credited against a 1.5% net smelter return ("NSR") which reduces to 0.5% NSR after cumulative payments of US\$3,000,000.

2. Work requirements:

- US\$25,000 during the first year (completed);
- At least US\$50,000 each year thereafter (up-to-date).

BOISE PROPERTY (United States)

On July 8, 2010, the Company entered into an option agreement, amended on July 5, 2011, to purchase certain mineral claims that included surface rights located in Boise County, Idaho. These patent mineral claims are contiguous to and provide access to the CuMo project. In order to maintain the option in good standing, the Company was required to make option payments of US\$ 1,200,000. These payments have been completed and the Company has obtained title to the Boise property, which becomes part of the overall CuMo project.

PINE TREE PROPERTY (United States)

The Pine Tree property is located in the Pilot Mountains, Mineral County in western Nevada. The primary target on the property is a copper-molybdenum-rhenium porphyry deposit, with potential gold, silver and tungsten by-products.

In 2005 the Company entered into an option agreement to purchase the Pine Tree property through a combination of share payments totaling 300,000 shares of the Company (issued), an exploration commitment of US\$450,000 (completed) and advance royalty payments of \$25,000 per year until a total of US\$2,000,000 (the "NSR Royalty") has been paid, after which the 2% NSR shall be reduced to 0.5%.

On June 25, 2010 (the "Effective Date"), the Company entered into an option agreement with IEMR Resources Inc. ("IEMR"). Pursuant to the agreement, IEMR acquired an option to purchase a 100% interest in the Pine Tree property. In order to maintain the option in good standing, IEMR was required to make the following payments and share issuances to the Company:

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Notes to the condensed consolidated interim financial statements

December 31, 2015

(Expressed in Canadian dollars)

9. Unproven mineral right interests (cont'd)

PINE TREE PROPERTY (United States) (cont'd)

	Cash Payments	Common Shares
	\$	
On the Effective Date (completed)	200,000	1,000,000
On or before the first anniversary of the Effective Date (completed)	200,000	1,000,000
On or before the second anniversary of the Effective Date (completed)	200,000	1,000,000
On or before the third anniversary of the Effective Date (completed)	200,000	1,000,000
On or before the fourth anniversary of the Effective Date (completed)	200,000	-
	<u>200,000</u>	1,000,000
	<u>1,000,000</u>	<u>5,000,000</u>

In addition, IEMR was also to incur aggregate exploration and development expenditures on the property of \$3,000,000 on or before the fourth anniversary of the Effective Date, subject to minimum expenditures of \$500,000 incurred each year on or before the anniversary of the Effective Date. During the option period, IEMR was also to be responsible for making advance royalty payments of US\$25,000 per year to the holders of the NSR Royalty.

In December 2013, the Company and IEMR reached an agreement to amend the option agreement (the "Amendment"). Upon execution of the Amendment, IEMR earned a 100% interest in the Pine Tree Property, subject to the remaining underlying NSR.

Pursuant to the terms of the Amendment, the Company returned 4 million common shares of IEMR to IEMR and recorded a loss on forfeiture of investment of \$646,520 and also recorded a final impairment on mineral right interests of \$10,841 during the year ended June 30, 2014.

The only remaining issue to be resolved is the return of the US\$36,716 exploration bond put in place by the Company.

OTHER PROPERTIES (United States)

Other unproven mineral right interests in the United States were the Spruce Mountain and Copper Chief properties, which have been fully impaired. During fiscal 2014, the optioned 75% interest on the Copper Chief property was returned and subsequent to June 30, 2014 the property was dropped.

CARIBOO PROPERTY (Canada)

The Company was originally formed to establish a mining complex on the former producing mines known as Island Mountain Mine and Cariboo Gold Quartz Mine, located near Wells, in British Columbia. As of June 2015 the Company has no interest in the property.

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Notes to the condensed consolidated interim financial statements

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9. Unproven mineral right interests (cont'd)

LAVERTY and CUMMINS PROPERTIES (Canada)

In 2004 the Company acquired a 100% interest in 1156207 Ontario Ltd. for \$80,000 with the vendor retaining a 1% NSR. 1156207 Ontario Ltd. holds a 100% interest in two groups of patented mineral claims known as the Lavery property, located in Red Lake, Ontario and the Cummins property, located near Larder Lake, Ontario.

