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# **Iron South Mining Corp.**

*(An Exploration Stage Company)*

## **CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**FOR THE THREE MONTHS ENDED MARCH 31, 2015 AND 2014**

*(Unaudited - Expressed in Canadian Dollars)*

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

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

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's external auditors have not performed a review of these condensed consolidated interim financial statements.

# Iron South Mining Corp.

(An Exploration Stage Company)

## Consolidated Statements of Financial Position

(Unaudited - Expressed in Canadian Dollars)

	Note	March 31, 2015 \$	December 31, 2014 \$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Exploration and evaluation assets	3	340,493	340,493
<b>Total non-current assets</b>		<b>340,493</b>	<b>340,493</b>
<b>Current assets</b>			
Accounts receivables and prepaid expenses		1,620	1,709
Cash		16,225	3,236
<b>Total current assets</b>		<b>17,845</b>	<b>4,945</b>
<b>Total Assets</b>		<b>358,338</b>	<b>345,438</b>
<b>EQUITY</b>			
Share capital	5	14,028,136	14,028,136
Reserves	5	2,327,090	2,327,090
Deficit		(16,085,292)	(16,064,339)
<b>Total equity</b>		<b>269,934</b>	<b>290,887</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		21,728	16,592
Interest payable	4	1,277	518
Loans payable	4	65,399	37,441
<b>Total liabilities</b>		<b>88,404</b>	<b>54,551</b>
<b>Total Equity and Liabilities</b>		<b>358,338</b>	<b>345,438</b>

### NATURE OF OPERATIONS AND GOING CONCERN (Note 1)

These condensed consolidated interim financial statements are authorized for issue by the Board of Directors on May 12, 2015. They are signed on the Company's behalf by:

"Nikolaos Cacos" , Director

"Brian McEwen" , Director

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

**Iron South Mining Corp.***(An Exploration Stage Company)***Consolidated Statements of Loss and Comprehensive Loss***(Unaudited - Expressed in Canadian Dollars)*

	Note	Three months ended March 31,	
		2015	2014
		\$	\$
<b>Expenses</b>			
Corporate development and investor relations		1,441	538
Foreign exchange loss		943	3
Legal and professional fees		1,013	953
Office and sundry		236	148
Transfer agent and regulatory fees		11,176	9,181
<b>Loss from operating activities</b>		<b>14,809</b>	<b>10,823</b>
<b>Other expenses (income)</b>			
Finance expense	4	5,400	-
Interest expense	4	759	-
Interest income		(15)	(28)
<b>Total loss and comprehensive loss</b>		<b>20,953</b>	<b>10,795</b>
<b>Basic and diluted loss per common share</b>	6	0.00	0.00

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

**Iron South Mining Corp.** *(An Exploration Stage Company)***Consolidated Statements of Cash Flows***(Unaudited - Expressed in Canadian Dollars)*

	Three months ended March 31,	
	2015	2014
	\$	\$
<b>Cash flows from operating activities</b>		
Loss for the period	(20,953)	(10,795)
Foreign exchange loss on loan payable	958	-
Interest expense	759	-
Finance expense	5,400	-
Changes in non-cash working capital items:		
Decrease (increase) in accounts receivables and prepaid expenses	89	(351)
(Decrease) in accounts payable and accrued liabilities	(264)	(15,161)
Net cash used in operating activities	(14,011)	(26,307)
<b>Cash flows from financing activities</b>		
Proceeds from loans payable	27,000	21,950
Net cash generated by financing activities	27,000	21,950
<b>Net increase (decrease) in cash during the period</b>	12,989	(4,357)
Cash at beginning of period	3,236	11,223
<b>Cash at end of period</b>	16,225	6,866

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**Iron South Mining Corp.***(An Exploration Stage Company)***Consolidated Statements of Changes in Equity***(Unaudited - Expressed in Canadian Dollars)*

