

**Interim Consolidated Financial Statements**

**Chinapintza Mining Corp.**

(An exploration stage company)  
(Formerly Black Birch Capital Acquisition II Corp.)

**For the Three Month Ended March 31, 2014 and 2013**

(Expressed in Canadian dollars)

(Unaudited)

**Chinapintza Mining Corp**  
**(An exploration stage company)**  
**(Formerly Black Birch Capital Acquisition II Corp.)**  
**Interim Consolidated Statements of Financial Position**  
**(Unaudited)**  
**(Expressed in Canadian dollars)**

	March 31, 2014 (Unaudited)	December 31, 2013 (Audited)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	\$ 277,844	\$ 249,564
Other receivable	26,796	24,268
	304,640	273,832
Advances to Related Parties (note 6)	-	-
Mineral rights (note 5)	504,238	485,126
<b>Total Assets</b>	<b>\$ 808,878</b>	<b>\$ 758,958</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	32,583	36,867
<b>Advances From Related Parties</b> (note 6)	615,655	505,864
<b>Asset Retirement Obligations</b> (note 5)	4,872	4,687
	653,110	547,418
<b>Shareholders' Equity</b>		
<b>Share Capital</b> (note 7)	300,798	300,798
<b>Surplus Reserve</b> (note 7)	168,502	168,502
<b>Cumulative Translation Reserve</b>	17,207	10,772
<b>Deficit</b>	(405,245)	(340,281)
<b>Equity</b>	81,262	139,791
<b>Non-controlling Interest</b>	74,506	71,749
<b>Total Equity</b>	155,768	211,540
<b>Total Liabilities and Equity</b>	<b>\$ 808,878</b>	<b>\$ 758,958</b>

Commitments and Contractual Arrangements (note 8)

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS:

Signed "James Xiang"  
 Director

Signed "Paul Haber"  
 Director

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

**Chinapintza Mining Corp**  
**(An exploration stage company)**  
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**Interim Consolidated Statements of Loss and Comprehensive Loss**  
**(Unaudited)**  
**(Expressed in Canadian dollars)**

	Three months ended March 31, 2014 (Unaudited)	Three months ended March 31, 2013 (Unaudited)
<b>Revenue</b>	\$ -	\$ -
<b>Expenses</b>		
General and administrative	38	-
Director fees	3,000	-
Management fees	9,000	-
Professional fees	35,632	15,000
Filing and transfer agent fees	8,618	-
Travel	6,650	2,548
Investor relations	2,359	-
Foreign exchange (gain) loss	-	-
	65,297	17,548
<b>Other (gains) losses</b>		
Interest income	(333)	-
<b>Net Loss before Income Taxes</b>	64,964	17,548
Deferred income taxes	-	-
<b>Net Loss</b>	64,964	17,548
<b>Other Comprehensive loss (gain)</b>		
Currency translation differences translating foreign operations attributable to the parent	(6,435)	(3,517)
Currency translation differences translating foreign operations attributable to non-controlling interest	(2,757)	(1,477)
<b>Comprehensive Loss</b>	<b>\$ 55,772</b>	<b>\$ 12,554</b>
<b>Comprehensive Loss attributable to:</b>		
<b>Controlling equity holders</b>	<b>\$ 58,529</b>	<b>\$ 13,266</b>
<b>Non-controlling interest</b>	<b>(2,757)</b>	<b>(712)</b>
	<b>\$ 55,772</b>	<b>\$ 12,554</b>
<b>Weighted Average Number of Shares Outstanding</b>	<b>44,054,375</b>	<b>800</b>
<b>Loss per Share – basic and diluted</b>	<b>\$ 0.00</b>	<b>\$ 21.94</b>

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**Chinapintza Mining Corp**  
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**Interim Consolidated Statements of Changes in Shareholders' Equity**  
**(Unaudited)**  
**(Expressed in Canadian dollars)**

