

Carube Copper Corp.

(An Exploration Stage Company)

Unaudited Condensed Consolidated Interim Financial Statements

**For the three and six month periods ended February 29, 2016
and February 28, 2015**

(Expressed in Canadian Dollars)

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

The accompanying condensed consolidated interim financial statements of Carube Copper Corp. (the "Company") have been prepared by and are the responsibility of the Company's management. The Company's Audit Committee and Board of Directors has reviewed and approved these condensed consolidated interim financial statements.

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

Carube Copper Corp.

(An Exploration Stage Company)

Unaudited Consolidated Interim Statements of Financial Position

(expressed in Canadian dollars)

	February 29, 2016	August 31, 2015
	\$	\$
Assets		
Current assets:		
Cash and cash equivalents	21,201	336,440
Restricted cash (note 5)	105,914	137,387
Amounts receivable	12,787	34,882
Prepaid expenses	85,545	106,546
	<u>225,447</u>	<u>615,255</u>
Equipment	22,677	25,828
Exploration advances	-	46,000
Mineral exploration properties (note 5)	7,177,079	7,226,810
Deferred exploration expenditures (note 5)	3,479,739	3,354,444
	<u>10,679,495</u>	<u>10,653,082</u>
Total assets	<u>10,904,942</u>	<u>11,268,337</u>
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	315,609	523,804
OZ Exploration Pty Ltd. exploration advance (note 5)	67,968	101,711
Due to Wallbridge Mining Company Ltd. (note 14)	24,914	27,485
Bridge loans payable (note 6)	-	174,806
Promissory notes payable (note 7)	801,429	52,250
	<u>1,209,920</u>	<u>880,056</u>
Flow-through premium liability (note 9)	13,813	-
Bridge loans payable (note 6)	189,431	-
Promissory notes payable (note 7)	363,973	1,062,033
	<u>1,777,137</u>	<u>1,942,089</u>
Total liabilities	<u>1,777,137</u>	<u>1,942,089</u>
Shareholders' equity		
Capital stock (note 8)	11,514,056	11,570,593
Share subscriptions (note 8)	15,500	-
Warrants (note 8)	720,904	721,128
Contributed surplus	233,998	126,879
Accumulated deficit	(3,339,955)	(3,110,449)
Accumulated other comprehensive income (loss)	(16,698)	18,097
	<u>9,127,805</u>	<u>9,326,248</u>
Total shareholders' equity	<u>9,127,805</u>	<u>9,326,248</u>
Total liabilities and shareholders' equity	<u>10,904,942</u>	<u>11,268,337</u>
Going concern (note 1)		
Subsequent events (note 14)		

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

Approved by the Board of Directors:

(signed) "Jeffrey Ackert"
Director

(signed) "Greg LeBlanc"
Director

Carube Copper Corp.

(An Exploration Stage Company)

Unaudited Consolidated Interim Statements of Operations and Comprehensive Loss

(expressed in Canadian dollars)

	Three months ended February 29, 2016 \$	Three months ended February 28, 2015 \$	Six months ended February 29, 2016 \$	Six months ended February 28, 2015 \$
Expenses				
Promotion and investor relations	48,932	38,331	108,392	48,542
Regulatory authority and transfer agent fees	5,067	-	7,918	-
Legal, accounting, audit and financial advisory	11,190	26,729	22,705	36,381
Office, general and administrative	104,472	81,087	221,323	157,481
	<u>(169,661)</u>	<u>(146,147)</u>	<u>(360,338)</u>	<u>(242,404)</u>
Interest income	(9)	(67)	(109)	(130)
Interest expense	38,150	18,952	76,326	38,279
Gain on forgiveness of debt (note 8)	(187,500)	-	(194,000)	-
Other income	(4,813)	(22,234)	(9,315)	(22,234)
Foreign exchange gain	(743)	(6,733)	(3,734)	(13,970)
	<u>154,915</u>	<u>10,082</u>	<u>130,832</u>	<u>(1,945)</u>
Net loss for the period	<u>(14,746)</u>	<u>(136,065)</u>	<u>(229,506)</u>	<u>(244,349)</u>
Other comprehensive income (loss)				
Items that may be subsequently reclassified to operations				
Foreign currency translation adjustment	6,910	153,030	(34,795)	222,173
	<u>(7,836)</u>	<u>16,965</u>	<u>(264,301)</u>	<u>(22,176)</u>
Total comprehensive income (loss) for the period				
	<u>(14,746)</u>	<u>(136,065)</u>	<u>(229,506)</u>	<u>(244,349)</u>
Loss per common share:				
Basic and diluted	<u>(0.00)</u>	<u>(0.00)</u>	<u>(0.00)</u>	<u>(0.01)</u>
Weighted average number of common shares outstanding:				
Basic and diluted	<u>61,630,741</u>	<u>35,106,200</u>	<u>61,835,940</u>	<u>35,322,157</u>

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

Carube Copper Corp.

(An Exploration Stage Company)

Unaudited Consolidated Interim Statements of Changes in Shareholders' Equity

(expressed in Canadian dollars)

	Capital stock		Share subscriptions	CCM Ltd. share repurchase	Warrants		Contributed surplus	Accumulated deficit	Accumulated other comprehensive income (loss)	Total shareholders' equity
	#	\$	\$	\$	#	\$	\$	\$	\$	\$
Balance, August 31, 2015	61,595,051	11,570,593	-	-	9,962,707	721,128	126,879	(3,110,449)	18,097	9,326,248
Net loss for the period	-	-	-	-	-	-	-	(229,506)	-	(229,506)
Foreign currency translation adjustment	-	-	-	-	-	-	-	-	(34,795)	(34,795)
Total comprehensive loss for the period	-	-	-	-	-	-	-	(229,506)	(34,795)	(264,301)
Debt settlements with shares (note 8)	605,882	103,000	-	-	-	-	-	-	-	103,000
Renouncement of shares (note 8)	(937,500)	(187,500)	-	-	-	-	-	-	-	(187,500)
Share subscriptions (note 8)	-	-	15,500	-	-	-	-	-	-	15,500
Private placement of flow-through shares (note 8)	425,000	28,687	-	-	-	-	-	-	-	28,687
Share issue costs	-	(724)	-	-	-	-	-	-	-	(724)
Expiry of warrants (note 8)	-	-	-	-	(280,000)	(224)	224	-	-	-
Deferred share units granted (note 8)	-	-	-	-	-	-	98,250	-	-	98,250
Stock option compensation charge (note 8)	-	-	-	-	-	-	8,645	-	-	8,645
Balance, February 29, 2016	61,688,433	11,514,056	15,500	-	9,682,707	720,904	233,998	(3,339,955)	(16,698)	9,127,805
Balance, August 31, 2014	35,604,812	7,796,412	9,000	(314,275)	4,109,894	246,594	68,550	(2,225,038)	(276,170)	5,305,073
Net loss for the period	-	-	-	-	-	-	-	(244,349)	-	(244,349)
Foreign currency translation adjustment	-	-	-	-	-	-	-	-	222,173	222,173
Total comprehensive loss for the period	-	-	-	-	-	-	-	(244,349)	222,173	(22,176)
CCM Ltd. share repurchase (note 8)	(1,571,373)	(353,612)	-	314,275	-	-	39,337	-	-	-
Private placement of units (note 8)	246,000	41,820	(9,000)	-	123,000	7,380	-	-	-	40,200
Share issue costs	-	(900)	-	-	-	-	-	-	-	(900)
Bridge loans converted to units (note 6)	124,375	21,145	-	-	62,188	3,730	-	-	-	24,875
Shares issued for property (note 5)	900,000	153,000	-	-	-	-	-	-	-	153,000
Share subscriptions	-	-	40,000	-	-	-	-	-	-	40,000
Balance, February 28, 2015	35,303,814	7,657,865	40,000	-	4,295,082	257,704	107,887	(2,469,387)	(53,997)	5,540,072

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

Carube Copper Corp.