By way of an option agreement dated January 26, 2009, and amended on March 11, 2009, the Company optioned the Lavery property to Yamana Gold Inc. ("Yamana") (formerly Mega Precious Metals) in consideration of cash payments of \$500,000, 250,000 shares of Skybridge, 500,000 shares of Mega and a \$1,500,000 exploration expenditures commitment.

During the year ended June 30, 2013, Yamana completed the commitments and all consideration due to the Company pursuant to this option agreement.

The Company retains a 2% NSR on ore mined from the property.

The Cummins property consists of 5 patented mineral claims located in McElroy Township, near Larder Lake, Ontario. The Company has a 100% interest in the project and has not performed any work to date.

BRETT PROPERTY (Canada)

In 2003 the Company completed an agreement to acquire a 100% interest in the Brett #1 and Brett #2 mineral claims located in the Vernon Mining District of British Columbia for a consideration of 500,000 shares of the Company.

In 2004, Running Fox Resource Corp. ("Running Fox") and the Company entered into an option agreement on the Brett property whereby Running Fox earned a 50% interest in the property in 2004.

In 2011, the Company entered into a subsequent agreement with Running Fox whereby the Company sold to Running Fox the remaining 50% interest, subject to a sliding scale NSR on the property based on the price of gold as follows:

- Gold price up to \$500 per ounce: 2% NSR;
- Gold price between \$501 and \$1,000 per ounce: 3% NSR;
- Gold price between \$1001 and \$1,500 per ounce: 5% NSR;
- Gold price between \$1501 and \$2,000 per ounce: 6% NSR;
- Gold price over \$2,001 per ounce: 8% NSR.

On December 20, 2013, the Company entered into an agreement (the "Agreement") whereby Ximen Mining Corp. ("Ximen") may acquire the Company's above NSR interest.

The consideration payable to the Company consists of up to \$1,350,000 cash and 100,000 common shares of Ximen payable prior to the third anniversary of the Agreement. In addition, there are additional share issuances of \$120,000 payable in shares due by the third year of the Agreement. The number of shares to be issued shall be calculated based on the deemed price per share being the volume-weighted average closing price (subject to TSX-V minimum pricing) of Ximen's common shares on the TSX-V for the ten trading days prior to the date the payment is due. The securities to be received pursuant to the Agreement will be subject to a four month hold period from the date of issuance in accordance with applicable Canadian securities law.

The Company received 100,000 Ximen shares in May 2014, and 258,300 Ximen shares in June 2015, per the agreement with Ximen.

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9. Unproven mineral right interests (cont'd)

BRETT PROPERTY (Canada) (cont'd)

Until such time as all payments are delivered The Company still holds the royalty on any production recorded from the property.

	CuMo	Boise	Pine Tree	Other	Total
	\$	\$	\$	\$	\$
Balance, June 30 2013	17,894,650	1,214,050	415,000	19,751	19,543,451
Exploration expenditures:					
Assays and analysis	339	-	-	-	339
Community relations	79,530	-	-	-	79,530
Geological/professional fees	46,000	-	-	-	46,000
Environmental studies	433,425	-	-	-	433,425
	18,453,944	1,214,050	415,000	19,751	20,102,745
Other items:					
Acquisition costs and payments	83,985	-	9,526	-	93,511
Impairment charges	-	-	(10,841)	-	(10,841)
Option payments received	-	-	(413,685)	(6,751)	(420,436)
Recovery of reclamation bond	-	-	-	(13,000)	(13,000)
Balance, June 30 2014	18,537,929	1,214,050	-	-	19,751,979
Balance, July 1 2014	18,537,929	1,214,050	-	-	19,751,979
Exploration expenditures:					
Geological/professional fees	43,696	-	-	-	43,696
Environmental studies	203,792	4,095	-	-	207,887
Other items:					
Acquisition costs and payments	59,471	-	-	-	59,471
Balance, June 30 2015	18,844,888	1,218,145	-	-	20,063,033
Balance, July 1 2015	18,844,888	1,218,145	-	-	20,063,033
Exploration expenditures					
Assays and analysis		-	-	-	0
Community Relations	40,262	-	-	-	40,262
Drilling	-	-	-	-	-
Geological/professional fees	37,661	-	-	-	37,661
Environmental studies	213,501	-	-	-	213,501
Other exploration costs	(50,879)				(50,879)
Other item:					
Acquisition costs and payments	40,444	-	-	-	40,444
Recovery of reclamation bond	(204,000)				(204,000)
Balance, December 31 2015	18,921,878	1,218,145	0	0	20,140,023