	Number of Shares	Common Shares	Surplus Reserve	Cumulative Translation Reserve	Deficit	Shareholders' Equity	Non-controlling Interest
<b>Balance – December 31, 2012</b>	<b>800</b>	<b>798</b>	<b>168,502</b>	<b>(143)</b>	<b>(19,537)</b>	<b>149,620</b>	<b>70,906</b>
Other comprehensive gain	-	-	-	3,517	-	3,517	1,477
Loss for the period	-	-	-	-	(16,783)	(16,783)	(764)
<b>Balance – March 31, 2013</b>	<b>800</b>	<b>798</b>	<b>168,502</b>	<b>3,374</b>	<b>(36,320)</b>	<b>136,354</b>	<b>71,619</b>
<b>Balance – December 31, 2013</b>	<b>44,054,375</b>	<b>300,798</b>	<b>168,502</b>	<b>10,772</b>	<b>(340,281)</b>	<b>139,791</b>	<b>71,749</b>
Other comprehensive gain	-	-	-	6,435	-	6,435	2,757
Loss for the period	-	-	-	-	(64,964)	(64,964)	-
<b>Balance – March 31, 2014</b>	<b>44,054,375</b>	<b>300,798</b>	<b>168,502</b>	<b>17,207</b>	<b>(405,245)</b>	<b>81,262</b>	<b>74,506</b>

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**Chinapintza Mining Corp**  
**(An exploration stage company)**  
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**Interim Consolidated Statements of Cash Flows**  
**(Unaudited)**  
**(Expressed in Canadian dollars)**

	<b>Three months ended March 31, 2014 (Unaudited)</b>	<b>Three months ended March 31, 2013 (Unaudited)</b>
<b>Cash provided by (used in):</b>		
<b>Operating Activities:</b>		
Net loss for the period	\$ (64,964)	\$ (17,548)
Changes in non-cash working capital items:		
Other receivable	(2,528)	-
Accounts payable and accrued liabilities	(4,284)	15,000
<b>Net Cash Used in Operating Activities</b>	<b>(71,776)</b>	<b>(2,548)</b>
<b>Investing Activities:</b>		
Additions in mineral rights	(18,927)	(42,370)
<b>Net Cash Used in Investing Activities</b>	<b>(18,927)</b>	<b>(42,370)</b>
<b>Financing Activities:</b>		
Proceeds from related party	109,791	44,918
<b>Net Cash Provided by Financing Activities</b>	<b>109,791</b>	<b>44,918</b>
Impact of foreign exchange on cash	9,192	-
Net increase in cash	28,280	-
Cash - beginning of period	249,564	-
Cash - end of period	\$ 277,844	\$ -

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**Notes to the Interim Consolidated Financial Statements**  
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**1. Nature and Continuance of Operations**

Chinapintza Mining Corp (the "Company" or "CPA") (formerly Black Birch Capital Acquisition II Corp ("Black Birch") was incorporated pursuant to articles of incorporation dated November 3, 2009 under the Business Corporations Act (Ontario). The Company was a "Capital Pool Corporation" ("CPC"), as this term is defined in the policies of the TSX Venture Exchange (the "Exchange") since its listing. On June 14, 2013, Black Birch was acquired by Guangshou Ecuador Minerals Ltd. ("Guangshou") in a reverse takeover transaction (see note 4) and as result Black Birch carries on the business of Guangshou and continues pursuant to the laws of British Columbia. As a result, these interim consolidated financial statements reflect the financial position, operating results and cash flows of the Company's legal subsidiary, Guangshou. Effective June 14, 2013, Black Birch changed its name to Chinapintza Mining Corp and trades under the symbol "CPA" on the TSX Venture Exchange. The address of the Company's corporate office and principal place of business is 50 Richmond Street East, Suite 300, Toronto, Ontario, Canada, M5C 1N7.

The Company's principal business is to acquire, explore and develop the gold and mineral mining rights in Chinapintza Property located in Ecuador. The Company has not yet determined whether the property contains mineral reserves that are economically recoverable.

