

Condensed Consolidated Financial Statements  
(Expressed in Canadian dollars)

## **ASIAN MINERAL RESOURCES LIMITED**

For the three months ended March 31, 2015 and 2014

(Unaudited)

# ASIAN MINERAL RESOURCES LIMITED

Condensed Consolidated Balance Sheets  
(Expressed in Canadian dollars)  
(Unaudited)

	Notes	March 31, 2015	December 31, 2014
<b>Assets</b>			
Current assets:			
Cash and cash equivalents		\$ 3,883,712	\$ 5,001,954
Accounts receivable and prepaid expenses	8	17,568,918	16,341,270
Inventories	9	6,771,160	5,863,982
		28,223,790	27,207,206
Non-current assets:			
Plant, property and equipment	10	46,266,846	47,219,656
Mineral property interest	11	437,754	492,964
		46,704,600	47,712,620
<b>Total assets</b>		<b>\$ 74,928,390</b>	<b>\$ 74,919,826</b>
<b>Liabilities and Shareholders' Equity</b>			
Current liabilities:			
Trade payables and accrued liabilities	12	\$ 7,954,978	\$ 8,659,100
Bank term loan	13	7,629,458	9,280,742
		15,584,436	17,939,842
Non-current liabilities:			
Bank term loan	13	10,133,786	9,281,466
Provision for closure and rehabilitation	14	435,719	399,072
Other non-current liabilities	15	2,457,466	2,250,776
		13,026,971	11,931,314
<b>Total liabilities</b>		<b>28,611,407</b>	<b>29,871,156</b>
Shareholders' equity:			
Share capital	16	128,264,065	128,236,565
Share-based payments reserve		639,165	669,328
Currency translation reserve		6,403,531	2,722,783
Deficit		(88,448,281)	(85,901,641)
<b>Equity attributable to shareholders of the Company</b>		<b>46,858,480</b>	<b>45,727,035</b>
Non-controlling interest	25	(541,497)	(678,365)
<b>Total shareholders' equity</b>		<b>46,316,983</b>	<b>45,048,670</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$ 74,928,390</b>	<b>\$ 74,919,826</b>

Going concern (note 1)  
Subsequent event (note 15)  
Contingencies (note 27)

The accompanying notes form an integral part of these consolidated financial statements.

# ASIAN MINERAL RESOURCES LIMITED

Condensed Consolidated Statements of Operations and Comprehensive (Loss) Income

(Expressed in Canadian dollars)

(Unaudited)

For the three months ended March 31, 2015 and 2014

	Notes	2015	2014
Revenue	17	\$ 21,834,182	\$ 15,333,509
Costs of sales:			
Production costs	18	(18,248,466)	(13,114,406)
Royalty		(1,835,316)	(1,436,656)
Concentrate transport and logistics		(2,318,985)	(1,562,535)
		(568,585)	(780,088)
General and administrative expenses	19	(1,848,306)	(1,645,679)
Exploration		(156,206)	(139,989)
Operating loss		(2,573,097)	(2,565,756)
Finance income		193	799
Finance expense	20	(286,026)	(395,894)
		(285,833)	(395,095)
Loss for the period		(2,858,930)	(2,960,852)
Other comprehensive income:			
Foreign currency translation gain		4,089,721	445,538
Comprehensive income (loss) for the period		\$ 1,230,791	\$ (2,515,314)
Net loss for the period attributable to:			
Shareholders of the Company		\$ (2,586,826)	\$ (2,750,272)
Non-controlling interest		(272,104)	(210,580)
		\$ (2,858,930)	\$ (2,960,852)
Comprehensive income (loss) for the year attributable to:			
Shareholders of the Company		\$ 1,093,923	\$ (2,349,288)
Non-controlling interest	25	136,868	(166,026)
Comprehensive income (loss) for the period		\$ 1,230,791	\$ (2,515,314)
Basic and diluted shareholders' loss per share	16(f)	\$ 0.00	\$ 0.00
Weighted average number of common shares outstanding		779,390,548	768,820,796

The accompanying notes form an integral part of these consolidated financial statements.

# ASIAN MINERAL RESOURCES LIMITED

Condensed Consolidated Statement of Changes in Equity  
(Expressed in Canadian dollars, except number of common shares)  
(Unaudited)

For the three months ended March 31, 2015 and 2014

	Number of common shares (note16)	Share capital (note16)	Share- based payments reserve	Currency translation reserve	Deficit	Shareholders' equity	Non- controlling interest	Total
Balance, January 1, 2014 (Restated – note 2)	776,178,372	\$ 128,083,456	\$ 661,766	\$ 1,148,043	\$ (91,906,204)	\$ 37,987,061	\$ (1,663,908)	\$ 36,323,153
Issue of shares, net of costs	1,424,957	71,248	-	-	-	71,248	-	71,248
Share-based payments	-	-	212,900	-	-	212,900	-	212,900
Expiry of options	-	-	(87,331)	-	87,331	-	-	-
Currency translation loss	-	-	-	400,984	-	400,984	44,554	445,538
Net loss for the period	-	-	-	-	(2,750,272)	(2,750,272)	(210,580)	(2,960,852)
Balance, March 31, 2014	777,603,329	128,154,704	787,335	1,549,027	(94,569,145)	35,921,921	(1,829,934)	34,091,987
Issue of shares, net of costs	1,391,713	81,861	-	-	-	81,861	-	81,861
Share-based payments	-	-	104,778	-	-	104,778	-	104,778
Expiry of options	-	-	(222,785)	-	222,785	-	-	-
Currency translation gain	-	-	-	1,173,756	-	1,173,756	130,418	1,304,174
Net income for the period	-	-	-	-	8,444,719	8,444,719	1,021,151	9,465,870
Balance, December 31, 2014	778,995,042	\$ 128,236,565	\$ 669,328	\$ 2,722,783	\$ (85,901,641)	\$ 45,727,035	\$ (678,365)	\$ 45,048,670
Issue of shares, net of costs	550,000	27,500	-	-	-	27,500	-	27,500
Share-based payments	-	-	10,023	-	-	10,023	-	10,023
Expiry of options	-	-	(40,186)	-	40,186	-	-	-
Currency translation gain	-	-	-	3,680,748	-	3,680,748	408,972	4,089,720
Net loss for the period	-	-	-	-	(2,586,826)	(2,586,826)	(272,104)	(2,858,930)
Balance, March 31, 2015	779,545,042	\$ 128,264,065	\$ 639,165	\$ 6,403,531	\$ (88,448,281)	\$ 46,858,480	\$ (541,497)	\$ 46,316,983

The accompanying notes form an integral part of these consolidated financial statements.