(An Exploration Stage Company)

Unaudited Consolidated Interim Statements of Cash Flows

(expressed in Canadian dollars)

	Six months ended February 29, 2016 \$	Six months ended February 28, 2015 \$
Cash flows provided by (used in)		
Operating activities		
Net loss for the period	(229,506)	(244,349)
Items not affecting cash:		
Stock based compensation (note 8)	8,645	-
Depreciation of equipment	1,652	956
Interest accrued on demand notes, bridge loans and promissory notes	75,744	38,279
Gain on forgiveness of debt	(194,000)	-
Change in working capital items:		
Amounts receivable	22,095	7,412
Prepaid expenses	21,001	(137)
Accounts payable and accrued liabilities	(58,895)	(67,674)
	<u>(353,264)</u>	<u>(265,513)</u>
Investing activities		
Exploration advances	46,000	-
Mineral exploration properties costs (note 5)	(790)	(131)
Deferred exploration expenditures (note 5)	(124,064)	(196)
	<u>(78,854)</u>	<u>(327)</u>
Financing activities		
Issuance of common shares and warrants (note 8)	42,500	40,200
Share issue costs	(724)	(900)
Share subscription proceeds (note 8)	15,500	40,000
CCM share repurchase (note 8)	-	(314,275)
OZ Exploration Pty Ltd. exploration funding (note 5)	505,791	1,028,549
OZ Exploration Pty Ltd. exploration expenditures (note 5)	(486,188)	(985,350)
OZ Exploration Pty Ltd. option payments (note 5)	50,000	400,000
Partial repayment of promissory note and interest (note 7)	(10,000)	-
Advance to Miocene Resources Limited (note 4)	-	(15,000)
Repayment from Miocene Resources Limited (note 4)	-	69,000
	<u>116,879</u>	<u>262,224</u>
Net change in cash	(315,239)	(3,616)
Cash and cash equivalents - Beginning of period	336,440	10,798
Cash and cash equivalents - End of period	21,201	7,182

Supplemental cash flow information (note 13)

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

(expressed in Canadian dollars)

1. Nature of operations and going concern

General information

On June 18, 2015, Miocene Resources Limited ("Miocene"), now renamed Carube Copper Corp. (referred to herein collectively with its subsidiaries as the "Company"), completed a reverse takeover with Carube Resources Inc. (CRI) (see note 4). On July 7, 2015, the Company commenced trading on the TSX Venture Exchange ("TSX-V") under the ticker symbol CUC.

Carube Copper Corp. is an exploration stage junior mining company. Since November of 2009, the Company has been engaged in the identification, acquisition, evaluation and exploration of mineral properties. The Company has not determined whether any of its properties contain mineral resources that are economically recoverable. The recoverability of any amounts recorded for mineral exploration properties and deferred exploration expenditures is dependent upon the discovery of economically recoverable resources, the ability of the Company to obtain the necessary financing to complete the development of these resources and upon attaining future profitable production from the properties or sufficient proceeds from disposition of the properties.

The Company's registered office is located at 107 Falldown Lane, Carp (Ottawa), Ontario, Canada where it is domiciled. The Company's subsidiaries include Carube Resources Inc., domiciled in Carp (Ottawa), Canada and Carube Resources Jamaica Limited and Rodinia Jamaica Limited, which are both domiciled in Kingston, Jamaica.

Going concern

These condensed consolidated interim financial statements have been prepared using International Financial Reporting Standards (IFRS) applicable to a going concern which assumes that the Company will be able to continue its operations and will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

From November 2009 to date, the Company has incurred losses from operations and has had negative cash flows from operating activities. As at February 29, 2016, the Company had a working capital deficiency of \$984,473. Existing funds on hand are not sufficient to support ongoing corporate costs, exploration costs, interest on its indebtedness or repayment of debts. These conditions raise uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. The Company will require additional funding to be able to acquire, advance and retain mineral exploration property interests and to meet ongoing requirements for general operations. The ability of the Company to continue as a going concern is dependent on its ability to raise required financing whether through equity or debt financing; through joint ventures; the generation of profits from operations; or, the sale of property assets in the future.

There is no assurance that additional future funding will be available to the Company, or that it will be available on terms which are acceptable to management.

These condensed consolidated interim financial statements do not reflect any adjustments to the carrying values of assets and liabilities and the reported amounts of expenses and statement of financial position classifications that would be necessary if the going concern assumption were not appropriate and such adjustments could be material.

2. Basis of presentation

Statement of compliance with International Financial Reporting Standards

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting (IAS 34). These condensed consolidated interim financial statements do not include all the information and disclosures required in annual financial statements and should be read in conjunction with the Company's annual consolidated financial statements for the years ended August 31, 2015 and 2014, which have been prepared in accordance with IFRS.

These financial statements were approved by the board of directors for issue on April 28, 2016.

General information and basis of consolidation

Carube Copper Corp. (formerly Miocene Resources Limited) was incorporated under the *Business Corporations Act (Ontario)* on March 29, 2010. The Company completed a reverse takeover with CRI on June 18, 2015 (see note 4). CRI was incorporated under the *Business Corporations Act (Ontario)* on August 2, 2007 under the name 2144321 Ontario Inc. and was inactive until October 2009 at which time its name was changed to CRI. On March 31, 2011, CRI incorporated Carube Resources Jamaica Limited (CRJL), a wholly-owned Jamaican subsidiary, in order for it to hold the Bellas Gate project mineral exploration licenses and to conduct business as operator of the project. On March 31, 2012, CRI acquired all of the outstanding shares of Rodinia Jamaica Limited (RJL) in exchange for common shares of CRI. RJL holds title to four Special Exclusive Prospecting Licenses (SEPLs) in Jamaica.

The Company's financial statements consolidate those of the parent company and each of its 100% wholly-owned subsidiaries CRI, CRJL and RJL. All inter-company balances and transactions are eliminated upon consolidation. The consolidated financial statements are expressed in Canadian dollars and are prepared using the historical cost method.

(expressed in Canadian dollars)

Critical accounting estimates and judgments

The preparation of interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed interim financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended August 31, 2015.

3. Summary of significant accounting policies

These condensed consolidated interim financial statements have been prepared using accounting policies that are consistent with those used in the preparation of the Company's audited annual consolidated financial statements for the years ended August 31, 2015 and 2014 except as described in the notes to these condensed consolidated interim financial statements.