On November 2, 2012, the Company's subsidiary in Ecuador, Guangshou, entered into an agreement ("Shareholder Agreement") with Condormining Corporation S.A. ("Condormining") and JVChinapintza. As per the Shareholder Agreement, Condormining will transfer the title of the Chinapintza Property to JVChinapintza in order to further the exploration, evaluation, and if justified, the development and mining of mineral resources within the property for the benefit of the shareholders. The Company holds 70% shareholder interest of JVChinapintza whereas Condormining holds the other 30% shareholder interest of JVChinapintza.

**2. Going Concern**

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

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**2. Going Concern (Cont'd)**

The Company's long-term continuance is dependent on obtaining sufficient external financing, to realize the recoverability of its investment in mineral rights in the Chinapintza Property which is dependent upon the existence of economically recoverable reserves and upon future profitable production. To date, the Company has not received any revenue from mining operations and is considered to be in the exploration stage. As at March 31, 2014, the Company has an accumulated deficit of \$405,245 (December 31, 2013 - \$340,281), and incurred a net loss of \$64,964 (2013 - \$17,548) for the three months ended March 31, 2014. The Company has a negative cash flow from operations of \$71,776 (2013 - \$2,548) for the three months ended March 31, 2014 and a working capital of \$272,057 as at March 31, 2014 (December 31, 2013 – working capital of \$236,965).

These interim consolidated financial statements do not reflect adjustments to the carrying value of assets, liabilities, the reported expenses and financial position classifications used that might be necessary if the going concern assumption were not appropriate.

Although the Company has taken steps to verify title to the property on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

**3. Significant Accounting Policies**

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

**a) Statement of compliance to IFRS**

These interim consolidated financial statements have been prepared using accounting policies in compliance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). The policies applied in these interim consolidated financial statements are based on IFRS issued and outstanding as of April 30, 2014, the date the Board of Directors approved the interim consolidated financial statements for issue.

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**3. Significant Accounting Policies (Cont'd)**

**b) Basis of presentation**

These interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Guangshou and Guangshou's 70% interest and control in JVChinapintza. All intercompany transactions, balances, and unrealized gains and losses on intercompany transactions have been eliminated. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Where control of an entity is obtained during a financial period, its results are included in the consolidated statement of loss and comprehensive loss from the date on which control commences. Where control of an entity ceases during a financial period, its results are included for that part of the period during which control existed.

These interim consolidated financial statements have been prepared on a historical cost convention using the accrual basis of accounting except for the cash flow information.

Presentation of the consolidated statements of financial position differentiates between current and non-current assets and liabilities. The interim consolidated statements of loss and comprehensive loss are prepared using the functional classification.

**c) Functional currency translation**

*i) Functional and presentation currency*

Items included in the interim consolidated financial statements of each consolidated entity in the group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The interim consolidated financial statements are presented in Canadian dollars. The functional currency of the Company is Canadian dollars while the functional currency of its legal subsidiaries Guangshou and JVChinapintza is the United States dollar.

The interim consolidated financial statements are translated into Canadian dollars as follows: assets and liabilities – at the closing rate at the date of the statement of financial position, and income and expenses – at the average rate of the period (as this is considered a reasonable approximation to the actual rates). All resulting changes are recognized in other comprehensive income (loss) as cumulative translation adjustments.



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**3. Significant Accounting Policies (Cont'd)**

**c) Functional currency translation (cont'd)**

*i) Functional and presentation currency (cont'd)*

When an entity disposes of its entire interest in a foreign operation, or loses control, joint control, or significant influence over a foreign operation, the foreign currency gains or losses accumulated in other comprehensive income (loss) related to the foreign operation are recognized in profit or loss. If an entity disposes of part of an interest in a foreign operation which remains a subsidiary, a proportionate amount of foreign currency gains or losses accumulated in other comprehensive income (loss) related to the subsidiary are reallocated between controlling and non-controlling interests.