# ASIAN MINERAL RESOURCES LIMITED

Condensed Consolidated Statements of Cash flows

(Expressed in Canadian dollars)

Unaudited)

For the three months ended March 31, 2015 and 2014

	Notes	2015	2014
Cash provided by (used in):			
Operating activities:			
Net loss for the period		\$ (2,858,930)	\$ (2,960,852)
Items not involving cash:			
Share-based payments	16(d)(ii)	10,023	212,900
Amortization and depreciation		9,153,210	5,978,115
Unrealized foreign exchange (gain) loss		135,236	44,554
Changes in non-cash operating working capital:			
Accounts receivable and prepaid expenses		(1,227,648)	(2,145,883)
Inventories		(907,178)	(1,555,092)
Accounts payable and accrued liabilities		(460,785)	2,763,555
Cash flow provided by operating activities		3,843,928	2,337,297
Investing activities:			
Purchase of property, plant and equipment	10	(3,731,570)	(3,770,494)
Cash flow used in investing activities		(3,731,570)	(3,770,494)
Financing activities:			
Issuance of common shares and warrants, net of issue costs	16(d)(i),23	27,500	71,248
Draw down of bank term loan	13		191,229
Repayment of bank term loan	13	(798,965)	-
Cash flow (used in) provided by financing activities		(771,465)	262,477
Net decrease in cash and cash equivalents		(659,107)	(1,170,720)
Effect of foreign exchange rate fluctuations on cash held in foreign jurisdictions		(459,135)	(905,659)
Cash and cash equivalents, beginning of period		5,001,954	6,375,127
Cash and cash equivalents, end of period		\$ 3,883,712	\$ 4,298,748

Supplemental cash flow information (note 23)

The accompanying notes form an integral part of these consolidated financial statements.

## 1. Nature of business and going concern:

Asian Mineral Resources Limited (the “Company” or “AMR”) is incorporated under the laws of the Province of British Columbia by a certificate of continuance as of December 31, 2004, having previously been incorporated and registered under the New Zealand Companies Act 1993. On April 19, 2004, the Company became listed on the TSX-Venture Exchange (TSX-V). The Company’s principal business activities are the exploration and development of mineral property interests and extraction and processing of nickel mineral deposits. Its principal mineral property interest, held through a joint venture, is in the Ban Phuc Project Area located 160 km west of Hanoi in Son La Province, in northwestern Vietnam. The Company’s registered corporate office is located at 120 Adelaide Street West, Suite 2500, Toronto, Ontario, Canada M5H 1T1.

Following feasibility studies in 2005 and 2007, the Company received a mining license in late 2007. Due to market conditions, development was delayed until 2012. Full commercial production began November 1, 2013, at which point the Company commenced recording income related to revenues from metals sales and the costs incurred to produce those revenues in profit or loss.

As at March 31, 2015, the Company has cash and cash equivalents of \$3.9 million and working capital of \$12.6 million. During the three months ended March 31, 2015, the Company incurred a net loss of \$2.9 million and has an accumulated deficit of \$88.4 million. The Company incurred significant losses and negative cash flow from operations in the years prior to 2014. Whether the Company will maintain profitability and positive cash flow is uncertain and depends on numerous factors including but not limited to production level, production cost, ore grade, metallurgy, and nickel price. The factors indicate the existence of a material uncertainty that casts significant doubt about the Company’s ability to continue as a going concern. Management is currently negotiating a new working capital credit facility and additional financing to pursue its business objective.

These consolidated financial statements have been prepared on a going concern basis, 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 as they come due. There can be no assurance that the Company will continue to achieve profitability and positive cash flows from the Ban Phuc mine. Should the Company not be able to continue as a going concern, adjustments to the carrying values and classification of its assets and liabilities would be required, and these adjustments could be material.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current operations, including exploration programs, will result in profitable mining operations. The recoverability of the carrying value of exploration and development properties and the Company’s continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, the ability of the Company to raise additional financing, if necessary, or alternatively upon the Company’s ability to dispose of its interest on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values.

## **2. Restatement of previously issued financial statements**

During the preparation of the current year financial statements, the Company determined that the allocation of net loss between shareholders and non-controlling interest ("NCI") had been incorrectly calculated for the year ended December 31, 2013. The correction of this error resulted in an increase to shareholders' equity of \$1,163,469 as at December 31, 2013 and corresponding decreases to deficit and NCI, respectively. The correction of this error resulted in a reduction of the net loss and comprehensive loss attributable to shareholders of \$1,163,469 for the year ended December 31, 2013 offset by a corresponding increase in net loss and comprehensive loss attributable to NCI.

## **3. Basis of preparation:**

### (a) Statement of compliance:

These unaudited condensed consolidated financial statements, including comparative figures, have been prepared in accordance with International Accounting Standard("IAS") 34 *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB") and do not include all of the information required for full annual financial statements. These unaudited condensed interim financial statements should be read in conjunction with the Company's 2014 annual financial statements which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

### (b) Approval of the financial statements:

The consolidated financial statements of the Company for the period ended March 31, 2015 were reviewed by the Audit Committee, approved and authorized for issue by the Board of Directors on May 29, 2015.

### (c) Comparative figures:

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

## **4. Significant accounting policies:**

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

### (a) Basis of measurement: These consolidated financial statements have been prepared on the historical cost basis, utilizing the accrual method of accounting unless otherwise described in the following notes.

### (b) Revenue recognition: Revenue from sales of nickel concentrate is sold under pricing arrangements whereby revenue is recognized at the time of shipment, at which time legal title and risk pass to the customer and provisional revenue is recorded at current month average price as per the London Metals Exchange. The quoted period established to finalize the sales price is the second month after the shipment month, within which the contract is required to be settled. Changes between the prices recorded upon recognition of provisional revenue and final price due to fluctuation in metal market prices result in the existence of an embedded derivative in the accounts receivable. This embedded derivative is recorded at fair value, with changes in fair value classified as a component of revenue and receivables. Changes in the estimate of concentrate nickel content resulting from the final independent analysis of the concentrate are recognized at the point at which such analysis is agreed upon between the Company and its customers.

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

(c) Currency translation:

The functional and presentation currency of the Company is the Canadian dollar. The functional currency of its subsidiary, Ban Phuc Nickel Mines Limited Liability Company (“BPNM”), is the United States dollar. Transactions in currencies other than the functional currency are recorded at the rate of exchange prevailing on the date of the transaction. Monetary assets and liabilities are translated at the exchange rate in place on the reporting date. Non-monetary items that are measured at historical cost in a foreign currency are translated at the exchange rate on the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date the fair value was determined. Foreign currency translation differences are recognized in profit or loss.

For consolidation purposes, BPNM is translated into the Company’s presentation currency of Canadian dollars. Assets and liabilities are translated using the exchange rate prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rate for the relevant period. Translation differences are recognized in other comprehensive income (loss) and are accumulated within equity in the currency translation reserve.

(d) Basis of consolidation:

These consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany transactions and balances are eliminated on consolidation. For partially owned subsidiaries, the interest attributable to non-controlling shareholders is reflected in non-controlling interest. The Company determines whether it shall consolidate a subsidiary by assessing whether it has control over the subsidiary. Factors considered in such an assessment include whether the Company is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary,

Significant subsidiaries of the Company are as follows:

Name	Country of incorporation	Effective interest
Ban Phuc Nickel Mines Limited Liability Company	Vietnam	90%
Asian Mineral Resources Nickel Limited	Cook Islands	100%
Asian Nickel Exploration Limited	Cook Islands	100%

(e) Cash and cash equivalents:

Cash and cash equivalents consist of cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less when acquired.

(f) Inventories:

Inventories include nickel concentrate in progress and produced, and consumable materials and supplies. The cost of nickel concentrate in progress and produced is determined principally by average production costs. Production inventories are stated at the lower of average production costs and net realizable value.



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

(f) Inventories (continued)

Costs of nickel concentrate inventories include all costs incurred up until production of a tonne of nickel concentrate such as mining costs, processing costs, maintenance costs, road transport costs and directly attributable general and administration costs but exclude royalties. Net realizable value is determined with reference to estimated contained nickel, copper and cobalt metal and current market prices at the reporting period end date.