	Share capital		Reserves				Total \$
	Number of shares <sup>(1)</sup>	Amount \$	Contributed surplus \$	Equity settled share-based payments \$	Warrants \$	Deficit \$	
Balance at December 31, 2013	7,004,859	13,853,136	2,265,920	61,170	-	(16,019,432)	160,794
Total comprehensive (loss) for the period	-	-	-	-	-	(10,795)	(10,795)
Balance at March 31, 2014	7,004,859	13,853,136	2,265,920	61,170	-	(16,030,227)	149,999
Option payment for exploration and evaluation assets (Note 3)	1,166,666	175,000	-	-	-	-	175,000
Total comprehensive (loss) for the period	-	-	-	-	-	(34,112)	(34,112)
Balance at December 31, 2014	8,171,525	14,028,136	2,265,920	61,170	-	(16,064,339)	290,887
Stock options expired	-	-	30,963	(30,963)	-	-	-
Total comprehensive (loss) for the period	-	-	-	-	-	(20,953)	(20,953)
Balance at March 31, 2015	8,171,525	14,028,136	2,296,883	30,207	-	(16,085,292)	269,934

<sup>(1)</sup> On December 22, 2014, the Company received approval by the TSX Venture Exchange and the Company's shareholders for the consolidation of the Company's issued and outstanding common shares on the basis of three (3) pre-consolidation shares for one (1) post-consolidation share. Comparative periods have been retrospectively restated.

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

**Iron South Mining Corp.***(An Exploration Stage Company)***Consolidated Schedules of Exploration and Evaluation Assets and Exploration Expenditures***(Expressed in Canadian Dollars)***Acquisition Costs**

	Argentina Fierro	
	March 31, 2015	December 31, 2014
	\$	\$
Balance, beginning of period	340,493	165,493
Additions		
Option payments for evaluation and exploration assets	-	175,000
Balance, end of period	340,493	340,493

**Exploration Expenditures**

	Argentina Fierro	Other	March 31, 2015	December 31, 2014
	\$	\$	\$	\$
Cumulative exploration costs, beginning of period	180,878	6,464,414	6,645,292	6,644,745
Expenditures during the year:				
Surface owners' access payments	-	-	-	-
Salaries and contractors	-	-	-	-
Value added taxes	-	-	-	547
	-	-	-	547
Cumulative exploration costs, end of period	180,878	6,464,414	6,645,292	6,645,292

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

# **Iron South Mining Corp.**

*(An Exploration Stage Company)*

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2015 and 2014

*(Expressed in Canadian Dollars Unless Otherwise Noted)*

## **1. NATURE OF OPERATIONS AND GOING CONCERN**

Iron South Mining Corp. (the “Company”) was incorporated on April 11, 2000 in the Province of British Columbia and was transitioned under the Business Corporations Act (BC) on June 17, 2004. The address of the Company’s registered office is Suite 709 – 837 West Hastings Street, Vancouver, BC, Canada V6C 3N6.

The Company is a natural resource company engaged in the acquisition and exploration of resource properties in the Americas and Argentina. The Company presently has no proven or probable reserves and, on the basis of information to date, it has not yet determined whether these properties contain economically recoverable ore reserves. Consequently, the Company considers itself to be an exploration stage company.

The amounts shown as exploration and evaluation assets represent acquisition costs incurred to date, less amounts amortized and/or written off, and do not necessarily represent present or future values. The underlying value of the exploration and evaluation assets is entirely dependent on the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain the necessary financing to advance the properties beyond the exploration stage, and future profitability of the properties.