Accounting standards that are not yet effective

IFRS 9 – Financial Instruments

In July 2014, the International Accounting Standards Board (IASB) issued the final version of IFRS 9, Financial Instruments (IFRS 9) which replaces International Accounting Standard (IAS) 39 Financial Instruments: Recognition and Measurement. 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 flow 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 also introduces additional changes relating to financial liabilities and aligns hedge accounting more closely with risk management.

IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption of the new standard permitted. Company management has yet to assess the impact of this new standard on the Company's consolidated financial statements. The Company does not intend to early adopt IFRS 9.

4. Reverse takeover transaction

Miocene Resources Limited, renamed Carube Copper Corp., completed a reverse takeover with Carube Resources Inc. on June 18, 2015. Upon completion of the reverse takeover, former CRI shareholders owned a majority of the Miocene shares and as such the transaction constitutes a reverse takeover of Miocene by CRI. For accounting purposes, the consolidated entity is considered to be a continuation of CRI, with the net identifiable assets of Miocene deemed to have been acquired by CRI. Accordingly, in these consolidated financial statements Miocene is deemed to be the acquired company and its assets and liabilities are brought forward at their fair values. CRI is deemed to be the acquiring company and its assets and liabilities, equity and historical operating results are included at their historical carrying values. The historical values of Miocene's share capital, warrants, contributed surplus and deficit are eliminated. The common shares, warrants and stock options deemed to be issued by CRI for the acquisition of Miocene are recorded as additional amounts in shareholders' equity.

Pursuant to the terms of the merger agreement between Miocene and CRI, the reverse takeover transaction was implemented by way of a three-cornered amalgamation whereby CRI amalgamated with a newly formed wholly-owned subsidiary of Miocene. Pursuant to the reverse takeover, Miocene acquired all of the issued and outstanding common shares of CRI in exchange for the issuance of an aggregate of 42,017,954 common shares and 6,982,707 common share purchase warrants of the Company. The reverse takeover was approved by both the shareholders of Miocene and CRI during shareholder meetings held in June of 2014.

During fiscal 2014, CRI advanced a total of \$54,000 to Miocene to fund working capital requirements prior to the completion of the reverse takeover. During fiscal 2015, a further advance of \$15,000 was provided. The total balance of \$69,000 was repaid to CRI during February 2015.

A summary of the consideration deemed to be issued by CRI and the fair value of net identifiable assets acquired in the reverse takeover are as follows:

	#	\$
Consideration deemed to be issued:		
Common shares deemed to be issued	18,613,347	2,643,095
Warrants deemed to be issued	2,980,000	156,302
Stock options deemed to be issued	181,500	1,165
Total		<u>2,800,562</u>
Fair value of identifiable net assets acquired:		
Cash acquired		852,823
Other current assets		21,360
Equipment		9,995
Mineral exploration properties		3,300,719
Current liabilities		(757,017)
Due to Wallbridge Mining Company Limited		(150,903)
Promissory notes payable		<u>(476,415)</u>
Total		<u>2,800,562</u>

Carube Copper Corp.
(An Exploration Stage Company)
Notes to Unaudited Condensed Consolidated Interim Financial Statements
February 29, 2016

(expressed in Canadian dollars)

5. Mineral exploration properties and deferred exploration expenditures

	Bellas Gate (Jamaica) \$	Rodinia Licenses (Jamaica) \$	Fiedmont (Quebec, Canada) \$	Rogers Creek, Mackenzie and Salal (BC, Canada) \$	Total \$
<u>Mineral exploration properties:</u>					
Balance, August 31, 2015	1,732,930	2,043,059	150,102	3,300,719	7,226,810
Cash option payments received	-	(50,000)	-	-	(50,000)
License and claim renewal fees	-	790	-	25	815
Translation to reporting currency	(450)	(96)	-	-	(546)
Balance, February 29, 2016	1,732,480	1,993,753	150,102	3,300,744	7,177,079
Balance, August 31, 2014	2,128,157	1,700,758	93,833	-	3,922,748
Cash option payments received	(400,000)	-	-	-	(400,000)
License and claim renewal fees	-	131	3,269	-	3,400
Common shares issued for property payment	-	153,000	-	-	153,000
Other acquisition costs	-	-	12,000	-	12,000
Translation to reporting currency	3,364	501	-	-	3,865
Balance, February 28, 2015	1,731,521	1,854,390	109,102	-	3,695,013
<u>Deferred exploration expenditures:</u>					
Balance, August 31, 2015	2,958,225	240,698	129,985	25,536	3,354,444
Geology	-	748	-	24,386	25,134
Geochemical	5,876	4,828	-	9,740	20,444
Geophysical	-	-	-	130,410	130,410
Translation to reporting currency	(48,098)	(2,595)	-	-	(50,693)
Balance, February 29, 2016	2,916,003	243,679	129,985	190,072	3,479,739
Balance, August 31, 2014	2,597,879	168,074	130,329	-	2,896,282
Geology	-	1,861	-	-	1,861
Geochemical	1,231	35,615	-	-	36,846
Translation to reporting currency	232,944	10,619	-	-	243,563
Balance, February 28, 2015	2,832,054	216,169	130,329	-	3,178,552

Bellas Gate property agreements

OZ Exploration Pty Limited term sheet and definitive agreement

During May 2013, the Company entered into a term sheet with OZ Exploration Pty Limited (OZE), a wholly-owned subsidiary of OZ Minerals Ltd., an Australian copper-gold producer listed on the Australian Securities Exchange, that would lead to a farm-in joint venture agreement relating to the Bellas Gate Project which consists of the Bellas Gate and Browns Hall Special Exclusive Prospecting Licenses (SEPLs) which total 84 sq. km. in area. The term sheet was subsequently amended to extend the timeframe by which the transactions contemplated in the term sheet would be completed.

The term sheet with OZE provided that upon the Company meeting certain conditions precedent and other conditions, that OZE and the Company would enter into an agreement which would potentially lead to a joint venture with respect to the Bellas Gate Project and the Company would grant OZE a right to enter into separate agreements on each of the Company's other projects in Jamaica (which comprise the other four SEPLs, excluding the Bellas Gate Project SEPLs). Further, subject to the Company meeting the conditions precedent, OZE agreed to make a US\$900,000 equity investment in the Company. On January 15, 2014, the Company concluded a private placement with OZE raising proceeds of US\$900,000 with the issuance of 4,796,280 common shares and 2,398,140 common share purchase warrants. Each warrant is exercisable at \$0.30 per share.

On January 17, 2014, OZE confirmed the satisfactory completion of their due diligence and that any conditions precedent had been satisfied such that the terms of the May 2013 term sheet became binding on OZE and the Company. A definitive agreement incorporating the terms contained in the term sheet and other conditions that are customary for mining exploration project joint venture agreements was completed during May 2015.

Significant terms of the definitive agreement included an initial phase of work by OZE for \$500,000 of exploration expenditures. In total, to earn a 70% interest in the Bellas Gate Project, OZE was required to spend \$6.5 million on exploration and make cash payments to the Company of \$475,000 over a maximum period of 3.5 years. OZE can then earn a further 10% interest by financing all work to the end of a feasibility study.