Consumable materials and supplies inventory consists of consumables used in development activities, such as explosives, fuel and spare parts which are valued at the lower of cost and replacement cost (approximates net realizable value) and, where appropriate, less a provision for obsolescence.

Inventory produced prior to achieving commercial production was recognized as revenue in the income statement when sold.

(g) Prepayments:

Prepayments to suppliers and contractors are based on the contract progress, with payments made at specified stages of the contract. These payments are recognized in the balance sheet as prepaid expenses.

(h) Property, plant and equipment:

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Plant and equipment includes capitalized development expenditures. Cost includes expenditures that are directly attributable to the acquisition or construction of an asset and includes the direct charges associated with bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation is provided on plant and equipment, calculated on a straight line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual financial period with the affect of any changes recognized on a prospective basis.

Asset	Basis	Rate range
Building, machinery, motor vehicles, infrastructure	Straight-line	14% - 25%
Furniture and office equipment	Straight-line	11% - 33%
Licenses and franchises	Straight-line	11% - 33%
Plant and mine development	Unit of production based mineral reserves	

The expenditures related to construction are capitalized as construction-in-progress and are included within properties, plant and equipment. Construction in progress represents the cost of remaining plant and mine development which is under construction. Costs directly attributable with ongoing construction related activities during the commissioning phase of new assets incurred in the period before they are operating in the way intended by management are capitalized, all other costs not directly attributable are expensed. No depreciation is provided for construction in progress during the period of construction.

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

(i) Mineral property interest:

Exploration expenses incurred prior to determination of the technical feasibility and commercial viability of mining operations and issuance of a mining license are expensed as incurred. Mineral property acquisition costs and exploration and development expenditures incurred subsequent to the determination of technical feasibility and commercial viability of mining operations and issuance of a mining license are deferred, less accumulated amortization and accumulated impairment losses, if any, until the property to which they relate commences commercial production, is sold, allowed to lapse or is abandoned. Technical feasibility and commercial viability generally coincide with the establishment of proven and probable reserves; however, this determination may be impacted by management's assessment of certain modifying factors. When commercial production in an area of interest has commenced, the associated costs are amortized over the estimated economic life of the mine on a units-of-production basis using proven and probable reserves (as defined by National Instrument 43-101).

Changes in factors such as estimates of proven and probable reserves that affect units-of-production calculations are accounted for on a prospective basis.

(j) Impairment of long-lived assets:

At the end of each year or at each reporting date, the Company reviews the carrying amounts of its long-lived assets to determine whether there is any indication that those assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs.

The recoverable amount of a CGU is the higher of the CGU's fair value less costs to sell and its value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. Impairment losses are recognized in profit and loss in the period the impairment indicator is identified.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. The carrying amount of the asset or CGU is increased to its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. The reversal of an impairment loss is recognized immediately in profit and loss.

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

(k) Reserve estimates:

The Company estimates its ore reserves and mineral resources based on information compiled by Qualified Persons as defined in accordance with Canadian Securities Administrators National Instrument 43-101 *Standards for Disclosure of Mineral Projects* ("NI 43-101"). Reserves are used when performing impairment assessments on the Company's mineral property, for forecasting the timing of payment of mine closure, reclamation and rehabilitation costs, and in determining the depletion of mineral properties.

There are numerous uncertainties inherent in estimating ore reserves, and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecasted prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may, ultimately, result in changes to reserve estimates. Any adjustments are accounted for prospectively.

(l) Provision for closure and rehabilitation:

A provision for closure and rehabilitation is recognized when there is a legal or constructive obligation to remediate as a result of exploration, development and production activities undertaken, if the amount of the provision can be measured reliably. The estimated future obligations include the costs of dismantling, and removal of facilities and restoration. The provision for future restoration costs is the best estimate of the present value of the expenditure required to settle the restoration obligation at the reporting date. The environmental rehabilitation obligation is capitalized as part of the carrying amount of the associated long-lived asset and a liability is recorded. The environmental rehabilitation cost is amortized on the same basis as the related asset. Future restoration costs are reviewed annually and any changes in the estimate are reflected in the present value of the restoration provision at the reporting date.

(m) Mining rights grant fee:

In late 2010, the Vietnamese Government passed a new law, the Mineral Law 2010. Decree 15 of the law included a new statutory fee titled "mining rights grant fee". The Mineral Law 2010 provided the fee to be determined based on price, reserve, quality and type of the relevant mineral; however, until late 2013, both the Mineral Law 2010 and the Decree 15 did not specify the formula for calculation and thus there was no basis to estimate the fee payable. In November 2013, the Vietnamese Government issued Decree 203 which outlined the formula to calculate the mining rights grant fee and on that basis the Company estimated the cost of the fee and recognized a provision of \$4.6 million in the 2013 consolidated financial statements. On February 6, 2015, the Company received Decision No. 288/QD-BTNMT issued by the Ministry of Natural Resources and Environment ("MONRE") to amend the contents specified in the Mineral Mining License. Refer to note 15 for further details of the amendment.

(n) Share capital:

Common shares are classified as equity. The Company records proceeds from share issuances net of issue costs and any tax effects. Common shares issued for consideration other than cash are valued at the quoted market price on the date the shares are issued.

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

(o) Share-based payments:

The Company has a share option plan, under which the fair value of all share-based awards is estimated using the Black-Scholes Option Pricing Model at the grant date and amortized over the vesting periods. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company. Share-based payments to non-employees are measured at the fair value of the goods or services received, or the fair value of the equity instruments issued if it is determined the fair value of the goods or services received cannot be reliably measured and are recorded at the date the goods or services are received. The amount recognized as an expense is adjusted to reflect the number of awards expected to vest. The offset is credited to share-based payment reserve.

Upon the exercise of the share purchase options, consideration paid together with the amount previously recognized in the share-based payment reserve is recorded as an increase to share capital. Charges for share purchase options that are forfeited before vesting are reversed from the share-based payments reserves. For those share purchase options that expire or are forfeited after vesting, the amount previously recorded in share-based payments reserve is transferred to deficit.

(p) Interest expense:

Interest is recognized on a time proportion basis, taking into account the principal outstanding and the effective rate over the period to maturity.

(q) Royalties and export tariffs:

A royalty is payable to the Vietnamese Government calculated at 10% of the value of nickel concentrate sale price less export tax, processing costs, bagging costs, freight costs, custom charges and warehouse costs. Royalty expense is recorded when revenue from the sale of nickel concentrate is recognized.

Export tariff is payable to the Vietnamese Government and calculated at 20% of the value of nickel concentrate sale price less sea freight costs.

(r) Income taxes:

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in the statement of operations except to the extent that the tax relates to a business combination, or items recognized directly in equity or in other comprehensive income (loss).

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized.

Deferred tax assets are reviewed each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

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

(r) Income taxes:

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be in effect when temporary differences reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset the tax liabilities and assets, and they relate to income taxes levied by the same tax authority.

(s) Financial instruments:

Non-derivative financial assets and liabilities:

The Company initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows of the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company classifies its financial assets and liabilities in the following categories:

- (A) Fair value through profit or loss ("FVTPL");
- (B) Held-to-maturity;
- (C) Available-for-sale financial assets ("AFS"); or
- (D) Loans and receivables.

The classification depends on the purpose for which the financial assets or liabilities were acquired. Management determines the classification of financial assets and liabilities at initial recognition.

The Company has the following non-derivative financial assets: loans and receivables.