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10. Convertible notes

In order to finance the ongoing development of the CuMo project the Company has borrowed from International Energy & Mineral Resources Investment (Hong Kong) Company Limited ("IEMR HK") the principal amount of \$1,500,000 and US\$1,500,000, and issued secured convertible notes (the "Notes") in respect of such indebtedness to IEMR HK (the "Financing").

The Notes have face values of \$1,500,000 and US\$1,500,000, respectively, and mature in October 2017 (the "Maturity Date"). The Notes accrue interest at a rate of 6.5% per annum, calculated and paid annually. At the option of IEMR HK the Notes shall be convertible at any time prior to the Maturity Date, in whole or in part, into common shares of the Company at a price of \$0.28 per common share, provided that IEMR HK shall only be permitted to exercise such conversion right to the extent that it results in IEMR HK holding no greater than 19.9% of the issued and outstanding common shares of CuMoCo.

The Canadian dollar Note is being treated as a compound financial instrument with a debt element treated as a liability and an equity conversion element treated as equity. On issuance the equity conversion feature was valued at \$297,394. Share issue costs of \$3,247 were allocated to the equity conversion feature, resulting on a net equity conversion feature of \$294,147.

The U.S. dollar Note, given it is not denominated in the functional currency of CuMo, is accounted for as a financial liability with an embedded derivative and host debt contract.

The carrying values of the Notes contain the following components:

	December 31 2015	June 30, 2015
	\$	\$
Liability component	2,790,261	2,790,261
Option conversion component	107,480	107,480
	<u>2,897,741</u>	<u>2,897,741</u>

The current and long-term portions of the Notes are as follows:

	December 31, 2015	June 30, 2015
	\$	\$
Short-term	-	219,121
Long-term	2,897,741	2,678,620
	<u>2,897,741</u>	<u>2,897,741</u>

Changes in the balances of the Notes are comprised of the following:

Issue of Notes	2,997,996	2,997,996
Note issue costs	(21,575)	(21,575)
Allocation of equity conversion feature	(297,394)	(297,394)
Accreted interest	995,276	995,276
Coupon payments	(400,491)	(400,491)
Change in option conversion component valuation	(616,123)	(616,123)
Foreign exchange loss	240,052	240,052
	<u>2,897,741</u>	<u>2,897,741</u>

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The aggregate total of accreted interest, changes in the option conversion component valuation and foreign exchange expense of \$562,795 is reported as convertible note expense (2014: \$218,144 as convertible recoveries) in the Company's statement of loss and comprehensive loss.

IEMR HK is a "Related Party" of the Company pursuant to the policies of the TSX-V, as IEMR HK holds approximately 14.13% of the issued and outstanding common shares of CuMoCo. As such, the Financing constituted a "Related Party Transaction" under the policies of the TSX-V. The Company has relied on exemptions from the formal valuation and minority approval requirements which are available to the Company.

The Notes will default if the Company, or any of its subsidiaries, makes a general assignment for the benefit of its creditor, or files a proposal under the *Bankruptcy and Insolvency Act* (Canada), or shall become insolvent, or shall be declared or adjudged bankrupt, or a receiving order is made against the Company or any subsidiary unless same is being contested in good faith and is dismissed, stayed or withdrawn within 30 days. This note is secured by all of the assets of the parent company, CuMoCo.

11. Promissory Notes

Idaho CuMo entered into two different promissory notes during fiscal 2014.