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Notes to Unaudited Consolidated Interim Financial Statements

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(expressed in Canadian dollars)

OZE was obligated to sole fund expenditures through the completion of Phase 2 of exploration in order to earn a 51% interest in the Bellas Gate Project. After completion of the Phase 2 earn-in, OZE has a right to sole fund subsequent exploration phases. If OZE were to elect not to sole fund exploration, the parties would be obligated to fund their pro-rata share of ongoing exploration costs.

Additionally, OZE was provided the option to fly airborne geophysics over the Company's other three Jamaican projects (comprised of four SEPLs, see Rodinia Jamaica property licenses below) in return for the right to enter into joint ventures on each project. OZE formally completed the airborne geophysics on June 20, 2015 and then had a six month period to exercise its right to enter into joint venture agreements on any or all of the three projects. During September 2015, the Company and OZE entered into a definitive agreement with respect to the earn-in and potential joint ventures on the three Rodinia projects. (See *Rodinia Jamaica property licenses* below).

Details of the earn-in requirements with respect to the Bellas Gate Project are as follows:

Phase of work	Maximum duration of work	Cash option payments \$	Work expenditure \$	Interest earned in project
Phase 1 Exploration (completed)	6 months	-	500,000	Nil
Phase 2 Exploration (completed)	12 months	75,000	600,000	51%
Phase 3 Exploration (completed)	12 months	100,000	1,800,000	60%
Phase 4 Exploration (completed)	12 months	300,000	<u>3,600,000</u>	70%
Cumulative minimum exploration expenditures			<u>6,500,000</u>	
Phase 5 Exploration / Feasibility Study			Fully funded by OZE	80%

During January 2016, the Company announced that OZE had incurred cumulative exploration expenditures in excess of \$8.3 million and had fulfilled the Phase 4 earn-in requirements to have a 70% interest in the Bellas Gate Project. As at February 29, 2016, OZE had advanced total exploration funding of \$4,425,822 directly to the Company. Of this total, \$4,347,878 had been utilized for exploration work expenditures, \$105,914 remained in restricted cash to fund OZE's exploration programs, \$9,976 had been prepaid for deposits on exploration related expenditures and \$37,947 was in accounts payable. The net working capital items related to OZE's funding of \$67,968 have been reflected as a current liability as at February 29, 2016.

During February 2016, the Company announced that OZE had elected to increase its interest in the Bellas Gate Project a further 10 percent by sole financing Phase 5, which requires the completion of a feasibility study.

The Bellas Gate Project is subject to a 2% net smelter royalty (NSR) in favour of Clarendon Consolidated Minerals Ltd. ("CCM"). The Company has the right to purchase one half (1%) of the NSR by paying US\$900,000 subject to a defined adjustment for the prevailing market prices of gold, copper and silver at the time of purchase. Under the terms of the definitive agreement with OZE, any purchase of the NSR would be funded by OZE and the Company based on their pro-rata share of the project at the time of any purchase.

Rodinia Jamaica property licenses

Acquisition of Rodinia Jamaica Limited

On March 31, 2012, the Company completed the acquisition of a 100% interest in Rodinia Jamaica Limited ("RJL") from Tigers Realm Metals Pty Limited ("TRM") and Rodinia Resources Pty Limited ("Rodinia"). At the time of the acquisition TRM held a non-controlling equity interest in the Company. RJL holds a 100% interest in four SEPLs in Jamaica which are known as Belvedere, Hungry Gully, Main Ridge and Mount Royal and total 184 sq. km. in area. The Belvedere and Mount Royal SEPLs are contiguous and are considered one project area known as Above Rocks. Rodinia retains a 2% NSR in respect of the four SEPLs. The acquisition agreement for the SEPLs included certain commitments to conduct exploration work on the SEPLs within specified time periods as amended during December 2013. A series of common share issuances were completed during calendar 2014 and 2015 in lieu of completing the exploration work commitments within specified time periods. No further commitments remain.

OZ Exploration Pty Limited definitive agreement

During September 2015, the Company entered into a definitive agreement with OZE related to the earn-in and potential joint venture with respect to the Rodinia Jamaica licenses comprising three separate projects. Terms of the agreement are as follows.

OZE had to elect on which projects it wished to earn into before December 20, 2015, and subsequently pay \$50,000 to the Company within 30 days and spend \$500,000 on exploration within one year of the election date to earn a 40-per-cent interest in each project elected. On or before the first anniversary of the election date, OZE may elect to advance its interest in a project to 51 percent by paying \$50,000 to the Company and solely funding \$1 million of exploration expenditures over the following 12 months or alternatively return the project to the Company should it not elect to proceed. On or before the second anniversary of the election date, OZE can elect to advance its interest in a project to 60 percent by paying \$75,000 to the Company and solely funding \$2 million of exploration expenditures over the next 18 months. On or before the 3.5-year anniversary of the election date, OZE can elect to advance its interest to 70 percent by paying \$100,000 to the Company and solely funding \$3 million of exploration expenditures over the next 18 months. In summary, for OZE to earn 70 percent of any one of the three projects, it will have paid \$275,000 to the Company and solely funded \$6.5 million of exploration expenditures over a period of five years or less.

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OZE may advance its interest in a project to 80 per cent by solely funding all costs required for the completion of a National Instrument 43-101-compliant, Joint Ore Reserves Committee standard feasibility study. At the Company's request, OZE will have the option to purchase a further 10 or 20 percent interest in any project at a price based on the project's net present value and/or finance the Company's remaining interest to production. Upon a decision to mine on a project's specific mining licence area, a separate mining joint venture agreement will be negotiated that will respect the terms of the earn-in joint venture agreement.

On December 7, 2015, OZE provided the Company notice of its election to initiate an earn-in and potential joint venture with respect to the Above Rocks Project, totalling 104 sq. km. in area. The Company received the initial cash payment of \$50,000 during December 2015. This payment was recorded as a reduction of mineral exploration property costs. During Phase 1 of the earn-in, OZE is required to complete \$500,000 of exploration expenditures prior to December 7, 2016.

Fiedmont property option agreement

During September 2010, the Company entered into a property option letter agreement to acquire a potential 100% interest in the Fiedmont property comprised of 54 claims, totalling 23 sq. km. in area, in Fiedmont Township, Quebec. A definitive option agreement was entered into on October 22, 2010. Consideration payable under the terms of the option agreement include: \$170,000 in cash; up to 490,000 common shares; and, exploration expenditures of \$700,000 as follows:

Payable	Cash \$	Common shares	Exploration expenditures \$
Following execution of definitive option agreement (paid Nov. 2010)	10,000	-	-
Upon going public ⁽¹⁾	10,000	90,000	-
First anniversary of going public	20,000	90,000	70,000
Second anniversary of going public	30,000	100,000	180,000
Third anniversary of going public	40,000	100,000	200,000
Fourth anniversary of going public	60,000	110,000	250,000
Totals	170,000	490,000	700,000

(1) The number of shares payable upon the Company going public is equal to the greater of: (i) a value of \$25,000 based upon the initial public listing price of the Company's common shares; or (ii) 90,000 common shares. A total of 125,000 common shares were issued.