*Financial assets at FVTPL*

A financial asset is classified at fair value through profit or loss if it is classified as held-for-trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy.

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

(s) Financial instruments (continued):

*Held-to-maturity investments*

Investments are measured at amortized cost using the effective interest rate method. Transaction costs are added and amortized to the statement of operations over the life of the financial instrument on an effective yield basis. The Company does not have any assets classified as held-to-maturity investments.

*Available-for-sale financial assets*

Short-term investments are classified as available-for-sale and are carried at fair value (where determinable based on market prices of actively traded securities) with unrealized gains and losses recognized in other comprehensive income (loss). Management assesses the carrying value of AFS financial assets each period and any impairment charges are recognized in profit or loss. When financial assets classified as available-for-sale are sold, the accumulated fair value adjustments recognized in other comprehensive income (loss) are included in profit and loss. The Company does not have any assets classified as available-for-sale financial assets.

*Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest rate method, less any impairment losses. Loans and receivables comprise cash and cash equivalents and accounts receivable.

*Impairment of financial assets*

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each period end. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

*Financial liabilities*

Financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, derivative financial liabilities are measured at fair value and other financial liabilities at amortized cost using the effective interest method.

The Company has the following non-derivative financial liabilities: bank term loan, trade payables and accrued liabilities which are classified as other financial liabilities.

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

(t) Earnings (loss) per share:

Basic earnings (loss) per share is calculated by dividing the income (loss) available to common shareholders by the weighted average number of common shares outstanding during the period. For all periods presented, income (loss) available to common shareholders equals the reported income (loss) attributable to the shareholders of the Company.

Diluted earnings (loss) per share is calculated using the treasury stock method. Under the treasury stock method, the weighted average number of common shares issued and outstanding used for the calculation of diluted earnings (loss) per share assumes that the proceeds to be received on the exercise of dilutive stock options and warrants are used to repurchase common shares at the average market price during the period.

#### 5. Changes in accounting standards:

*IFRS 9, Financial Instruments*

In November 2009, the IASB issued IFRS 9, *Financial Instruments*, as the first step in its project to replace IAS 39, *Financial Instruments: Recognition and Measurement*. On July 24, 2014 the IASB issued the complete IFRS 9. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on an entity's business model and the contractual cash flows of the financial asset.

Classification is made at the time the financial asset is initially recognized, namely when the entity becomes a party to the contractual provisions of the instrument

IFRS 9 amends some of the requirements of IFRS 7, *Financial Instruments: Disclosures*, including added disclosures about investments in equity instruments measured at fair value in other comprehensive income, and guidance on the measurement of financial liabilities and de-recognition of financial instruments. The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 with early adoption permitted, and must be applied retrospectively with some exemptions permitted. The Company is currently assessing the impact of adopting IFRS 9 on its consolidated financial statements.

*IFRS 15, Revenue from Contracts with Customers*

On May 28, 2014, the IASB issued IFRS 15. The new standard is effective for annual periods beginning on or after January 1, 2017 with early adoption permitted. IFRS 15 will replace IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfer of Assets from Customers* and SIC 31 *Revenue – Barter Transactions Involving Advertising Services*.

The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have also been introduced, which may affect the amount and/or timing of revenue recognized.

## 5. Changes in accounting standards (continued):

The Company intends to adopt IFRS 15 in its consolidated financial statements for the annual period beginning on January 1, 2017. The extent of the impact of adoption of the standard has not yet been determined.

### Amendments to IAS 1, *Presentation of Financial Statements*

On December 18, 2014, the IASB issued amendments to IAS 1 as part of its major initiative to improve presentation and disclosure in financial reports. The amendments are effective for annual periods beginning on or after January 1, 2016 with early adoption permitted. The Company intends to adopt these amendments in its financial statements for the annual period beginning on January 1, 2016. The extent of the impact of adoption of the amendments has not yet been determined.

## 6. Critical judgments in applying accounting policies:

The critical judgments that the Company's management has made in the process of applying the Company's accounting policies, apart from those involving estimations (note 7), that have the most significant effect on the amounts recognized in the Company's consolidated financial statements are as follows:

- (a) Economic recoverability and probability of future economic benefits of exploration, evaluation and development costs:

Management has determined that exploration drilling, evaluation, development and related costs incurred which have been capitalized are economically recoverable. Management uses several criteria in its assessment of economic recoverability and probability of future economic benefits including geologic and metallurgic information, history of conversion of mineral deposits to proven and probable reserves, scoping and feasibility studies, accessible facilities, existing permits and life of mine plans.

- (b) Commercial production:

Costs incurred to construct and develop mineral properties, plant and equipment are capitalized until the assets are brought into the location and condition necessary to be capable of operating in the manner intended by management. Depletion of capitalized costs for mineral properties and related plant and equipment begins when operating levels intended by management have been reached. The results of operations of the Company during the years presented in these audited consolidated financial statements have been impacted by management's determination that the Ban Phuc mine reached the operating levels intended by management on November 1, 2013.

- (c) Functional currency:

The functional currency for each of the Company's subsidiaries is the currency of the primary economic environment in which the entity operates. It has been determined that the functional currency of BPNM is the United States dollar, while the functional currency for the Company and its other subsidiaries is the Canadian dollar. Assessment of functional currency involves certain judgments to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in the events and conditions, which determine the primary economic environment.



**6. Critical judgments in applying accounting policies (continued):**

(d) Going concern:

The assessment of the Company's ability to continue as a going concern involves judgment regarding future funding available for its development of the Ban Phuc mine and for working capital requirements. Judgments must also be made with regard to events or conditions, which might give rise to significant uncertainty.

(e) Provisional pricing contracts:

Nickel concentrate is invoiced when shipped and amounts recognized as revenue are based on the Company's assessment of the mineral content and grade, based on internal assays, of the concentrate shipments. Final assays determine the final payable ounces by the Company's customers. Therefore, there is significant estimation uncertainty surrounding the recognition of revenues based on preliminary assays. Any adjustments to revenue recognized based on final assays are accounted for prospectively.

**7. Key sources of estimation uncertainty:**

The preparation of the consolidated financial statements requires management to make estimates and assumptions of the effect of uncertain future events on the carrying amounts of the Company's assets and liabilities at the end of the reporting period. Actual results may differ from those estimates as the estimation process is inherently uncertain. Differences between the actual results and present estimates and assumptions have the potential to materially affect the Company's consolidated financial statements. Estimates are reviewed on an ongoing basis and are based on historical experience and other facts and circumstances. Revisions to estimates and the resulting effect on the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

The significant assumptions about the future and other major sources of estimation uncertainty as at the end of the reporting period that may result in a material adjustment to the carrying amounts of the Company's assets and liabilities are as follows:

(a) Impairment of mineral properties, plant and equipment:

The Company considers both external and internal sources of information in assessing whether there are any indications that mineral properties, plant and equipment are impaired. External sources of information the Company considers include changes in the market, economic and legal environment in which the Company operates that are not within its control and affect the recoverable amount of mineral properties, plant and equipment. Internal sources include the manner in which mineral properties, plant and equipment are being used or are expected to be used, and indications of economic performance of the assets.

In determining the recoverable amounts of the Company's mineral properties, plant and equipment, the Company's management makes estimates of the discounted future after-tax cash flows expected to be derived from its mineral properties using an appropriate discount rate. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future non-expansionary capital expenditures, reductions in the amount of recoverable reserves, resources and exploration potential and/or

## 7. Key sources of estimation uncertainty (continued):

adverse current economics can result in a write down of the carrying amounts of the Company's mineral properties, plant and equipment.