*ii) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Generally, foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the transaction at period-end exchange rates of monetary assets and liabilities denominated in currencies other than an operation's functional currency are recognized in the statement of loss.

**d) Measurement uncertainty**

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of the accounting policies to financial information presented. Actual results may differ from the estimates, assumptions and judgments made. Estimates and underlying assumptions are reviewed on an ongoing basis. Changes made to estimates are reflected in the period the changes are made.

Significant areas requiring the use of estimates and assumptions include the valuation of mineral rights, asset retirement obligation, and recoverability of deferred tax assets. By their nature, these estimates and assumptions are subject to measurement uncertainty, and the impact of changes in estimates in the consolidated financial statements of future periods could be material. These assumptions are reviewed periodically and, as adjustments become necessary, they are reported in the consolidated statement of income or loss in the periods in which they become known.

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**3. Significant Accounting Policies (Cont'd)**

**e) Significant accounting judgements**

The critical judgements that the Company's management has made in the process of applying the Company's accounting policies, apart from those involving estimations (note 3(d)), that have the most significant effect on the amounts recognized in the Company's interim consolidated financial statements are related to the economic recoverability of the mineral rights, determining the smallest group of assets that generates independent cash flow stages of exploration, the interpretation and application of tax laws, the determination of functional currency for the Company and its subsidiary, provision for reclamation and obligation, and the assumption that the Company will continue as a going concern.

**f) Cash**

Cash includes cash on deposit held with reputable financial institutions.

**g) Financial instruments**

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

At initial recognition, the Company classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

*i) Financial assets and liabilities at fair value through profit or loss*

A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term. Derivatives are also included in this category unless they are designated as hedges.

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**3. Significant Accounting Policies (Cont'd)**

**g) Financial instruments (cont'd)**

Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the consolidated statement of income or loss. Gains and losses arising from changes in fair value are presented in the consolidated statement of income or loss within other gains and losses in the period in which they arise. Financial assets and liabilities at fair value through profit and loss are classified as current except for the portion expected to be realized or paid beyond twelve months of the statement of financial position date, which are classified as non-current. The Company at this time does not have any financial instruments in this category.

*ii) Available-for-sale investment*

Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. The Company at this time does not have any financial instruments in this category.

Available-for-sale investments are recognized initially at fair value plus transaction costs and are subsequently carried at fair value. Gains or losses arising from changes in fair value are recognized in other comprehensive income. Available-for-sale investments are classified as non-current, unless the investment matures within twelve months, or management expects to dispose of them within twelve months.

Interest on available-for-sale investments, calculated using the effective interest method, is recognized in the consolidated statement of income or loss as part of interest income. Dividends on available-for-sale equity instruments are recognized in the consolidated statement of income or loss as part of other gains and losses when the Company's right to receive payment is established. When an available-for-sale investment is sold or impaired, the accumulated gains or losses are moved from accumulated other comprehensive income to the consolidated statement of income or loss and included in other gains and losses.

*iii) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables are comprised of cash, other receivable and advances to related parties. Loans and receivables are initially recognized at the amount expected to be received less, when material, a discount to reduce the loans and receivables to fair value. After initial recognition, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment, if any. The Company has classified cash, other receivable and advances to related parties as loans and receivables.

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**3. Significant Accounting Policies (Cont'd)**

**g) Financial instruments (cont'd)**

*iv) Held to maturity investments*

Held to maturity investments are non-derivative financial assets with no fixed or determinable payments and fixed maturities that the Company's management has the intention and ability to hold to maturity. These assets are measured originally at fair value and then subsequently at amortized cost using the effective interest rate method. If there is objective evidence that the investment is impaired, the financial asset is measured at the estimated present value of future cash flows discounted at the entity's original effective interest rate. Any changes to the carrying amount of the investment are recognized in the consolidated statement of income or loss. The Company at this time does not have any financial instruments in this category.