The Company will act as operator of the property. The Fiedmont property is subject to a 2% NSR retained by the vendors. The Company has the right to purchase up to half of the NSR by paying \$500,000 for each 0.5%. The Company will also have the right of first refusal to purchase the remaining 1% of the NSR. Additionally, the Company was obligated to pay extension fees if it had not completed a going public transaction by certain dates, as follows: (i) \$5,000 by February 18, 2011 for a two month extension (paid); (ii) \$2,000 by April 18, 2011 (paid); and (iii) \$2,000 per month thereafter (paid for the period up to July 2013). Extension fees relating to the period from August 2012 to July 2013 were paid during July 2013. The vendors of the property agreed to waive the monthly extension fees for the period from August 2013 to December 2013. With respect to extension fees payable during calendar 2014 and 2015, the vendors agreed to accept common shares of the Company in lieu of cash with any common shares issuable to be valued at \$0.20 per share and payable upon the completion of the Miocene reverse takeover transaction (see note 4). The Company was obligated to provide \$34,000 related to the penalty fees for January 2014 to May 31, 2015. This obligation was settled with the issuance of 170,000 common shares upon completion of the reverse takeover transaction in June 2015.

As at February 29, 2016, the Company had incurred cumulative exploration expenses of \$188,363 (gross of Quebec exploration tax credits of \$58,378 recorded as a reduction of deferred exploration expenditures during 2012) for the Fiedmont property. These cumulative expenditures exceed the second anniversary requirement under the Fiedmont option agreement.

Rogers Creek, Mackenzie and Salal properties

The Rogers Creek, Mackenzie and Salal projects were acquired with the reverse takeover of Miocene (see note 4). These properties are described as follows.

Rogers Creek

The Rogers Creek property is located within the Coastal Mountain Belt of British Columbia, northeast of Vancouver and consists of 55 claims totalling 253 sq. km. in area. A 2.5% NSR royalty is payable upon production, half of which can be purchased for \$1.25 million.

Mackenzie

The Mackenzie property is located within the Coastal Mountain Belt of British Columbia, north of Vancouver and consists of 50 claims totalling 216 sq. km. in area. The property is subject to a 2% NSR royalty which is payable upon production, 62.5% of which can be purchased at \$1 million adjusted for the Consumer Price Index for the City of Vancouver. The Company has the first right of refusal to purchase the remaining 37.5% of the NSR. Additionally, a 1.5% NSR royalty on the Mackenzie property was granted to Wallbridge Mining Company Ltd. ("Wallbridge") in connection with Miocene's prior line of credit arrangements with Wallbridge. The promissory note payable to Wallbridge is secured through a first charge on the Mackenzie property (see note 7). Subsequent to quarter end on March 31, 2016, the maturity date of the promissory note payable to Wallbridge was extended. Consideration provided for this repayment extension included an increase in the NSR granted to Wallbridge to 1.75% and certain amendments to the buyback provisions associated with the NSR (see note 14).

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Salal

The Salal property consists of 34 claims totalling 124 sq. km. in area and is located within the Coastal Mountain Belt of British Columbia, northeast of Vancouver. Seven mineral claims are subject to a 2% NSR royalty payable upon production, half of which can be purchased for \$500,000. The Company has the first right of refusal to purchase the remaining 50% of the NSR royalty. One claim is subject to a 1.5% NSR royalty payable upon production, half of which can be purchased for \$500,000. Additionally, a 1.5% NSR royalty on the Salal property was granted to Wallbridge in connection with Miocene's prior line of credit arrangements with Wallbridge. The promissory note payable to Wallbridge is secured through a first charge on the Salal property (see note 7). Subsequent to quarter end on March 31, 2016, the maturity date of the promissory note payable to Wallbridge was extended. Consideration provided for this repayment extension included an increase in the NSR granted to Wallbridge to 1.75% and certain amendments to the buyback provisions associated with the NSR (see note 14).

A full impairment charge with respect to prior property and exploration costs associated with the Salal property was recorded by Miocene during 2013. No additional expenditures have been incurred since this time.

6. Bridge loans payable

During January 2014, the Company completed an offering of convertible promissory notes with six lenders raising proceeds of \$270,000 intended to provide funding of general working capital requirements up until the completion of the Miocene going public transaction (see note 4). A director of the Company participated in the offering for a bridge loan having a maturity value of \$12,500. The convertible promissory notes had a maturity date of May 15, 2014 or the date on which the Company begins trading on the TSX Venture Exchange, whichever is sooner. The promissory notes were issued at a 10% discount to their maturity value of \$300,000 and bear a post maturity date interest rate of 1.5% per month. The promissory notes were convertible, at the option of the holder, into units of the Company prior to the maturity date at a value of \$0.20 per unit with each unit consisting of one common share of the Company and one-half share purchase warrant. Each whole warrant was exercisable to acquire one common share of the Company at \$0.30 for a period of two years. The fair value of the bridge loan debt was determined to be \$201,450 at the time of issuance. A value of \$68,550 relating to the conversion feature was recorded in contributed surplus in shareholders' equity. The balance of bridge loans payable has been accreted to the maturity value with an accretion charge recorded in the consolidated statement of operations.

During May 2014, a total of \$137,500 of the bridge loans were converted into units of the Company resulting in the issuance of 687,500 common shares and 343,750 warrants. During December 2014, principal and interest balances totalling \$24,875 were converted to units of the Company resulting in the issuance of 124,375 common shares and 62,188 warrants. During April 2015, the maturity date with respect to the balance of the bridge loans outstanding was amended to extend to July 15, 2016. During February 2016, the maturity date with respect to the bridge loans was extended with a principal balance of \$148,000 extended to September 30, 2017 and \$14,500 extended to January 31, 2018.

Activity with respect to bridge loans payable is as follows:

	\$
Balance, August 31, 2014	171,031
Conversion of principal and interest to units	(24,875)
Accrued interest	<u>28,650</u>
Balance, August 31, 2015	174,806
Accrued interest	<u>14,625</u>
Balance, February 29, 2016	<u>189,431</u>

7. Promissory notes payable

During December 2013, the Company settled a total of \$250,000 of demand notes payable and \$150,474 in accrued compensation with officers and a contractor of the Company by the issuance of a total of \$400,474 in promissory notes payable under five agreements. The promissory notes bear interest at a rate of 12% per annum and had an original maturity date of January 31, 2016. During March 2015, the maturity date of these five promissory note agreements was extended to January 31, 2017. During December 2015, principal and accrued interest totalling \$10,000 was paid with respect to one note. During February 2016, the maturity dates with respect to four of these promissory note agreements having a total principal value of \$215,474 was extended to January 31, 2018. The remaining note with a principal value of \$180,000 retains a January 31, 2017 maturity date.

During April 2015, accounts payable of \$8,249 and a demand note payable balance of \$50,000 were settled with the issuance of promissory notes maturing July 15, 2016. These promissory notes bear interest at an annual rate of 12%. During July 2015, the promissory note in the amount of \$8,249 was repaid with cash. During February 2016, the maturity date with respect to the promissory note with a principal balance of \$50,000 was extended to January 31, 2018.