(b) Operating expenses and costing of work-in-progress inventory:

In determining operating expenses recognized in the consolidated statement of comprehensive income (loss), the Company's management makes estimates of quantities of ore on stockpiles and in process and the recoverable nickel in this material to determine the cost of finished goods sold during the period. Changes in these estimates can result in a change in operating expenses in future periods and carrying amounts of inventories.

(c) Estimated recoverable nickel tonnes and ore reserve tonnes:

The carrying amounts of the Company's mineral properties, plant and equipment are depleted based on recoverable nickel tonnes and ore reserve tonnes. Changes to estimates of recoverable nickel tonnes, ore reserve tonnes and depletable costs, including changes resulting from revisions to the Company's mine plans and changes in metals prices forecasts, can result in a change to future depletion rates and impairment analysis.

(d) Estimated mine closure and rehabilitation costs:

The Company's provision for mine closure and reclamation cost obligations represents management's best estimate of the present value of the future cash outflows required to settle the liability which reflects estimates of future costs, inflation, movements in foreign exchange rates and assumption of risks associated with the future cash outflows. Changes in the above factors can result in a change to the provision recognized by the Company.

Changes to the mine closure and rehabilitation cost obligations are recorded with a corresponding change to the carrying amounts of the related mineral properties, plant and equipment in the year identified. Adjustments to the carrying amounts of the related mineral properties, plant and equipment can result in a change to the future depletion expense.

(e) Income taxes:

In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates for future taxable income are based on forecasted income from operations and the application of existing tax laws in each jurisdiction. Weight is attached to tax planning opportunities that are within the Company's control, feasible and can be implemented without significant obstacles. The likelihood that tax positions taken will be sustained upon examination by applicable tax authorities is assessed based on individual facts and circumstances of the relevant tax position evaluated in light of all available evidence. Where applicable tax laws and regulations

## 7. Key sources of estimation uncertainty (continued):

are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates could occur, which may materially affect the amounts of income tax assets recognized.

### (f) Share-based compensation:

The Company includes an estimate of forfeitures, share price volatility, expected life of awards and risk-free interest rates in the calculation of the expense related to certain long-term employee incentive plans. These estimates are based on previous experience and may change throughout the life of an incentive plan. Such changes could impact the share-based compensation expense and share-based payments reserve.

## 8. Accounts receivable and prepaid expenses:

	March 31, 2015	December 31, 2014
Trade receivables	\$ 7,606,145	\$ 9,681,877
VAT/GST refundable	7,319,324	5,472,245
Export tariff refundable	1,555,305	-
Prepayments and advances	1,154,152	1,200,500
Other receivables	46,494	89,686
Provision for doubtful debt	(112,502)	(103,038)
	<u>\$ 17,568,918</u>	<u>\$ 16,341,270</u>

The trade receivables consist of receivables from provisional nickel concentrate sales from the Ban Phuc mine. The trade receivables are less than 30 days past due. The fair value of receivables arising from concentrate sales that contain provisional pricing is determined using the appropriate quoted closing price per the London Metal Exchange for the particular metal. As such, these receivables, which meet the definition of an embedded derivative, are classified within Level 2 of the fair value hierarchy (see note 24).

The Company, through its Vietnam subsidiary pays value added tax on the purchase and sale of goods and services at a rate of 5% and 10%. The Company's concentrate is a processed natural resource/mineral which is subject to VAT and applicable tax rate of 0% VAT when exported. The net amount paid or payable is recoverable, but such recovery is subject to review and assessment by local tax authorities.

Export tariff is calculated at 20% of nickel concentrate sales. During the quarter ended March 31, 2015, reduced revenues, due to lower nickel prices, generated export tariffs refundable of \$1,555,305.

## 9. Inventories:

	March 31, 2015	December 31, 2014
Consumable materials and supplies	\$ 2,763,782	\$ 2,462,720
Work in process inventory <sup>(1)</sup>	202,919	442,321
Finished goods inventory <sup>(2)</sup>	3,804,459	2,958,941
	<b>\$ 6,771,160</b>	<b>\$ 5,863,982</b>

(1) The Company held 4,322 tonnes of work in process nickel ore as of March 31, 2015 (2014: 5,029 tonnes), which were carried at cost being the lesser of cost and net realizable value.

(2) The Company held 2,177 tonnes of nickel concentrate finished product as of March 31, 2015 (2014: 3,217 tonnes), which were carried at cost being the lesser of cost and net realizable value.

## 10. Property, plant and equipment:

	Building, infrastructure mine, machinery, plant, motor, vehicles	Construction in progress	Furniture, office equipment and intangible assets	Total
<b>Cost</b>				
Balance at January 1, 2014	\$ 54,860,856	\$ 559,345	\$ 4,944,370	\$ 60,364,571
Additions	14,562,176	1,655,673	-	16,217,849
Translation adjustment	2,627,628	83,837	119,825	2,831,290
Adjustment for mining rights grant fees (note 15)	-	-	(1,778,545)	(1,778,545)
Balance at December 31, 2014	\$ 72,050,660	\$ 2,298,855	\$ 3,285,650	\$ 77,635,165
Additions	2,591,343	1,137,798	2,429	3,731,570
Translation adjustment	4,048,847	186,416	178,357	4,413,620
Balance at March 31, 2015	\$ 78,690,850	\$ 3,623,069	\$ 3,466,436	\$ 85,780,355
<b>Accumulated Depreciation</b>				
Balance at January 1, 2014	\$ (2,776,267)	\$ -	\$ (377,966)	\$ (3,154,233)
Depreciation expense	(26,694,007)	-	(567,269)	(27,261,276)
Balance at December 31, 2014	\$ (29,470,274)	\$ -	\$ (945,235)	\$ (30,415,509)
Depreciation expense	(9,078,846)	-	(19,154)	(9,098,000)
Balance at March 31, 2015	\$ (38,549,120)	\$ -	\$ (964,389)	\$ (39,513,509)
<b>Net Book Value</b>				
Balance at December 31, 2014	\$ 42,580,386	\$ 2,298,855	\$ 2,340,415	\$ 47,219,656
Balance at March 31, 2015	\$ 40,141,730	\$ 3,623,069	\$ 2,502,047	\$ 46,266,846

On transition from Canadian generally accepted accounting principles to IFRS, an assessment was performed to determine whether an impairment reserve was warranted and on the basis of the discounted cash flow analysis, an impairment in the amount of \$27.8 million was recorded. Similar assessments since that time have indicated that a reversal of the impairment, or a portion thereof, is not warranted as at reporting period end.

**11. Mineral property interest:**

	March 31, 2015	December 31, 2014
Ban Phuc Project Area	\$ 492,964	\$ 677,323
Amortization	(55,210)	(184,359)
Net book value	\$ 437,754	\$ 492,964

The Company's mineral property interest is in the Ban Phuc Project Area in Vietnam. The Ban Phuc mine commenced operations on November 1, 2013, at which time construction-in-progress amounts were transferred to appropriate categories of mineral properties, plant and equipment and the Company commenced depreciating these assets based on their useful lives from that date.

**12. Trade payables and accrued liabilities:**

	March 31, 2015	December 31, 2014
Trade payables	\$ 5,186,047	\$ 5,454,628
Taxes	1,793,430	2,356,714
Accrued liabilities	975,501	847,758
	\$ 7,954,978	\$ 8,659,100

Taxes include royalty tax, environmental protection fee, foreign contractor tax and payroll tax.