The Company has experienced recurring operating losses and has accumulated operating deficit of \$16,085,292 at March 31, 2015 (December 31, 2014 - \$16,064,339) and shareholders’ equity of \$264,934 at March 31, 2015 (December 31, 2014 – \$290,887). In addition, the Company had a working capital deficiency of \$70,559 at March 31, 2015 (December 31, 2014 – \$49,606). Working capital is defined as current assets less current liabilities and provides a measure of the Company’s ability to settle liabilities that are due within one year with assets that are also expected to be converted into cash within one year. These factors raise substantial doubt about the Company’s ability to continue as a going concern. The Company’s continued operations, as intended, are dependent upon its ability to raise additional funding to meet its obligations and to attain profitable operations. Management’s plan in this regard is to raise equity financing as required. There are no assurances that the Company will be successful in achieving these goals. These consolidated financial statements do not include adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

## **2. SIGNIFICANT ACCOUNTING POLICIES**

### *Statement of compliance*

The Company’s condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standards (“IAS”) 34 “Interim Financial reporting” (“IAS 34”) and using accounting policies in full compliance with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the IFRS Interpretations Committee, effective for the Company’s reporting for the three months ended March 31, 2015.

### *Basis of presentation*

These condensed consolidated interim financial statements have been prepared on a historical cost basis except for financial instruments classified as fair value through profit or loss or available-for-sale that have been measured at fair value. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.



## Iron South Mining Corp.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2015 and 2014

(Expressed in Canadian Dollars Unless Otherwise Noted)

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### *Basis of consolidation*

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries as follows:

	Place of Incorporation	Principal Activity
Amera-Chile Sociedad Contractual Minera	Chile	Holding company
Amera Resources (BVI) Inc.	British Virgin Islands	Holding company
Amera Resources (US) Inc.	United States of America	Exploration company
Hierros Del Peru S.A.C.	Peru	Holding company

Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated in preparing the consolidated financial statements.

#### *Foreign currencies*

The presentation and functional currency of the Company and its subsidiaries is the Canadian dollar. Transactions in currencies other than the Canadian dollar are recorded at the rates of exchange prevailing on the dates of transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

#### Non-derivative financial assets

The Company has the following non-derivative financial assets: financial assets at fair value through profit or loss and loans and receivables.

#### *Financial assets at fair value through profit or loss ("FVTPL")*

Financial assets are classified at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets are designated as at FVTPL 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. Attributable transaction costs are recognized in profit or loss when incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. Cash is classified as fair value through profit or loss.

#### *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 initially recognized 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 method, less any impairment losses. Other receivables are classified as loans and receivables.

## **Iron South Mining Corp.**

*(An Exploration Stage Company)*

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2015 and 2014

*(Expressed in Canadian Dollars Unless Otherwise Noted)*

### **2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### *Other financial liabilities*

The Company has the following other financial liabilities: accounts payable and accrued liabilities, interest payable and loans payable.

Such financial liabilities are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

#### *Exploration, Evaluation and Development Expenditure*

Exploration and evaluation expenditures are expensed as incurred, until the property reaches development stage. The development stage begins once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable. All direct costs related to the acquisition of resource property interests are capitalized. Development expenditures incurred subsequent to a development decision, which increase or extend the life of existing production, are capitalized and will be amortized on the unit-of-production method based upon estimated proven and probable reserves.

Mineral property acquisition costs include cash costs and the fair market value of common shares, based on the trading price of the shares issued for mineral property interests, pursuant to the terms of the related property agreements. Payments related to a property acquired under an option or joint venture agreement are made at the sole discretion of the Company, and are recorded as mineral property acquisition costs upon payment.

Exploration and evaluation assets are classified as intangible assets.

#### *Cash and Cash Equivalents*

Cash and cash equivalents are classified as FVTPL and include short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. The Company places its deposits with financial institutions with high credit ratings.

#### *Impairment*

At the end of each reporting period the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and 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 assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

## **Iron South Mining Corp.**

*(An Exploration Stage Company)*

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2015 and 2014

*(Expressed in Canadian Dollars Unless Otherwise Noted)*

### **2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### *Valuation of Equity Units Issued in Private Placements*

The Company follows a pro rata allocation method with respect to the measurement of shares and warrants issued as private placement units. This values each component at fair value and allocates total proceeds received between shares and warrants based on the pro rata relative values of the components. The fair value of the common shares is based on the closing bid price on the issue date and the fair value of the common share purchase warrants is determined at the issue date using the Black-Scholes pricing model.