The first loan was for a total of \$USD 250,000, and was received in 3 installments during fiscal 2015. This loan was received from La Familia II LLC. It accrues interest at 8.5% per year, and has a maturity date of January 31, 2025. In the event the Company defaults on the loan, interest shall be payable on the outstanding principle at an annual rate of equal to 4% in excess of the note rate. If the Company makes the decision to go into operation ("triggering event"), the lender has the right to purchase a Silver Conversion option from the Company. Under the Silver Conversion option, the holder has the right to purchase one ounce of silver for every dollar owed by the Company at price of \$USD 5.00/ounce, plus an upfront payment of \$USD 250,000.00. This note is secured by the six patented claims which make up the Boise Property.

The second loan was the sale of two Idaho CuMo Units. Each unit costs \$USD 250,000, and consists of a promissory note that accrues annual interest at 8.5%, and matures 7 years from the date of issuance. The units also include the option to enter into a Silver Purchase Agreement Right with the Company. Upon notice that the triggering event has occurred, the unit holder has 30 days to enter into the Silver Purchase Agreement. The Silver Purchase Agreement Right allows the holder to purchase up to 375,000 ounces of refined silver from the Company at price of \$USD 5.00/ounce, plus an upfront payment of \$USD 250,000.00 - this is known as a "Stream Unit". The Silver Purchase Agreement Right expires if 1) it is not entered into within 30 days of the triggering event; or 2) if the principle amount of the loan is prepaid in whole or in part prior to maturity (this prepayment requires the consent of the lender). This note is secured by all of the assets of the subsidiary, Idaho CuMo, except for the six claims which make up the Boise Property.

Idaho CuMo has accrued interest during fiscal 2015 based on the terms of each promissory note.

12. Reclamation bonds and provisions

The Company's reclamation provision relates to the following Company properties:

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	December 31 2015	June 30, 2015
	\$	\$
CuMo	122,606	372,723
Pine Tree	45,800	45,800
Cariboo	3,500	3,500
General reclamation costs	3,249	3,249
	<u>175,155</u>	<u>425,272</u>

The reclamation provision is comprised of deposits to the Bureau of Land Management, the Boise National Forest, the United States Forest Service and other agencies for the above properties.

During the six months ending December 31, 2015, the cash bond on deposit for the CuMo project was converted to a surety note which resulted in the return of US\$204,000 in cash. The cost of the bond is US\$8,340 per year and is paid by Idaho CuMo.

Although the Company does not anticipate being required to perform significant reclamation activities, it has recorded a provision for estimated reclamation costs based on the amount of the reclamation bonds. The reclamation deposits are expected to be refunded once the agencies are satisfied that the Company has performed all necessary decommissioning activities.

The continuity of the reclamation provision is as follows:

	December 31 2015	June 30, 2015
	\$	\$
Balance at the beginning of the fiscal year	425,272	348,159
Foreign exchange effect on US Bonds	(46,117)	77,113
Return of work performance bond - general	(204,000)	-
Balance at the end of the fiscal quarter	<u>175,155</u>	<u>425,272</u>

13. Related party transactions

Details of the transactions between the Company and other related parties are disclosed below.

(a) Trading transactions

The Company's related parties consist of companies owned by or associated with executive officers and directors, and former executive officers and directors as follows:

	<u>Nature of transactions</u>
Geologic Systems Inc.	Exploration and administration fees
Trevor Burns	Investor Relations fees

During the six months ended December 31, 2015 and 2014, the Company incurred the following fees in the normal course of operations in connection with companies owned by key management and directors. Fees have been measured at the exchange amount which is determined on a cost recovery basis.

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13. Related party transactions (cont'd)

	Six months ended December 31	
	2015	2014
	\$	\$
Salaries and management fees	65,000	54,517
Exploration fees	25,000	11,000
Administration fees	-	44,229
	90,000	109,746

Amounts due to related parties are unsecured, non-interest bearing and due on demand. Trade and other payables at December 31, 2015 included \$25,963 (June 30, 2015: \$66,823), which were due to officers, director and private companies controlled by directors and officers of the Company.

Amounts payable by related parties are unsecured, non-interest bearing and payable on demand.

(b) Compensation of key management personnel

The remuneration of directors and other members of key management personnel during the six months ended December 31, 2015 and 2014 were as follows:

	Note	Six Months ending December 31	
		2015	2014
		\$	\$
Salaries and fees	(i)	90,000	109,746
Share-based payments			
		90,000	109,746

(i) Salaries and fees include salaries and management fees disclosed in note 12(a).