**13. Bank term loan and credit facility:**

On June 4, 2013, the Company, through its subsidiary BPNM, entered into a US\$11.0 million term loan with a Vietnamese bank (the "Lender"). On July 4, 2013, the Company amended the principal amount of the loan to US\$20.0 million, secured by the assets of BPNM and a guarantee by the Company (hereinafter referred to as "the Loan"). Interest on the Loan accrues at LIBOR (6-month) plus 6.5%. In March 2014, the Loan was restructured such that quarterly principal payments of US\$2.0 million commenced September 30, 2014, while monthly interest payments began in March 2014. In June 2014, the interest rate on the Loan was revised to LIBOR (6-month) plus 5%. In April 2015, the interest rate on the Loan was further reduced to LIBOR (6-month) plus 4.5%. The amendments did not result in any material changes to the carrying value of the Loan.

The third loan repayment of US\$2.0 million was made in March 2015, such that the remaining balance of the Loan at March 31, 2015 was US\$14.0 million (December 31, 2014 - US\$16.0 million).

Over the term of the Loan, the Lender is entitled to 20% of the annual excess cash of BPNM, once all liabilities are settled, which shall be paid to the Lender within 45 days of the issuance of the annual audited financial statements. Additionally, no repayment shall be made on intercompany or other third party loans during the term of the Loan. BPNM is also required to maintain a maximum ratio of the outstanding loan balance against the value of secured assets of 50% over the term of the Loan. BPNM was in compliance with this requirement as at March 31, 2015.

A clause exists in the loan agreement which allowed the Company to make early principal repayments on the outstanding Loan balance until September 4, 2014; however, such early repayments were subject to a 0.2% fee per month, subject to a formulaic calculation. Thereafter, there is no penalty for early repayments. Management assessed whether this prepayment option is an embedded derivative and should be accounted for separately from the host contract. Management determined that the economic characteristics and risks of the prepayment feature are closely related to those of the host debt contract and, therefore, no embedded derivative was identified.

A US\$3.0 million facility was also arranged with the same local bank in Vietnam in December 2013 to allow an additional source of working capital funding if required. This credit facility, which was to expire in December 2014, has been renegotiated to continue for the 2015 year. The facility is a revolving working capital loan with a term of three months at the proposed rate of 4%. The facility was secured by the assets of BPNM and a corporate guarantee by the Company and approved on May 25, 2015.

**14. Provision for closure and rehabilitation:**

Based on the Environmental Impact Assessment (“EIA”), and Environment Resettlement and Rehabilitation Program (“ERRP”), as previously submitted to the authorities for the Ban Phuc project, the Ministry of Natural Resources and Environment (“MONRE”) provides confirmation of the estimate for closure and rehabilitation. On this basis these consolidated financial statements reflect a provision for site closure and rehabilitation as at March 31, 2015 in the amount of \$435,719 (December 31, 2014: \$399,072). As of March 31, 2015, the Company has deposited with MONRE \$288,575 (December 31, 2014: \$237,675) as an advance deposit for future closure and rehabilitation expenditures

**15. Other non-current liabilities:**

	March 31, 2015	December 31, 2014
Mining rights grant fee	\$ 2,111,697	\$ 1,934,089
Other	345,769	316,687
	<b>\$ 2,457,466</b>	<b>\$ 2,250,776</b>

The Company has recorded a Mining rights grant fee for the right to exploit minerals at Ban Phuc, based on reserve tonnes, as outlined in Mineral Law 2010, Decree 15 and 203 issued by the Vietnamese government and Decision 288 issued by MONRE.

On February 6, 2015, the Company received Decision No. 288/QD-BTNMT issued by the MONRE to amend the contents specified in the Mineral Mining License (the “Decision”). In the Decision, the mining rights grant fee was revised to \$2.9 million and is payable in annual installments over the three years from 2015 to 2017. As at December 31, 2014, the Company recognized a decrease of \$1.8 million in the mining rights grant fee provision and related ass

**16. Share capital:**

(a) Authorized:

The Company's share capital consists of an unlimited number of common shares without par value.

(b) Issued and outstanding:

	Number of shares	Amount
Balance, January 1, 2014	776,178,372	\$ 128,083,456
Issued during the year:		
Shares issued in lieu of directors fees (note 16(d(i)))	2,816,670	153,109
Balance, December 31, 2014	778,995,042	128,236,565
Issued during the year:		
Shares issued in lieu of directors fees (note 16(d(i)))	550,000	27,500
Balance, March 31, 2015	779,545,042	\$ 128,264,065

(c) Private placements:

- (i) On March 28, 2013, pursuant to a rights offering, the Company issued 250,000,000 common shares at \$0.05 per share for gross proceeds of \$12,500,000. The costs associated with the placement totaled \$298,207 and have been presented directly in equity as a debit to share capital.

(d) Share-based compensation:

(i) Common shares:

In 2013, certain directors entered into compensation agreements to receive common shares of the Company in lieu of directors' fees. Under these agreements, 550,000 shares were issued in three months ended March 31, 2015 for services of \$27,500 and 2,816,670 shares were issued in 2014 for services of \$153,739. The costs associated with the directors' shares issued in 2014 totaled \$630 and have been presented directly in equity as a debit to share capital.

(ii) Common share options:

The Company grants share purchase options pursuant to the policies of the TSX-Venture Exchange with respect to eligible persons, exercise price, maximum term, vesting, maximum options per person and termination of eligible person status. The purpose of the share purchase options is to retain and motivate management, staff, consultants and other qualified individuals by providing them with the opportunity, through share options, to acquire a proprietary interest in the Company and benefit from its growth.

## 16. Share capital (continued):

### (d) Share-based compensation (continued):

#### (ii) Common share options (continued):

##### 2014 share option grants:

The Company granted 2,481,647 share options under the Company's share option plan on November 5, 2014. The options, which expire on November 5, 2019, are exercisable at \$0.05 per share. These options fully vested during the year ended December 31, 2014.

The Company granted 2,000,000 share options under the Company's share option plan on August 22, 2014. The options, which expire on August 22, 2019, are exercisable at \$0.05 per share and vest in equal quarterly installments of 500,000 options on September 30, 2014, December 31, 2014, March 31, 2015 and June 30, 2015, respectively.

The Company granted 3,651,176 share options under the Company's share option plan on February 3, 2014. The options, which expire on February 1, 2019, are exercisable at \$0.08 per share. These options fully vested during the year ended December 31, 2014.

During the period ended March 31, 2015, vesting of share options to directors and employees resulted in \$10,023 (2014: \$212,900) being recorded as share-based compensation expense. The compensation expense was estimated using the Black-Scholes Option Pricing model assuming a range of risk-free interest rates averaging 1.88% and a range of expected volatilities of between 72-107%, an expected dividend rate of nil and an expected life of five years.