In connection with the Miocene reverse takeover transaction various payables and debts totalling \$571,415 were settled with the issuance of promissory notes to the Company's Chairman, legal counsel and Wallbridge Mining Company Ltd. with principal amounts of \$40,000 (due January 31, 2017), \$95,000 (due December 31, 2016), and \$436,415 (due September 30, 2016), respectively. These promissory notes bear interest at an annual rate of 12%. The promissory note payable to Wallbridge is secured through a first charge on the Mackenzie and Salal properties (see note 5). During February 2016, the maturity date with respect to the promissory note payable to the Company's Chairman (principal balance of \$40,000) was extended to January 31, 2018. Subsequent to quarter end, on March 31, 2016, the promissory note payable to Wallbridge was amended. The maturity date with respect to the principal balance of \$436,415 and accrued interest was extended to December 31, 2017. Consideration provided for this extension included an increase in the NSR on the Mackenzie and Salal properties held by Wallbridge in addition to amendments to the terms of the NSR buyback clause (see notes 5 and 14).

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Promissory notes payable are summarized as follows:

	February 29, 2016	August 31, 2015
	\$	\$
Principal value of promissory note payable, due July 15, 2016	-	50,000
Principal value of promissory note payable, due September 30, 2016 (notes 5 and 14)	436,415	436,415
Principal value of promissory note payable, due December 31, 2016	95,000	95,000
Principal value of promissory notes payable, due January 31, 2017	180,000	440,474
Principal value of promissory notes payable, due January 31, 2018	305,474	-
Accrued interest	148,513	92,394
	<hr/>	<hr/>
Total principal and interest	1,165,402	1,114,283
Less: current portion	(801,429)	(52,250)
	<hr/>	<hr/>
Promissory notes payable, non-current	363,973	1,062,033

8. Capital stock

Authorized

The Company is authorized to issue an unlimited number of common shares, having no par value.

Issued

Financing activity during the six month period ended February 29, 2016

During April 2015, the Company entered into debt settlement agreements for a total of \$103,000 in accounts payable with officers of the Company with the balance owed to related parties to be settled with common shares. These debt settlements were subject to TSX-V approval after public trading of the Company's shares resumed and to disinterested shareholder approval. Shareholder and TSX-V approvals were obtained for the debt settlements during September 2015. A total of 605,882 common shares were issued in satisfaction of the balance of \$103,000 in accounts payable.

During December 2015, former directors of Miocene renounced a total of 937,500 common shares of the Company which had been issued pursuant to debt settlement agreements in connection with the Miocene reverse takeover transaction. Additionally, a total of \$6,500 in accrued director meeting fees was also renounced. The renounced shares valued at \$187,500 along with the accrued fees have been recorded in the consolidated statement of operations and comprehensive loss as a gain on forgiveness of debt in a total amount of \$194,000.

On December 8, 2015, the Company announced its intention to raise an aggregate of \$440,000 by way of non-brokered private placements of up to 3,000,000 units of the Company at a price of \$0.08 per unit and up to 2,000,000 flow-through common shares of the Company at a price of \$0.10 per flow-through share. Each unit will be comprised of one common share of the Company and one-half of one common share purchase warrant. Each whole warrant will be exercisable into one common share at a price of \$0.15 per common share for a period of two years from the closing date of the offering. Each flow-through share will be issued as a "flow-through share" within the meaning of the Income Tax Act (Canada).

On December 31, 2015, the Company closed a first tranche of \$42,500 in flow-through financing issuing a total of 425,000 flow-through shares. Subsequent to quarter end, during March 2016, the Company closed \$240,000 of the unit financing issuing a total of 3,000,000 units and a second tranche of \$20,000 in flow-through financing was completed with the issuance of 200,000 flow-through shares. As at February 29, 2016, the Company had received a balance of \$15,500 in subscriptions related to the unit financing which closed in March 2016.

Fiscal 2015 financing activity

During November 2014, the Company repurchased 1,571,373 common shares from Clarendon Consolidated Minerals Ltd. ("CCM") for cash of \$314,274.

During December 2014 to June 2015, preceeding the reverse takeover of Miocene, CRI completed a series of private placements for a total of 5,225,000 units for cash proceeds of \$1,045,000. Each unit was comprised of one common share and one-half common share purchase warrant. Each whole warrant was exercisable to acquire one common share of the Company at \$0.30 for a period of two years. Share issue costs totalled \$39,888.

During December 2014, a total of 124,375 units were issued upon the conversion of a total of \$24,875 in bridge loan principal and interest.

During December 2014, the Company issued 900,000 common shares valued at \$153,000 to TRM and Rodinia in connection with the amended Rodinia Jamaica acquisition agreement. During July 2015, the Company issued a final payment of 1,200,000 common shares valued at \$188,400 to TRM and Rodinia in connection with the amended Rodinia Jamaica acquisition agreement (see note 5).

During June 2015, the Company issued a total of 295,000 common shares valued at \$59,000 to the vendors of the Fiedmont property in payment of the amount due upon going public and the extension fees due (see note 5).

In connection with the reverse takeover transaction, the Company acquired all of the issued and outstanding common shares and other equity instruments of CRI in exchange for the same number of shares and equity instruments of the Company (see note 4).

In connection with the reverse takeover, the Company completed the December 2013 debt settlements issuing a total of 1,043,890 common shares valued at \$208,778 in satisfaction of various accounts payable and debt balances.

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During April 2015, the Company entered into debt settlement agreements with arms-length creditors for a total of \$79,250 in accounts payable with suppliers and contractors. The amount owing of \$79,250 was settled by the issuance of 396,250 common shares and 198,125 warrants exercisable at \$0.30 for 24 months from issuance. These shares and warrants were issued upon the closing of the Miocene reverse takeover transaction.

During August 2015, a former director of Miocene renounced 236,250 common shares of the Company which had been issued pursuant to a debt settlement agreement in addition to \$4,000 in accrued director meeting fees. The renounced shares valued at \$47,250 along with the accrued fees were recorded in the consolidated statement of operations and comprehensive loss as a gain on forgiveness of debt in a total amount of \$51,250.

Warrants

As at February 29, 2016, a total of 9,682,707 warrants were outstanding as follows:

Number	Exercise price \$	Expiry date
775,000	0.25	December 31, 2019
250,000	0.30	February 19, 2017
8,607,707	0.30	July 7, 2017
<u>50,000</u>	1.00	March 22, 2016
<u>9,682,707</u>	0.30	

No warrants were issued during the six month period ended February 29, 2016. During February 2016, a total of 280,000 warrants exercisable at \$1.00 expired. During May 2015, the board of directors of CRI approved an amendment to the terms of 5,203,332 warrants issued prior to the completion of the Miocene reverse takeover transaction to extend their expiry to be two years from the date that the Company became publicly listed. Public trading following the reverse takeover commenced on July 7, 2015. The expiry extension became effective on July 7, 2015 with the amended expiry date for all previously issued CRI warrants becoming July 7, 2017. The change in fair value related to this warrant modification was determined to be \$145,865 and resulted in a charge to warrants in shareholders' equity and a charge to deficit.

The fair value of warrants have been estimated using the Black-Scholes option pricing model and this value has been presented as a separate component of shareholders' equity. The range of assumptions used for the valuation of warrants during fiscal 2015 and 2014 are as follows.