*v) Other financial liabilities*

Other financial liabilities are non-derivative liabilities recognized initially at fair value, net of transaction costs, and are subsequently stated at amortized cost each period. The Company has classified accounts payable and accrued liabilities and advances from related party as other financial liabilities.

**h) Impairment of financial assets**

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Company recognizes an impairment loss, as follows:

*(i) Financial assets carried at amortized cost*

The loss is the difference between the amortized cost of the financial asset and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account. The amount of the impairment is recognized in the consolidated statement of income or loss.

Impairment losses on financial assets carried at amortized costs may be reversed in subsequent periods if the amount of the loss decreases and the decreases can be related objectively to an event occurring after the impairment was recognized.

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**3. Significant Accounting Policies (Cont'd)**

**h) Impairment of financial assets (cont'd)**

*(ii) Available-for-sale financial assets*

The impairment loss is the difference between the original cost of the asset and its fair value at the measurement date, less any impairment losses previously recognized in the statement of loss. This amount represents the cumulative loss in the accumulated other comprehensive loss that is reclassified to net loss.

Impairment losses on available-for-sale equity instruments are not reversed.

**i) Revenue recognition**

Revenue will be recorded when the fair value of the consideration is received or receivable and will be recognized to the extent that it is probable that the economic benefits will flow to the Company and when the revenue can be reliably measured.

Interest income is recognized as it accrues using the effective interest method.

**j) Non-controlling interests**

Non-controlling interests represent equity interests in its subsidiary, JVChinapintza, owned by outside parties. The share of net assets of subsidiary attributable to non-controlling interests is presented as a component of equity. Their share of net income and comprehensive income is recognized directly in equity. Changes in the parent company's ownership interest in its subsidiary that do not result in a loss of control are accounted for as an equity transaction.

**k) Comprehensive income or loss**

Comprehensive income or loss is the change in equity of an enterprise during a period from transactions, events and circumstances other than those under the control of management and the owners. It includes all changes in equity during a period except those resulting from investments by owners and distributions to owners. The Company reports comprehensive income or loss in its consolidated statement of loss and comprehensive loss and in its consolidated statement of changes in shareholders' equity.

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**3. Significant Accounting Policies (Cont'd)**

**l) Income taxes**

Income tax expense comprises current and deferred income taxes. Income tax expense is recognized in profit and loss except to the extent that it relates to equity transactions, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred taxes are recorded using the statement of financial position liability method. Under the statement of financial position liability method, deferred tax assets and liabilities are recognized for future tax consequences attributable to unused tax losses and unused tax credits and differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. The following temporary differences are not provided for: the initial recognition of assets or liabilities in a transaction that affects neither accounting nor taxable loss and is not a business combination; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the unused tax losses and unused tax credits and temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Any such reduction will be reversed to the extent that it becomes probable that sufficient taxable profit will be available.

**m) Identifiable intangible assets**

Mineral Rights

The Company is in the exploration stage and defers all expenditures related to its acquired mineral rights until such time as the property is put into commercial production, sold or abandoned. Under this method, the amounts reported represent costs incurred to date less amounts amortized and/or written off, and do not necessarily represent present or future values.

*i) Pre-Exploration*

Pre-exploration costs in areas where a legal right to explore has not been obtained are expensed as incurred.

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**3. Significant Accounting Policies (Cont'd)**

**m) Identifiable intangible assets (cont'd)**

*ii) Exploration and evaluation expenditures*

Exploration and evaluation ('E&E') costs incurred after the legal right to explore is obtained, but before technical feasibility and commercial viability of the project has been demonstrated are capitalized as E&E assets. These include the costs of acquiring the licenses and directly attributable general and administrative costs. All applicable costs are capitalized as either tangible or intangible E&E assets depending on the nature of the assets acquired. The costs are accumulated in cost centers by exploration area.