The continuity of outstanding share purchase options for the period ended March 31, 2015 is as follows:

Expiry dates	Exercise prices (1)	Balance December 31, 2014	Granted	Exercised	Expired/cancelled/forfeited	Balance March 31, 2015
July 17, 2017	\$0.10	4,007,517	-	-	-	4,007,517
November 16, 2017	\$0.10	2,400,000	-	-	(800,000)	1,600,000
February 14, 2018	\$0.05	1,000,000	-	-	-	1,000,000
August 23, 2018	\$0.05	1,900,000	-	-	(800,000)	1,100,000
October 23, 2018	\$0.05	2,713,308	-	-	-	2,713,308
February 1, 2019	\$0.08	2,936,934	-	-	-	2,936,934
August 22, 2019	\$0.05	2,000,000	-	-	-	2,000,000
November 5, 2019	\$0.05	2,481,647	-	-	-	2,481,647
		20,596,781	-	-	-	17,839,406
Weighted average exercise price		\$ 0.07	-	-	-	\$ 0.07
Weighted average remaining life (years)		3.64	-	-	-	3.40



## 16. Share capital (continued):

### (d) Share-based compensation (continued):

The continuity of outstanding share purchase options for the period ended March 31, 2014 is as follows:

Expiry dates	Exercise prices (1)	Balance December 31, 2013	Granted	Exercised	Expired/cancelled/forfeited	Balance March 31, 2014
July 1, 2014	\$0.11	830,000	-	-	-	830,000
July 17, 2017	\$0.10	5,553,473	-	-	-	5,553,473
November 16, 2017	\$0.10	4,500,000	-	-	(2,100,000)	2,400,000
February 14, 2018	\$0.05	1,000,000	-	-	-	1,000,000
August 23, 2018	\$0.05	6,000,000	-	-	(2,100,000)	3,900,000
October 23, 2018	\$0.05	2,713,308	-	-	-	2,713,308
February 1, 2019	\$0.08	-	3,651,176	-	-	3,651,176
		20,596,781	3,651,176	-	(4,200,000)	20,047,957
Weighted average exercise price		\$ 0.08	\$ 0.08	-	\$ 0.08	\$ 0.08
Weighted average remaining life (years)		4.01	4.84	-	-	3.91

(1) In February 2014, the exercise price on the share options expiring on February 14, August 23 and October 23, 2018 were reduced from \$0.10 to \$0.05, in conjunction with new Toronto Stock Venture Exchange guidelines on the minimum exercise price. In 2014, \$135,746 and \$77,154 were recognized due to change in exercise price for 2014 and 2013 respectively.

As at March 31, 2015, 17,339,406 share purchase options were exercisable (2014 – 18,439,406 options). These options have a weighted average exercise price of \$0.07(2014 - \$0.07).

### (e) Share purchase warrants:

The continuity of outstanding share purchase warrants for the year ended March 31, 2015 is as follows:

Expiry dates	Exercise prices	Balance December 31, 2014	Granted	Exercised	Expired cancelled	Balance March 31, 2015
May 25, 2017	\$0.10	54,166,667	-	-	-	54,166,667
Weighted average exercise price		\$0.10	-	-	-	\$0.10
Weighted average remaining life (years)		2.40	-	-	-	2.15

The continuity of outstanding share purchase warrants for the period ended March 31, 2014 is as follows:

Expiry dates	Exercise prices	Balance December 31, 2013	Granted	Exercised	Expired cancelled	Balance March 31, 2014
May 25, 2017	\$0.10	54,166,667	-	-	-	54,166,667
Weighted average exercise price		\$0.10	-	-	-	\$0.10
Weighted average remaining life (years)		3.4	-	-	-	3.15

16. Share capital (continued):

(f) Earnings per share ("EPS"):

The earnings and weighted average number of outstanding shares used in the calculation of basic and diluted earnings per share are as follows:

	March 31 2015	March 31 2014
Loss used in the calculation of basic EPS	\$ (2,858,930)	\$ (2,960,852)
Weighted average number of outstanding shares for the purpose of basic EPS	779,390,548	768,820,796
Shares to be issued for additional capital	-	-
Weighted average number of outstanding shares used in the calculation of diluted EPS	779,390,548	768,820,796
Basic loss per share	\$ 0.00	\$ 0.00
Diluted loss per share	\$ 0.00	\$ 0.00

17. Revenue:

	2015	2014
Nickel concentrate sales	\$ 27,168,115	\$ 18,628,994
Export tax	(5,333,933)	(3,295,485)
	\$ 21,834,182	\$ 15,333,509

18. Production costs:

	2015	2014
Mine production costs	\$ 6,531,959	\$ 5,340,998
Processing costs	1,596,642	1,505,903
Other production costs	1,254,525	1,742,596
Changes in inventories of finished goods and work in process	(287,870)	(1,453,206)
Production costs	9,095,256	7,136,291
Depreciation and amortization	9,153,210	5,978,115
	\$ 18,248,466	\$ 13,114,406

**19. General and administrative expenses:**

	2015	2014
Salaries, wages and benefits	\$ 1,001,482	\$ 806,836
Taxes and fees	304,072	326,166
Professional and regulatory	229,079	129,779
Other	313,673	382,898
	\$ 1,848,306	\$ 1,645,679

**20. Finance expense:**

	2015	2014
Interest expense on bank term loan	\$ 263,088	\$ 358,300
Foreign contractor tax on interest expense	35,387	30,473
Other	(12,449)	7,121
	\$ 286,026	\$ 395,894

**21. Related party transactions:**

## (a) Balances receivable and payable:

The amounts due to related parties and included in accounts payable, are non-interest bearing, unsecured and due on demand, and comprise the following:

	2015	2014
Due to directors	\$ 62,698	\$ -

## (b) Key management personnel:

Key management personnel includes the salaries and consulting fees paid and/or accrued to the Company's senior officers and directors as follows:

	2015	2014
Salary and consulting fees	\$ 219,994	\$ 183,545
Directors' fees	62,698	-
Share-based payments, directors and senior officers	-	212,900
	\$ 282,692	\$ 396,445

Share-based payments comprise the grant of share options to directors and employees, and the issuance of common shares to certain directors, in lieu of cash payment for director fees.

Under share compensation agreements, \$27,500 of fourth quarter 2014 director fees (2014: \$71,248) were fulfilled by the issuance of common shares of the Company in January 2015 (note 16(d(i))).

## 21. Related party transactions (continued):

### (c) Pala Investments Limited:

During 2012, as a result of a series of equity transactions, Pala Investments Limited ("Pala") became a controlling shareholder of the Company.

On March 28, 2013, Pala purchased 158,845,081 common shares of the Company pursuant to the exercise of its basic subscription privilege in full under the Company's rights offering (note 16(c)(i)). In addition, Pala purchased 88,762,232 common shares of the Company pursuant to a standby commitment provided as part of the rights offering.

As a result of this transaction, Pala owns and controls, directly or indirectly, 569,813,827 common shares of the Company and 54,166,667 share purchase warrants to purchase common shares of the Company (note 16(e)).