(ii) Share-based payments are the fair-value of options granted to key management personnel.

Amounts payable by related parties are unsecured, non-interest bearing and payable on demand. Trade and other receivables at December 31, 2015 included \$nil (December 31, 2014: \$nil), which were due by a private company controlled by a director and officer of the Company, and by a director and officer of the Company.

14. Share capital

(a) Capital

At December 31, 2015, CuMoCo's authorized share capital consisted of an unlimited number of common shares without par value. All issued common shares are fully paid.

437,250 common shares were issued during the six months ended December 31, 2015 at a price of \$0.10 per share, due to the exercise of warrants from the October 9, 2014 private placement.

On November 12, 2015, the Company closed a non-brokered private placement of 5,156,250 units at a price of \$0.08 per unit for gross proceeds of \$412,500. Each unit is

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comprised of a share and a share purchase warrant, with an exercise price of \$0.15 and expiring November 12, 2020.

As of December 31, 2015 the Company had 98,856,196 shares outstanding.

(b) *Equity reserve*

Share Options

Equity reserve consists of the accumulated fair value of common share options and share purchase warrants recognized as share-based payments.

CuMoCo has an incentive share option plan under which directors, officers, consultants and employees of the Company are eligible to receive stock options. The maximum number of shares reserved for issuance upon exercise of all options granted under the plan is equal to 10% of the then issued and outstanding common shares. No more than 5% of the issued shares may be issued to any eligible person other than a consultant in any 12 month period unless disinterested shareholder approval has been obtained. No more than 2% of the issued shares may be issued to any one consultant in any 12 month period. No more than 2% of the issued shares may be issued to all employees in the aggregate conducting investor relations activities in any 12 month period.

The exercise price of share options is determined by the Board of Directors at the time of grant and may not be less than the discounted market price as calculated and defined in accordance with the policies of the TSX-V. Options granted must be exercised no later than 10 years commencing from the later of the date of grant or such lesser period as determined by the Board. Options shall terminate automatically or 90 days after optionees no longer act as officers, directors or consultants of the Company. In the case of death, options shall terminate within one year from the event.

Once approved, all options are considered vested and are exercisable at any time, except where other vesting periods are determined by the Board.

No new share options were awarded during the six months ended December 31, 2015

	Quarter ended December 31, 2015		Year ended June 30, 2015	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Balance, beginning of period	7,150,000	0.17	4,100,000	0.17
Options granted	-	-	5,150,000	0.17
<u>Options expired</u>			(200,000)	0.36
<u>Options forfeited</u>			(1,900,000)	0.17
Balance, end of period	7,150,000	0.17	7,150,000	0.17

The following table summarizes information about stock options outstanding and exercisable at December 31, 2015:

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Options Outstanding				Options exercisable		
		wt. avg.	wt. avg.	Options	wt. avg.	wt. avg.
		exercise	remaining	outstanding	exercise	remaining
exercise	Options	price	contractual	and	price	contractual
price	outstanding	\$	life(years)	exercisable	\$	life(years)
0.15	6,550,000	0.15	4.17	6,250,000	0.15	4.13
0.35	600,000	0.35	4.17	600,000	0.35	4.17
	7,150,000	0.17	4.17	6,850,000	0.17	4.14

The fair value of the share options awarded to employees and directors was estimated using the Black-Scholes option pricing model with the following assumptions for the periods presented below:

	Quarter ended December 31, 2015	Year ended June 30, 2015
Risk free interest rate	1.13% -1.58%	1.13% -1.58%
Expected life	5 years	5 years
Expected volatility	84.1%-91.09%	84.1%-91.09%
Expected dividend per share	\$Nil	\$Nil

The weighted average fair value of share options awarded during the year ended June 30, 2015, estimated using the Black-Scholes option pricing model was \$0.08 per option.

The Black-Scholes option pricing model was developed for use in estimating the fair value of share options that have no vesting provisions and are fully transferable. Also, option-pricing models require the use of estimates and assumptions including the expected volatility. CuMoCo uses expected volatility rates which are based upon their historical volatility. Changes in the underlying assumptions can materially affect the fair value estimates.

The total share-based payment expense calculated for the six months ended December 31, 2015 was \$7,388 (2014: \$nil).