*iii) Development and production costs*

When technical feasibility and commercial viability of a property is established and the Company determines that it will proceed with development, all E&E costs attributable to that area are reclassified to construction in progress within property, plant and equipment or as intangible assets depending on the nature of the expenditure. If economically recoverable ore deposits are developed, the capitalized costs of the related property will be amortized using the unit-of-production method following the commencement of production.

**n) Impairment of non-financial assets**

Non-financial assets are reviewed for impairment if there is any indication that the carrying amount may not be recoverable. If an indication exists, the recoverable amount of the asset is estimated in order to determine whether an impairment exists. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. Any intangible asset with an indefinite useful life, including goodwill, is tested for impairment annually and whenever there is a indication that the asset may be impaired.

A CGU 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 CGU.

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**3. Significant Accounting Policies (Cont'd)**

**n) Impairment of non-financial assets (cont'd)**

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to CGUs and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis. Impairment is recognized immediately in the consolidated statement of profit or loss. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount but only to the extent that this does not exceed the carrying value that would have been determined if no impairment had previously been recognized. Impairment losses related to goodwill are not reversed.

Industry specific indicators for an impairment review on mineral rights and capitalized exploration related expenditures arise typically when one of the following circumstances applies:

- Substantive expenditure on further exploration and evaluation activities is neither budgeted nor planned;
- Title to the asset is compromised;
- Adverse changes in variations in commodity prices and markets; and
- Variations in the exchange rate for the currency of operation.

The Company has determined that its non-financial assets are not impaired as at March 31, 2014.

**o) Restoration, rehabilitation and environmental obligations**

An obligation to incur restoration, rehabilitation and environmental costs arises when the environmental disturbance is caused by the exploration or development of a mineral property interest. Such costs arising from the decommissioning of plant, other site preparation work, and water and soil management, 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 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 operation license conditions and, when applicable, the environment in which the mine operates.

Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. 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. The corresponding liability is progressively increased as the effect of discounting unwinds creating an expense in profit or loss.



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**3. Significant Accounting Policies (Cont'd)**

**o) Restoration, rehabilitation and environmental obligations (cont'd)**

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 degrees 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.

**p) Non-monetary transactions**

Transactions with no cash consideration are measured at the fair value of either the asset given up or the asset received, whichever is more reliably determinable.

**q) Loss per share**

Basic loss per share is calculated by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the period. Diluted earnings per share reflect the potential dilution of securities that could share in earnings of an entity. In a loss year, potentially dilutive common shares are excluded from the loss per share calculations as the effect would be anti-dilutive.

**r) Reverse takeover accounting transactions that do not constitute business combinations**

IFRS does not provide guidance with respect to reverse takeover transactions that do not constitute a business combination. As a result management has applied IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which allows the creation of an accounting policy. Reverse takeover transactions that do not constitute a business combination are accounted for as a recapitalization whereby the number of shares issued and outstanding is that of the legal parent and whereas the share capital amount is that of the legal subsidiary plus the share capital transactions of the Company from the date of the transaction onwards. The fair value of share-based consideration provided by the legal subsidiary to the legal parent to effect the transaction is equal to the fair value of the net assets of the legal parent.

Costs associated with these types of reverse takeover transactions are split into components and treated as a reduction of equity where costs have been incurred preceding the reverse takeover transaction. Costs that are not associated with the raising of capital are expensed as incurred.

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**3. Significant Accounting Policies (Cont'd)**

**s) New accounting standards and recent pronouncements**

A number of new standards, and amendments to standards and interpretations, are not yet effective as at March 31, 2014, and have not been applied in preparing these consolidated financial statements. The following standards and interpretations have been issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committees with effective dates relating to the annual accounting periods starting on or after the effective dates as follows:

**International Accounting Standards**

Effective Date

IFRS 9 – Financial Instruments

IFRS 9 was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: Amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at the fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent not clearly representing a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated other comprehensive income indefinitely.

January 1, 2015

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, financial Instruments – Recognition and Measurement, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income

IFRS 9 is effective for annual periods beginning on or after January 2015 with early adoption permitted. The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its consolidated financial statements or whether to early adopt any of the new requirements.