## 22. Segment information:

The Company conducts its business as a single reportable operating segment, being the exploration and development of mineral properties in Vietnam. Geographical information is as follows:

March 31, 2015	Canada	Vietnam	Other	Total
Sale revenue	\$ -	\$ 21,834,182	\$ -	\$ 21,834,182
Interest income	193	-	-	193
Loss for the period	163,048	2,640,672	55,210	2,858,930
Non-current assets	-	46,266,845	437,755	46,704,600
Total assets	207,299	74,282,631	438,460	74,928,390

  

March 31, 2014	Canada	Vietnam	Other	Total
Sale revenue	\$ -	\$ 15,333,509	\$ -	\$ 15,333,509
Interest income	799	-	-	799
Loss for the period	370,973	2,554,287	35,592	2,960,852
Non-current assets	-	56,458,912	527,770	56,986,682
Total assets	460,024	72,912,496	528,510	73,901,030

### 23. Supplemental cash flow information:

	2015	2014
Supplemental information:		
Interest received	\$ 193	\$ 799
Non-cash operating, financing and investing transactions:		
Shares issued in lieu of cash in payment of directors fees	27,500	71,248
Movement from share-based payments reserve to deficit for forfeited options	40,186	87,331

### 24. Financial risk management:

#### (a) Credit risk:

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company is subject to credit risk on the cash balances at the bank, its short-term guaranteed investment certificates and accounts receivable. The majority of the Company's cash balances are held with LienViet Post Bank Vietnam which is part owned by the Vietnamese Government and in the view of the Board is considered trustworthy and a portion of funds are held with the ANZ Vietnam Bank Limited which is a creditworthy international bank. The Company only deals with reputable financial institutions and regularly assesses international exposure and market risk. The company has a small investment in Canadian based banking institutions, authorized under the Bank Act to accept deposits, which may be eligible for deposit insurance provided by the Canadian Deposit Insurance Corporation. As at March 31, 2015, the Company had trade receivables of \$7.6 million and other receivables of \$10.0 million which are not considered past due. The Company's accounts receivables comprise receivables on the sale of nickel concentrate with all sales made to Jinchuan Group Limited and due to the nature of the customer, the Board does not consider there to be any significant credit risk for receipt of revenues, which are paid within 30 days and value added tax and export tariff receivables refundable by the Vietnamese government within 12 months.

#### (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 in place a planning and budgeting process to aid in determining the funds required to support normal operating requirements on an ongoing basis, including its capital development and exploration expenditures. As at March 31, 2015, the Company had cash and cash equivalents of \$3.9 million (December 31, 2014 - \$5.0 million) and accounts payable and accrued liabilities of \$8.0 million (December 31, 2014: \$8.7 million). On May 25, 2015 the Company secured a credit facility for US\$3 million to finance working capital requirements.

#### (c) Market risk:

The Company's primary market risks include changes in foreign exchange and interest rates on financial instruments in other than Canadian dollars. At March 31, 2015, the Company had no hedging agreements in place with respect to metal prices or exchange rates.

## 24. Financial risk management (continued):

### (c) Market risk (continued):

#### (i) Currency risk:

The Company is exposed to the financial risks related to the fluctuation of foreign exchange rates. The Company has offices in Canada and Vietnam and holds cash in Canadian, United States, Vietnamese and Australian currencies in line with forecasted expenditures. A significant change in the currency exchange rates between the Canadian dollar relative to the US dollar, Vietnamese dong and Australian dollar could have an effect on the Company's results of operations, financial position or cash flows.

At March 31, 2015, the Company is exposed to currency risk through the following assets and liabilities denominated in US dollars:

	2015	2014
Cash and cash equivalents	US\$ 2,931,660	US\$ 3,320,463
Accounts receivable	8,352,590	2,301,664
Accounts payable and accrued liabilities	(5,181,575)	(10,285,465)
	US\$ 6,102,675	US\$ (4,663,338)
Canadian dollar equivalent (year-end)	\$ 7,729,797	\$ (5,155,138)

A 10% appreciation of the Canadian dollar against the US dollar at March 31, 2015 would decrease net loss by \$772,980 for the period-ended March 31, 2015 (2014: increase net loss by \$515,514).

At March 31, 2015, the Company is exposed to currency risk through the following assets and liabilities denominated in Vietnamese Dong:

	2015	2014
Cash and cash equivalents	VND 1,151,191,181	VND 5,393,448,294
Accounts receivable	122,054,276,471	30,950,287,889
	VND 123,205,467,652	VND 36,343,736,183
Canadian dollar equivalent (year-end)	\$ 7,269,188	\$ 1,889,852

A 10% appreciation of the Canadian dollar against the Vietnamese Dong at March 31, 2015 would decrease net loss by \$726,919 for the period-ended March 31, 2015 (2014: decrease net loss by \$188,985).

## 24. Financial risk management (continued):

### (c) Market risk (continued):

#### (i) Currency risk (continued):

At March 31, 2015, the Company is exposed to currency risk through the following assets and liabilities denominated in Australian dollars:

	2015		2014	
Cash and cash equivalents	A\$	-	A\$	121,716
	A\$	-	A\$	121,716
Canadian dollar equivalent (year-end)	\$	-	\$	124,760

A 10% appreciation of the Canadian dollar against the Australian dollar at March 31, 2015 would result in a nil change to net loss for the period-ended March 31, 2015 (2014: decrease net loss by \$12,476).

#### (ii) Interest rate risk:

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

The Company's cash and cash equivalents attract interest at floating rates and have maturities of 90 days or less. The interest is typical of Canadian banking rates, which are at present historically low; however, the Company's conservative investment strategy mitigates the risk of deterioration to capital invested. A change of 100 basis points in the interest rate would not be material to the consolidated financial statements.

#### (iii) Commodity price risk:

Nickel, copper and cobalt prices have historically fluctuated significantly and are affected by numerous factors outside of the Company's control, including, but not limited to, industrial and retail demand, central bank lending, forward sales by producers and speculators, levels of worldwide production, short-term changes in supply and demand due to speculative hedging activities and certain other factors. The Company has not engaged in any hedging activities to reduce its exposure to commodity price risk. Revenue from the sale of concentrates is based on prevailing market prices which is subject to adjustment upon final settlement. For each reporting period until final settlement, estimates of metal prices are used to record sales. At March 31, 2015 there are 1,398 tonnes of nickel, 468 tonnes of copper and 20 tonnes of cobalt which do not have a final settlement price and the estimated revenues have been recognized at current market prices.

## 24. Financial risk management (continued):

### (d) Financial assets and liabilities:

As at March 31, 2015, the carrying and fair values of our financial instruments by category are as follows:

	Loans and receivables \$	Financial liabilities \$	Carrying value \$	Fair value \$	Less than 1 year \$	1 to 3 years \$
<u>Financial assets</u>						
Cash and cash equivalent	3,883,712	-	3,883,712	3,883,712	3,883,712	-
Accounts receivable and prepaid expenses	17,568,918	-	17,568,918	17,568,918	17,568,918	-
<b>Total financial assets</b>	<b>21,452,630</b>	<b>-</b>	<b>21,452,630</b>	<b>21,452,630</b>	<b>21,452,630</b>	<b>-</b>
<u>Financial liabilities</u>						
Trade payables and accrued liabilities	-	7,954,979	7,954,979	7,954,979	7,954,979	-
Bank term loan	-	17,763,244	17,763,244	17,763,244	7,629,458	10,133,786
<b>Total financial liabilities</b>	<b>-</b>	<b>25,718,223</b>	<b>25,718,223</b>	<b>25,718,223</b>	<b>15,584,437</b>	<b>10,133,786</b>

### (e) Fair value:

All financial instruments measured at fair value are categorized into one of three hierarchy levels, described below, for disclosure purposes. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities:

- Level 1 - Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets and liabilities.
- Level 2 - Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full contractual term of the asset or liability.

The Company determines the fair value of provision sales and the embedded derivative related to its trade receivables based on the quoted forward commodity price obtained from the London Metals Exchange. The embedded derivative related to trade receivables is therefore classified as a Level 2 financial asset.

- Level 3 - Values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

The carrying values of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximate their respective fair values due to the short-term nature of these instruments. The carrying value of the bank term loan approximates its fair value due to the existence of floating market-based interest rates.

The Company has no financial assets or liabilities included in Level 1 or 3 of the fair value hierarchy.