	<u>2015</u>	<u>2014</u>
Expected life in years	0.67 to 4.54	2.0
Expected volatility	100%	100%
Risk-free interest rate	0.40% to 0.81%	0.81%
Dividend yield	Nil	Nil

Compensation options and compensation option warrants

In connection with the financings completed concurrently with the Miocene reverse takeover transaction, the Company provided compensation options to agents who referred investors to the Company. The compensation options are exercisable into equity instruments having the same attributes as those purchased by the referred investor. A total of 135,000 compensation options were issued. These compensation options are exercisable at \$0.20 per unit to obtain one common share and one-half common share purchase warrant and expire July 7, 2017. A potential total of 67,500 common share purchase warrants are issuable upon exercise of the compensation options. These common share purchase warrants would be exercisable to obtain a common share at \$0.30 per share and would expire July 7, 2017.

The fair value of compensation options of \$14,100 has been estimated using the Black-Scholes option pricing model and this value has been recorded in contributed surplus and share issue costs reducing capital stock. The assumptions used for the valuation of compensation options are as follows: expected life of two years; expected volatility 100%; risk-free interest rate of 0.40%; and, dividend yield of Nil.

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Stock options

In October 2010, Miocene approved a stock option plan available to its employees, officers, directors and service providers. The number of options available under the plan is a maximum of 10% of the total number of issued and outstanding common shares. The Compensation Committee recommends to the Board the vesting period and exercise rights for each stock option granted.

Activity with respect to stock options is as follows:

	Number	Weighted- average exercise price \$	Expiry
Miocene options outstanding at reverse takeover	181,500	1.62	January 2016 to August 2017
Granted	<u>300,000</u>	0.30	July 2017
Balance, August 31, 2015	481,500	0.80	January 2016 to August 2017
Expired	(70,000)	2.25	January 2016
Granted	<u>4,150,000</u>	0.08	February 2021
Balance, February 29, 2016	<u>4,561,500</u>	0.12	March 2017 to February 2021

As at February 29, 2016 outstanding stock options are as follows:

Exercise price \$	Options outstanding		Options exercisable		Expiry
	Number of options	Weighted-average contractual life (years)	Number of options	Weighted-average contractual life (years)	
0.08	4,150,000	5.0	-	5.0	February 28, 2021
0.30	300,000	1.5	150,000	1.5	July 16, 2017
1.00	10,000	1.4	10,000	1.4	August 6, 2017
1.25	<u>101,500</u>	1.0	<u>101,500</u>	1.0	March 13, 2017
	<u>4,561,500</u>	4.7	<u>261,500</u>	1.3	

On February 29, 2016, the Company's board of directors approved the grant of a total of 4,150,000 stock options to officers, directors and consultants of the Company. These stock options are exercisable at \$0.08 per share and expire on February 28, 2021. These stock options will vest as follows: 50% on August 29, 2016 and 50% on February 28, 2017.

During the six month period ended February 29, 2016, the Company recorded a total of \$8,645 (2015 - \$Nil) in promotion and investor relations expense related to stock based compensation with respect to stock options. Stock based compensation amounts are included in shareholders' equity as contributed surplus. The values determined using the Black-Scholes option pricing model, with respect to stock options granted during 2015, utilized the following assumptions and values.

2015

Expected volatility	100%
Expected option life (in years)	0.57 to 2.14
Risk-free interest rate	0.40% to 0.58%
Expected dividend yield	Nil
Weighted-average exercise price	0.80
Weighted-average market price at grant date	0.14
Weighted-average fair value	0.03

The Company determines expected volatility in relation to both historical Company volatility and by analysis of comparable companies in the mineral exploration sector.

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Restricted share unit / Deferred share unit plan ("RSU / DSU Plan")

On June 13, 2013, Miocene's shareholders adopted a RSU/DSU Plan. The Plan provides for granting of RSUs and DSUs for the purpose of advancing the interests of the Company through motivation, attraction and retention of employees, consultants and non-employee directors by granting equity-based compensation and incentives, in addition to the Company's stock option plan. The number of shares reserved for issuance for the RSU/DSU Plan and the stock option plan shall not exceed 20% of the issued and outstanding common shares on the date of adoption. Under the RSU/DSU Plan, no cash settlements are made as settlement is in common shares only. On September 17, 2015, shareholders of the Company approved an increase in the number of common shares reserved for the RSU/DSU Plan to 5,000,000. Under the terms of the RSU/DSU Plan, the number of common shares issued and issuable to insiders within a one-year period shall not exceed 10% of the issued and outstanding common shares and to any one insider within one year shall not exceed 5% of the issued and outstanding common shares. The maximum grant within a one-year period to any one participant shall not exceed 5% of the total issued and outstanding common shares.

Restricted share units

RSUs will be used to compensate participants for their individual performance based achievements and corporate performance, and they are intended to supplement stock option awards. The Company's Compensation Committee may determine the vesting schedule of RSUs at the time of grant. The settlement date shall be no later than the third anniversary of the date of grant and all payments in respect of the vested units shall be paid in full before the end of the same calendar year. Non-vested RSUs are forfeited if the participant voluntarily leaves employment with the Company. On exercise of RSUs, the shares are issued from treasury.

On February 29, 2016, a total of 1,200,983 RSUs valued at \$106,667 were granted to officers and a consultant of the Company. These RSUs will vest ratably over the one year period following the date of grant. The total value of these RSUs will be recorded as share based compensation expense in contributed surplus over the vesting period.

Deferred share units

DSUs will be used as a means of reducing the cash payable by the Company for amounts owing to non-employee directors. A DSU is a notional share that has the same value as one share of the Company as at the grant date. DSUs are paid out to directors as common shares when they retire from the Board. As DSUs are equity settled, they are fair valued based on the market value of the shares at the grant date.

On February 29, 2016, a total of 544,423 DSUs valued at \$98,250 were granted to directors of the Company as settlement of accrued director fees. These DSUs were recorded in contributed surplus and will be settled in the future with the issuance of common shares when directors retire from the Board.

9. Commitment for qualifying flow-through expenditures / Flow-through premium liability

Effective December 31, 2014, the Company renounced a total of \$155,000 in flow-through expenditures to flow-through share subscribers. The Company incurred qualifying Canadian exploration expenditures in excess of this amount prior to December 31, 2015.

During April 2015, the Company closed a round of flow-through financing for total proceeds of \$95,000. The Company renounced these expenditures to subscribers effective December 31, 2015. The Company has until December 31, 2016 to incur the balance of these qualifying expenditures.

During December 2015, the Company closed a round of flow-through financing for total proceeds of \$42,500. The Company has until December 31, 2016 to incur the qualifying expenditures.

Common shares issued on a flow-through basis typically include a premium over the market price of the Company's common shares that is associated with the tax benefits of the flow-through share. The Company estimates the proportion of proceeds attributable to the flow-through premium as the excess of the subscription price over the market value of the shares and records this value as a liability at issuance. An amount of \$13,813 was recorded as a flow-through premium liability with respect to the flow-through financing closed on December 31, 2015. As qualified expenditures are incurred, the Company recognizes a pro-rata reduction of the flow-through premium liability as income in the consolidated statement of operations and comprehensive loss.