Warrants

At December 31, 2015, the Company had 11 million warrants outstanding as a result of the private placement. Warrants are exercisable at a price of 0.10 and expire October 10, 2016. There is an acceleration clause that allows the Company to request the warrant exercise should the stock trade above 0.12 for 10 consecutive trading days. Warrant holders have 20 days to exercise the warrants.

A total of 437,500 warrants were exercised at a price of 0.10 during the six months ended December 31, 2015.

On November 12 2015 the Company closed a private placement, which included 5,156,550 warrants at a price of 0.15 due to expire November 12, 2020. There is an acceleration clause

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that allows the Company to request the warrant exercise should the stock trade above 0.175 for 10 consecutive trading days. Warrant holders have 20 days to exercise the warrants.

(b) *Equity reserve (cont'd)*

Warrants (cont'd)

	Quarter Ended December 31, 2015		Year ended June 30, 2015	
	Number of warrants	Weighted average exercise price \$	Number of warrants	Weighted average exercise price \$
Balance, beginning of year	11,000,000	0.10	2,608,227	0.85
Warrants granted	5,156,250	0.15	11,000,000	0.10
Warrants expired		0.85	(2,608,227)	0.85
Warrants exercised	(437,500)			
Balance, end of year	15,718,750	0.12	11,000,000	0.10

15. Segmented information

The Company operates in two geographical areas, being Canada and the United States. The following is an analysis of the Company's assets by geographical area and reconciled to the Company's consolidated financial statements:

	December 31, 2015 \$	June 30, 2015 \$
Assets by geographic segment, at cost		
Canada		
Current assets	116,178	119,611
Reclamation bonds	6,749	6,749
Property, plant and equipment	4,743	4,743
Unproven mineral right interests		
	127,670	131,103
United States		
Current assets	8,996	91,449
Reclamation bonds	168,406	418,523
Unproven mineral right interests	20,140,022	20,063,033
	20,317,424	20,573,005
	20,445,094	20,704,108

16. Commitments

The Company has entered into a lease agreement for the lease of office premises in Vancouver. The commencement date of the lease was December 1, 2011, for a five year term. The Company's basic rent commitments for the remaining term of the contract are approximately \$41,800.

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17. Contingencies

- a) Liberty Mutual Insurance Company asserted a claim against the Kirkness (USA) for unpaid premium of US\$142,374 plus interest, costs of suit and attorney's fees. The amount in dispute is included in accounts payable and accrued liabilities.
- b) In the year ended June 30, 2013, the Company received an invoice for \$77,705 from Multi-Power Products Ltd., a supplier of drill supplies, and disputed this invoice. The drill supplies were shipped directly by the supplier to a Mexican company owned by a former director and officer of the Company. During the year ended June 30, 2014, Kirkness and the Company were served with a Notice of Civil Claim by the supplier.
- c) A lawsuit was filed by International Energy & Mineral Resources Investment (Hong Kong) Company Limited ("IEMR HK") against Shaun Dykes (President and CEO) and American CuMo Mining Corporation for the default in the USD\$1,500,000 and CAD\$1,500,000 convertible notes (Note 9). This lawsuit was filed on June 17, 2014 and stayed on July 17, 2014.

18. Supplemental cash flow information

The following significant non-cash transactions have been excluded from the statements of cash flows:

Six months ended December 31, 2015 – No significant transactions.

19. Subsequent events

Subsequent to December 31, 2015, the following events occurred:

- January 31, 2016, Idaho CuMo Mining Corporation ("Idaho CuMo", a wholly-owned subsidiary of CuMoCo), finalized an agreement with a private California-based investor for the purchase of up to twelve US\$250,000 units ("Units") of the Company's Silver Stream Debentures. Under the terms of the agreement, the investor has purchased two Units for a total of US\$500,000 and has been granted an option to purchase an additional two Units before December 31, 2016 and another two Units before December 31, 2017, provided the first two Units are purchased by December 31, 2016. The total investment is US\$1,500,000 for six Units. The investor has agreed to accrue all interest payments and in so doing has been granted the right to purchase six more Units for an additional US\$1,500,000 at the time the Company delivers a decision to place the CuMo Project into commercial production.