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The Company is in the process of assessing the impact that the new and amended standards will have on its consolidated financial statements or whether to early adopt the new requirements.

**4. Reverse Takeover Transaction**

On June 14, 2013, Guangshou acquired Black Birch in a reverse takeover transaction (“RTO Transaction”). Prior to the transaction, Black Birch had 7,365,000 common shares outstanding. Black Birch acquired 35,000,000 common shares of Guangshou in return for its net assets. Black Birch then issued 35,000,000 of its common shares to the original shareholders of Guangshou.

This transaction was accounted for as a reverse takeover transaction that does not constitute a business combination. For accounting purposes, the legal parent company (Black Birch) in the reverse takeover transaction is deemed to be a continuation of the legal subsidiary (Guangshou) which is regarded as the acquirer. Accordingly, the consolidated financial statements reflect the significant accounting policies of Guangshou. As a result, these consolidated financial statements reflect the financial position, operating results and cash flows of Guangshou, as at December 31, 2013, and for the year ended December 31, 2013. The operating results of Black Birch have been included commencing June 15, 2013.

Since Guangshou is deemed to be the acquirer for accounting purposes, its assets and liabilities are included in the consolidated financial statements at their historical carrying values.

Net assets acquired at fair value:

Cash and cash equivalents received	(481,328)
Other receivable and prepaid received	(17,010)
Liabilities assumed	<u>367,276</u>
	<u>(131,062)</u>

**5. Mineral Rights**

On November 2, 2012, the Company’s subsidiary in Ecuador entered into an agreement (“Shareholder Agreement”) with Condormining Corporation S.A. (“Condormining”) and JVChinapintza. As per the Shareholder Agreement, Condormining will transfer the title of the Chinapintza Property to JVChinapintza in order to further the exploration, evaluation, and if justified, the development and mining of mineral resources within the property for the benefit of the shareholders. The Company holds 70% shareholder interest of JVChinapintza whereas Condormining holds the other 30% shareholder interest of JVChinapintza.

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As per the Shareholder Agreement, the Company shall provide sufficient funds, including working capital, to advance the operations of the Chinapintza Property to commercial production of mining operations. The funds advanced by the Company will not be repayable until the commercial operation begins and net profits are generated from the development of the Chinapintza Property.

JV Chinapintza, the Company's 70% owned subsidiary, acquired the Chinapintza Property from Condormining as a result of the Shareholder Agreement and the costs incurred by Condormining on the Chinapintza Property prior to the acquisition were capitalized by JVChinapintza.

The cumulative costs capitalized on the Company's mineral rights are as follows:

	March 31, 2014	December 31, 2013
Opening balance	\$ 485,126	\$ 403,293
Contribution of JVChinapintza Property	---	---
Capitalized during the period	---	56,389
Recognition of asset retirement obligation	---	---
Foreign exchange movement	19,112	25,444
Closing balance	\$ 504,238	\$ 485,126

**6. Advances to/from Related Parties**

As at March 31, 2014, advances received from Condormining, the minority interest holder of JVChinapintza, amounted to \$240,492 (December 31, 2013 - \$231,377). The advances are non-interest bearing, unsecured and only payable by JVChinapintza from the net profits generated by Chinapintza Property when it enters into a commercial production stage in the future.

As at December 31, 2013, advances received from G.S. International Mining CO., Ltd, the controlling shareholder of the Company, amounted to \$375,163 (December 31, 2013 - \$274,487). The advances are non-interest bearing, unsecured and only payable by JVChinapintza from the net profits generated by Chinapintza Property when it enters into a commercial production stage in the future.