#### *Share-based Payment Transactions*

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Fair value is determined at the issue date using the Black-Scholes pricing model. 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 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 to the recorded cost is to equity settled share-based payments reserve.

Consideration received on the exercise of stock options is recorded as share capital and the related equity settled share-based payments reserve is transferred to share capital. Charges for options that are forfeited before vesting are reversed from equity settled share-based payment reserve.

Share-based compensation expense relating to deferred share units is accrued over the vesting period of the units based on the quoted market price. As these awards can be settled in cash, the expense and liability are adjusted each reporting period for changes in the underlying share price.

#### *Restoration, Rehabilitation, and Environmental Obligations*

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration or development of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, along with a corresponding liability as soon as the legal or contractual obligation to incur such costs arises. The timing of the actual rehabilitation expenditure is dependent on a number of factors such as the life and nature of the asset, the operating license conditions and, when applicable, the environment in which the mine operates.

These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight line method. Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. The corresponding liability is progressively increased as the effect of discounting unwinds creating an expense recognized in profit or loss.

Decommissioning costs are also adjusted for changes in estimates. Those adjustments are accounted for as a change in the corresponding capitalized cost, except where a reduction in costs is greater than the unamortized capitalized cost of the related assets, in which case the capitalized cost is reduced to nil and the remaining adjustment is recognized in profit or loss.

The operations of the Company have been, and may in the future be, affected from time to time in varying degree by changes in environmental regulations, including those for site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company are not predictable.

## **Iron South Mining Corp.**

*(An Exploration Stage Company)*

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2015 and 2014

*(Expressed in Canadian Dollars Unless Otherwise Noted)*

### **2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

The Company has no material restoration, rehabilitation and environmental obligations as of March 31, 2015.

#### *Loss per Share*

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

#### *Income Taxes*

Income tax for the years presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the year-end applicable to the period of expected realization or settlement.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

#### *Significant Accounting Estimates and Judgments*

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

## **Iron South Mining Corp.**

*(An Exploration Stage Company)*

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2015 and 2014

*(Expressed in Canadian Dollars Unless Otherwise Noted)*

### **2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### *Critical accounting estimates*

- a. the assessment of indications of impairment of each mineral property and related determination of the net realizable value and write-down of those properties where applicable.

#### *Critical accounting judgments*

- a. the determination of categories of financial assets and financial liabilities has been identified as an accounting policy which involves judgments or assessments made by management.
- b. the analysis of the functional currency for each entity of the Company. In concluding that the Canadian dollar is the functional currency of the parent and its subsidiary companies, management considered the currency that mainly influences the cost of providing goods and services in each jurisdiction in which the Company operates. As no single currency was clearly dominant the Company also considered secondary indicators including the currency in which funds from financing activities are denominated and the currency in which funds are retained.

#### *New Accounting Standards and Interpretations*

The International Accounting Standards Board has issued new and amended standards and interpretations which have not yet been adopted by the Company. The Company has not yet begun the process of assessing the impact that the new and amended standards and interpretations will have on its financial statements or whether to early adopt any of the new requirements. The following is a brief summary of the new and amended standards and interpretations:

#### **IFRS 9 – Financial Instruments**

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Company is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after January 1, 2018.

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### 3. EXPLORATION AND EVALUATION ASSETS

The following represents the exploration and evaluation assets the Company is continuing to explore as at March 31, 2015:

#### *Fierro Property, Rio Negro Province, Argentina*

On October 21, 2011, the Company entered into an option agreement with a non-arm's length private company whereby the Company will have the right to earn a 100% interest in the Fierro Property. The agreement received approval from the TSX Venture Exchange (TSX-V) on April 4, 2012. On April 4, 2013, the option agreement was amended to provide for a one year extension of the Company's first year's required expenditures on the property in consideration of the issuance of an additional 83,332 common shares of the Company for a total of 333,332 common shares. On April 4, 2014, the option agreement was further amended to accelerate the earn-in provisions such that the Company earned an immediate 100% interest in the property resulting in the Optionor waiving the remaining work commitments in exchange for accelerating and completing the issuance of 1,166,666 common shares.