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10. Related party transactions and compensation of key management

The Company has contracts for management and geological services with its officers, directors and companies controlled by its officers and directors. Key management includes all persons named or performing the duties of Chief Executive Officer and President, Chief Financial Officer, Vice-President and Director. Compensation awarded to key management is set out below. For the six month period ended February 29, 2016, Rampton Resource Group ("RRG"), a corporation controlled by a Company officer and director, has also charged the Company for shared services related to accounting, an office administrator, office rent and related office expenses in the amount of \$50,533 (six months ended February 28, 2015 - \$44,561). Office rent of \$5,850 (2015 - \$5,850) included in that total is in accordance with a rental agreement between RRG and an independent director of the Company. The following transactions, which have been recorded at the exchange amount, being the amount agreed to by the respective parties, are with respect to short-term compensation and were conducted in the normal course of business and are summarized as follows:

	Three months ended February 29, 2016 \$	Three months ended February 28, 2015 \$	Six months ended February 29, 2016 \$	Six months ended February 28, 2015 \$
Chief Executive Officer and President service contract fees	18,000	26,100	36,000	52,200
Executive Vice-President Corporate Development service contract fees	21,000	27,000	42,000	54,000
Chief Financial Officer service contract fees	25,785	11,719	62,099	23,281
Director board meeting and committee fees	21,250	-	41,375	-
	<u>86,035</u>	<u>64,819</u>	<u>181,474</u>	<u>129,481</u>

As at February 29, 2016, a total of \$29,194 (August 31, 2015 - \$76,690) is included in accounts payable and accrued liabilities with respect to amounts due to key executive management for service contract obligations. As at February 29, 2016, a total of \$Nil (August 31, 2015 - \$Nil) is included in accounts payable and accrued liabilities with respect to amounts due to RRG for accounting and office costs.

Certain management service contracts include potential entitlements for restricted share unit grants in addition to cash compensation (see note 8).

As at February 29, 2016, a total of \$41,375 in director meeting and committee fees has been recorded in accounts payable and accrued liabilities related to directors' fees payable to Company directors. On April 30, 2015, the Board approved a decision that director fees owing to current directors would be settled by the issuance of DSUs. On February 29, 2016, a total of 544,423 DSUs valued at \$98,250 were granted to Company directors in settlement of directors fees outstanding related to meetings held from June 2014 through August 2015.

The Company has management service agreements with each of the Chief Executive Officer and President, Chief Financial Officer and one senior manager which provide for a payment upon termination without cause. These payments are equivalent to 18 months' compensation for each of these three individuals. The service agreements also provide that, should a change in control event occur that each of these individuals would be entitled to a lump sum payment equivalent to 24 months' compensation irrespective of whether their services were retained subsequent to the change in control. In the event of a change of control, the Executive Vice-President Corporate Development is entitled to a lump sum payment equivalent to 24 months' compensation reduced by the number of months of service provided after September 1, 2015.

11. Financial instruments and risk management

As at February 29, 2016, the Company's financial instruments consist of cash and cash equivalents, accounts payable, accrued liabilities and amounts due to Wallbridge Mining Company Ltd. Due to the short-term nature of these financial instruments the carrying values approximate their fair values. Other financial instruments include bridge loans payable and promissory notes payable which have carrying values approximating fair value as they are carried at cost plus accrued interest and stated interest rates approximate current market rates that would be obtained for instruments with similar terms and maturity dates.

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk, currency risk and interest rate risk. The condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual consolidated financial statements; they should be read in conjunction with the Company's annual financial statements as at August 31, 2015. There have been no changes in the Company's risk management policies or procedures since the year end.

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12. Segmented information

The Company's operations comprise one reportable segment being the exploration and development of mineral resource properties. The Company's corporate and administrative offices are in Ontario, Canada. The Company's exploration property assets are in Jamaica, British Columbia, Canada and Quebec, Canada. Long-term assets by geographic area are as follows:

	February 29, 2016			August 31, 2015		
	Equipment	Mineral exploration properties	Deferred exploration expenditures	Equipment	Mineral exploration properties	Deferred exploration expenditures
	\$	\$	\$	\$	\$	\$
Canada	12,296	3,450,846	320,057	13,949	3,450,821	155,521
Jamaica	10,381	3,726,233	3,159,682	11,879	3,775,989	3,198,923
	<u>22,677</u>	<u>7,177,079</u>	<u>3,479,739</u>	<u>25,828</u>	<u>7,226,810</u>	<u>3,354,444</u>

13. Supplemental cash flow information

Non-cash transactions not reflected in the consolidated statements of cash flows are as follows:

	Six months ended February 29, 2016 \$	Six months ended February 28, 2015 \$
Mineral exploration property costs included in accounts payable and accrued liabilities	25	15,269
Exploration expenditures included in accounts payable and accrued liabilities	51,925	78,935
Depreciation of field vehicles charged to exploration expenditures	1,499	1,895
Accounts payable and accrued liabilities settled with common shares in debt settlement agreements	103,000	-
Bridge loan principal and interest settled with units	-	24,875
Interest accrued on demand notes, bridge loans and promissory notes	75,744	38,278
Shares issued for property payment	-	153,000
DSUs issued in settlement of accrued director fees	98,250	-

14. Subsequent events**Private placement financings**

On December 8, 2015, the Company announced its intention to raise an aggregate of \$440,000 by way of non-brokered private placements of up to 3,000,000 units of the Company at a price of \$0.08 per unit and up to 2,000,000 flow-through common shares of the Company at a price of \$0.10 per flow-through share. Each unit is comprised of one common share of the Company and one-half of one common share purchase warrant. Each whole warrant will be exercisable into one common share at a price of \$0.15 per common share for a period of two years from the closing date of the offering. Each flow-through share will be issued as a "flow-through share" within the meaning of the *Income Tax Act (Canada)*.

On December 31, 2015, the Company closed a first tranche of \$42,500 in flow-through financing issuing a total of 425,000 flow-through shares. Subsequent to quarter end, during March 2016, the Company closed \$240,000 of the unit financing issuing a total of 3,000,000 units and a second tranche of \$20,000 in flow-through financing was completed with the issuance of 200,000 flow-through shares.

Amendment of promissory note agreement with Wallbridge Mining Company Limited

On March 31, 2016, the promissory note agreement with Wallbridge was amended. The maturity date with respect to the principal balance of \$436,415 and accrued interest of \$41,573 was extended from September 30, 2016 to December 31, 2017. Additionally, the current liability payable to Wallbridge of \$24,914 was included in the amended promissory note agreement. The total of the amended promissory note is \$502,902 and continues to bear interest at 12% per annum. Consideration provided for this extension included an increase in the NSR held by Wallbridge on the Mackenzie and Salal properties from 1.5% to 1.75%. In addition, the terms of the NSR buyback clause was amended such that the NSR can be repurchased provided that the amended promissory note and any accrued interest have been repaid in full, as follows: (i) for \$350,000 at any time on or before December 31, 2017 (the new maturity date); (ii) for \$750,000 during the one year period following the maturity date; or (iii) for \$1,750,000 at any time thereafter.