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**7. Share Capital**

- a) *Authorized*  
 Unlimited number of common shares.
- b) *Issued and outstanding*  
 Issued common shares are as follows:

	Number of shares	Amount
<b>Opening Balance</b>	-	\$ -
Issued on inception (October 26, 2012)	800	798
<b>Balance – December 31, 2012</b>	<b>800</b>	<b>798</b>
Shares exchanged	(800)	-
Shares exchanged	35,000,000	131,062
Reverse takeover adjustments:		
Black Birch shares recognized	7,365,000	-
Shares issued to the Finder with the Qualifying Transaction	1,689,375	168,938
<b>Balance – March 31, 2014</b>	<b>44,054,375</b>	<b>300,798</b>

- c) *Surplus reserve*

The Company's surplus reserve balance as at March 31, 2014 is as follows:

	Amount
<b>Opening Balance</b>	\$ -
Additions during the period from inception (October 26, 2012) to March 31, 2014	168,502
<b>Balance – March 31, 2014 and December 31, 2013</b>	<b>\$ 168,502</b>

**8. Commitments and Contractual Arrangements**

As at March 31, 2014, the Company had the following contractual arrangements and commitments in place for the provision of certain services:

- a) In November 2, 2012, the Company entered into a shareholder agreement ("Shareholder Agreement") with Condormining and its 70% owned subsidiary, JVChinapintza. As per the Shareholder Agreement, the Company is required to provide sufficient funds, including working capital to JVChinapintza until commercial production of the Chinapintza Property. All funds advanced to JVChinapintza will only be payable out of net profits generated from commercial production of its mineral reserves.
- b) All mine production is subject to royalty payments to the Ecuadorean government. The Company will be subject to the following royalty payments:
- i. Minimum of 5% gross value of bullion produced for gold and silver;

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- ii. Minimum of 5% gross value of metal produced for base metals including copper, lead and zinc.

## **9. Capital Management**

As at March 31, 2014, the capital structure of the Company consists of equity attributable to common shareholders and includes share capital of \$300,798 (December 31, 2013 - \$300,798), surplus reserve of \$168,502 (December 31, 2013 - \$168,502), non-controlling interest of \$74,506 (December 31, 2013 - \$71,749), and deficit of \$405,245 (December 31, 2013 - \$340,281).

The Company's objective when managing capital structure is to ensure sufficient financial resources exist to meet the Company's strategic exploration and business development objectives, and to ensure that the Company continues as a going concern.

## **10. Segmented Information**

The Company operates in two reportable segments. Segments are defined as components for which separate financial information is available and is regularly evaluated by the chief operating decision maker.

## **11. Financial Instruments**

IFRS 7 establishes a fair value hierarchy that reflects significance of inputs in measuring fair value as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;  
Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. process) or indirectly (i.e. derived from process); and  
Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company examines the various financial instrument risks to which it is exposed and assesses the impact and likelihood of those risks.

### **Fair value**

As at March 31, 2014, the Company's financial instruments consist of cash, other receivable, advances to related parties, accounts payable and accrued liabilities and advances from related parties with which their carrying values approximate fair value due to their short-term nature.

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**Liquidity risk**

Liquidity risk is the risk that the Company is unable to meet its financial obligations as they fall due. The Company takes steps to ensure that it has sufficient working capital and available sources of financing to meet future cash requirements for capital programs and operations.

The Company intends to issue equity to ensure the Company has sufficient access to cash to meet current and foreseeable financial requirements. The Company actively monitors its liquidity to ensure that its cash flows and working capital are adequate to support its financial obligations and the Company's capital programs.

**Credit risk**

Credit risk is the risk of loss if counterparties do not fulfill their contractual obligations. Financial instruments that potentially subject the Company to credit risk consist of cash, other receivable and advances to related parties. The Company minimizes the credit risk of cash by depositing only with reputable institutions. There is no allowance for doubtful accounts recorded as at March 31, 2014.

**Market risk**

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, commodity and equity prices.

*i) Interest rate risk*

The Company is not exposed to the risk that the value of financial instruments will change due to movement in market interest rates.

*ii) Currency risk*

Currency risk is the risk to the Company's earnings that arises from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.