On the commencement of commercial production, the Property will be subject to a 2% Net Smelter Royalty ("NSR") of which 1% can be purchased for \$2,000,000 at any time.

### 4. LOANS PAYABLE

At March 31, 2015, the Company had the following loans payable:

	March 31, 2015		
	Maturity	Currency	Fair value
Unsecured, non-interest bearing	On demand	United States dollar	\$11,399
Unsecured, non-interest bearing	On demand	Canadian dollar	\$12,000
Unsecured, 12% annual interest rate (1)	On demand	Canadian dollar	\$7,000
Unsecured, 12% annual interest rate (2)	On demand	Canadian dollar	\$20,000
Unsecured, 12% annual interest rate (3)	On demand	Canadian dollar	\$15,000
			<u>\$65,339</u>

At December 31, 2014, the Company had the following loans payable:

	December 31, 2014		
	Maturity	Currency	Fair value
Unsecured, non-interest bearing	February 4, 2015	United States dollar	\$10,441
Unsecured, non-interest bearing	March 3, 2015	Canadian dollar	\$12,000
Unsecured, 12% annual interest rate (3)	September 17, 2015	Canadian dollar	\$15,000
			<u>\$37,441</u>

## **Iron South Mining Corp.**

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*(Expressed in Canadian Dollars Unless Otherwise Noted)*

### **4. LOANS PAYABLE (continued)**

*(1) \$7,000 Unsecured, 12% annual interest rate & finance expense*

On January 13, 2015, the Company entered into a loan agreement with an arm's length lender. The principal amount of the loan is \$7,000 and is to be used for working capital purposes and bears interest at the rate of 12% per annum. The principal balance of the loan, together with all accrued and unpaid interest thereon shall become due and payable in full on the maturity date. As additional consideration for providing the loan, the Company will pay to the lender an arrangement fee in an amount equal to 20% of the principal amount of the loan totalling \$1,400. Such amount is payable at the election of the lender in cash or common shares, or a combination of both. Payment of all or any part of the arrangement fee in common shares is subject to TSX Venture Exchange approval.

*(2) \$20,000 Unsecured, 12% annual interest rate & finance expense*

On March 10, 2015, the Company entered into a loan agreement with an arm's length lender. The principal amount of the loan is \$20,000 and is to be used for working capital purposes and bears interest at the rate of 12% per annum. The principal balance of the loan, together with all accrued and unpaid interest thereon shall become due and payable in full on the maturity date. As additional consideration for providing the loan, the Company will pay to the lender an arrangement fee in an amount equal to 20% of the principal amount of the loan totalling \$4,000. Such amount is payable at the election of the lender in cash or common shares, or a combination of both. Payment of all or any part of the arrangement fee in common shares is subject to TSX Venture Exchange approval.

*(3) \$15,000 Unsecured, 12% annual interest rate & finance expense*

On September 17, 2014, the Company entered into a loan agreement with a private company. The principal amount of the loan is used for working capital purposes and bears interest at the rate of 12% per annum. The principal balance of the loan, together with all accrued and unpaid interest thereon shall become due and payable in full on the maturity date. As additional consideration for providing the loan, the Company will pay to the Lender an arrangement fee in an amount equal to 20% of the principal amount of the loan totalling \$3,000. Such amount is payable at the election of the Lender in cash or common shares, or a combination of both. Payment of all or any part of the arrangement fee in common shares is subject to TSX Venture Exchange approval.

All loans payable are payable on demand and may be repaid in whole or in part at any time, without notice or penalty.

### **5. CAPITAL AND RESERVES**

*Authorized Share Capital*

At March 31, 2015, the authorized share capital comprised an unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid.

*Issued Share Capital*

At March 31, 2015, the issued share capital comprised 8,171,525 common shares (December 31, 2014 – 8,171,525).

## Iron South Mining Corp.

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Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2015 and 2014

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### 5. CAPITAL AND RESERVES (continued)

#### Share Purchase Option Compensation Plan

The Company has a share purchase option plan (the “Plan”) approved by the Company’s shareholders that allows it to grant share purchase options, subject to regulatory terms and approval, to its officers, directors, employees and service providers. The Plan is based on the maximum number of eligible shares equaling a rolling percentage of 10% of the Company’s outstanding common shares, calculated from time to time. If outstanding share purchase options are exercised or expire, and/or the number of issued and outstanding common shares of the Company increases, then the share purchase options available to grant under the Plan increase proportionately.

The exercise price of each share purchase option is set by the Board of Directors at the time of grant but cannot be less than the market price less allowable discounts in accordance with the policies of the TSX-V. Share purchase options granted generally vest immediately, and are subject to a four-month hold period and are generally exercisable for a period of up to ten years.

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

Expiry date	Exercise Price	December 31, 2014 <sup>(1)</sup>	Granted	Exercised	Expired/ cancelled	March 31, 2015	Options exercisable
March 12, 2015	\$0.39	99,999	-	-	(99,999)	-	-
July 29, 2017	\$0.54	100,000	-	-	-	100,000	100,000
		199,999	-	-	(99,999)	100,000	100,000
Weighted average exercise price		\$0.47	-	-	\$0.39	\$0.54	\$0.54
Weighted average contractual remaining life (years)		1.4	-	-	-	2.3	2.3

<sup>(1)</sup> On December 22, 2014, the Company received approval by the TSX Venture Exchange and the Company’s shareholders for the consolidation of the Company’s issued and outstanding common shares on the basis of three (3) pre-consolidation shares for one (1) post-consolidation share. Comparative periods have been retrospectively restated.

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

Expiry date	Exercise Price	December 31, 2013 <sup>(1)</sup>	Granted	Exercised	Expired/ cancelled	March 31, 2014	Options exercisable
March 12, 2015	\$0.39	99,999	-	-	-	99,999	99,999
July 29, 2017	\$0.54	100,000	-	-	-	100,000	100,000
		199,999	-	-	-	199,999	199,999
Weighted average exercise price		\$0.47	-	-	-	\$0.47	\$0.47
Weighted average contractual remaining life (years)		2.4	-	-	-	2.1	2.1

<sup>(1)</sup> On December 22, 2014, the Company received approval by the TSX Venture Exchange and the Company’s shareholders for the consolidation of the Company’s issued and outstanding common shares on the basis of three (3) pre-consolidation shares for one (1) post-consolidation share. Comparative periods have been retrospectively restated.



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(An Exploration Stage Company)

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### 6. BASIC AND DILUTED LOSS PER SHARE

The calculation of basic and diluted loss per share for the three months ended March 31, 2015 and 2014 was based on the following:

	Three months ended March 31,	
	2015	2014
Loss attributable to common shareholders (\$)	20,953	10,795
Weighted average number of common shares outstanding <sup>(1)</sup>	8,171,525	7,004,859

<sup>(1)</sup> On December 22, 2014, the Company received approval by the TSX Venture Exchange and the Company's shareholders for the consolidation of the Company's issued and outstanding common shares on the basis of three (3) pre-consolidation shares for one (1) post-consolidation share. Comparative periods have been retrospectively restated.

Diluted loss per share for the three months ended March 31, 2015 did not include the effect of 100,000 (three months ended March 31, 2014 – 199,999) share purchase options as they are anti-dilutive.

### 7. SEGMENTED INFORMATION

The Company is primarily involved in mineral exploration activities in the Americas and Argentina. The Company is in the exploration stage and, accordingly, has no reportable segment revenues or operating revenues for the three months ended March 31, 2015.

The Company's total non-current assets as at March 31, 2015 and December 31, 2014 are segmented geographically as follows:

	March 31, 2015	
	Argentina	Total
Exploration and evaluation assets (\$)	340,493	340,493

  

	December 31, 2014	
	Argentina	Total
Exploration and evaluation assets (\$)	340,493	340,493

### 8. FINANCIAL RISK MANAGEMENT

The Company thoroughly examines the various financial instrument risks to which it is exposed and assesses the impact and likelihood of those risks. These risks may include credit risk, liquidity risk, currency risk, and interest rate risk. Where material, these risks are reviewed and monitored by the Board of Directors.

#### (a) Fair Values

The Company's financial instruments consist of cash, receivables, accounts payable and accrued liabilities, interest payable and loans payable. The fair value of cash, receivables, accounts payable and accrued liabilities, interest payable and loans payable approximates their carrying values due to the immediate or short-term maturity of these financial instruments.

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### 8. FINANCIAL RISK MANAGEMENT (continued)

The following table outlines the Company's financial assets and liabilities measured at fair value by level within the fair value hierarchy described below. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

At March 31, 2015 the Company's financial instruments measured at fair value are as follows:

	Carrying amount March 31, 2015	Level 1	Level 2	Level 3
		\$	\$	\$
<b>Recurring measurements</b>				
Financial Assets				
Cash	16,225	16,225	-	-

At December 31, 2014 the Company's financial instruments measured at fair value are as follows:

	Carrying amount December 31, 2014	Level 1	Level 2	Level 3
		\$	\$	\$
<b>Recurring measurements</b>				
Financial Assets				
Cash	3,236	3,236	-	-

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

#### (b) Financial Instrument Risk Exposure

##### *Credit risk*

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist of cash and accounts receivable. The Company has reduced its credit risk by depositing its cash with financial institutions that operate globally.

As the majority of the Company's receivables are with the government of Canada in the form of sales tax, the credit risk is minimal. Therefore, the Company is not exposed to significant credit risk and overall the Company's credit risk has not changed significantly from the prior year.

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### **8. FINANCIAL RISK MANAGEMENT (continued)**

#### ***Liquidity risk***

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due (Note 1). The Company has in place a planning and budgeting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. The Company has historically relied on issuance of shares and warrants to fund exploration programs and anticipates doing so again in the future.

#### ***Market risk***

##### **(i) *Currency risk***

Financial instruments that impact the Company's net earnings or other comprehensive income due to currency fluctuations in cash, accounts payable and loans payable usually denominated in US Dollars. The sensitivity of the Company's net and comprehensive loss due to changes in the exchange rate between the Canadian dollar and the US dollar is \$83 for the three months ended March 31, 2015.

##### **(ii) *Interest rate risk***

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Cash bears no interest. The fair value of cash approximates its carrying value due to the immediate or short-term maturity of this financial instrument.

Other current financial assets and liabilities are not exposed to interest rate risk because they are non-interest bearing or have prescribed interest rates.

##### **(c) *Capital Management***

The Company's objectives of capital management are intended to safeguard the entity's ability to support the Company's normal operating requirements on an ongoing basis, continue the exploration of evaluation and exploration assets and support any expansionary plans.

The capital structure of the Company consists of equity attributable to common shareholders, comprised of issued capital, reserves and deficit. The Company manages the capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the Company's assets.

To effectively manage the Company's capital requirements, management has in place a planning and budgeting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. The Company has historically relied on issuance of shares to develop the project and anticipates doing so again in the future.

The Company is monitoring market conditions to secure funding at the lowest cost of capital. The Company is exposed to various funding and market risks which could curtail its access to funds.

The Company is not subject to any external covenants. There were no changes in the Company's approach to capital management during the three months ended March 31, 2015.

Additional information regarding capital management is disclosed in Note 1.