

**RED OAK MINING CORP.**

**INTERIM FINANCIAL STATEMENTS**

**NOVEMBER 30, 2015 AND 2014**  
**(Unaudited – Prepared by Management)**

**Index**

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## **NOTICE – NO Auditor Review of the Interim Financial Statements**

The accompanying unaudited interim financial statements of Red Oak Mining Corp. (“the Company”), for the six months ended November 30, 2015, have been prepared by management and have not been the subject of a review by the Company’s external independent auditor.

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

**RED OAK MINING CORP.**  
**Statements of Financial Position**  
**(expressed in Canadian dollars)**  
**(Unaudited – Prepared by Management)**

|                                                        | November 30,<br>2015 | Audited<br>May 31,<br>2015 |
|--------------------------------------------------------|----------------------|----------------------------|
| <b><u>ASSETS</u></b>                                   |                      |                            |
| <b>Current</b>                                         |                      |                            |
| Cash                                                   | \$ 8,663             | \$ 18,333                  |
| Restricted cash (Note 7(a))                            | 17,205               | 17,135                     |
| Accounts receivable (Note 5)                           | 1,418                | 1,439                      |
| Prepaid expenses                                       | -                    | 218                        |
| <b>Total current assets</b>                            | <b>27,286</b>        | <b>37,125</b>              |
| <b>Investment (Note 6)</b>                             | <b>1</b>             | <b>1</b>                   |
| <b>Total assets</b>                                    | <b>\$ 27,287</b>     | <b>\$ 37,126</b>           |
| <b><u>LIABILITIES AND SHAREHOLDERS' EQUITY</u></b>     |                      |                            |
| <b>Current</b>                                         |                      |                            |
| Accounts payable and accrued liabilities               | \$ 287,571           | \$ 172,219                 |
| Due to related parties (Note 10 (d))                   | 333,816              | 461,521                    |
| Current portion of loans payable (Note 8 and 10)       | 240,000              | 240,000                    |
| Provision for environmental rehabilitation (Note 7(a)) | 16,000               | 16,000                     |
| <b>Total current liabilities</b>                       | <b>877,387</b>       | <b>889,740</b>             |
| Loans payable (Note 8 and 10)                          | 95,000               | 60,000                     |
| <b>Total liabilities</b>                               | <b>972,387</b>       | <b>949,740</b>             |
| <b>Shareholders' equity</b>                            |                      |                            |
| Share capital (Note 9)                                 | 31,069,292           | 31,069,292                 |
| Contributed surplus                                    | 1,429,313            | 1,429,313                  |
| Deficit                                                | (33,443,705)         | (33,411,219)               |
| <b>Total shareholders' equity</b>                      | <b>(945,100)</b>     | <b>(912,614)</b>           |
| <b>Total liabilities and shareholders' equity</b>      | <b>\$ 27,287</b>     | <b>\$ 37,126</b>           |

**Nature of Operations and Going Concern (Note 1)**

**Approved by the Board:**

***"Jay Roberge"***

Director – Jay Roberge

***"Ian Graham"***

Director – Ian Graham

**RED OAK MINING CORP.****Interim Statements of Loss and Comprehensive Loss****(expressed in Canadian dollars)****(Unaudited – Prepared by Management)**

|                                                             | <b>Three Months<br/>Ended<br/>November 30<br/>2015</b> | <b>Three Months<br/>Ended<br/>November 30<br/>2014</b> | <b>Six Months<br/>Ended<br/>November 30<br/>2015</b> | <b>Six Months<br/>Ended<br/>November 30<br/>2014</b> |
|-------------------------------------------------------------|--------------------------------------------------------|--------------------------------------------------------|------------------------------------------------------|------------------------------------------------------|
| <b>Expenses</b>                                             |                                                        |                                                        |                                                      |                                                      |
| Accounting and audit (Note 10 (b))                          | \$ 9,670                                               | \$ 9,670                                               | \$ 18,670                                            | \$ 18,670                                            |
| Bank charges                                                | 59                                                     | 111                                                    | 144                                                  | 259                                                  |
| Consulting fees                                             | -                                                      | 2,278                                                  | -                                                    | 22,278                                               |
| Filing and share transfer fees                              | 2,545                                                  | 2,899                                                  | 3,375                                                | 3,906                                                |
| Interest (Note 10 (c))                                      | 4,499                                                  | 4,084                                                  | 9,036                                                | 7,902                                                |
| Legal fees                                                  | -                                                      | 23,441                                                 | 401                                                  | 25,558                                               |
| Management fees (Note 10 (a))                               | -                                                      | 40,000                                                 | -                                                    | 55,000                                               |
| Office and administration                                   | 630                                                    | 1,398                                                  | 930                                                  | 2,940                                                |
| Rent                                                        | -                                                      | 14,784                                                 | -                                                    | 26,629                                               |
| Travel                                                      | -                                                      | 3,498                                                  | -                                                    | 5,309                                                |
|                                                             | <b>17,403</b>                                          | <b>102,163</b>                                         | <b>32,556</b>                                        | <b>168,451</b>                                       |
| <b>Loss before other items</b>                              | <b>(17,403)</b>                                        | <b>(102,163)</b>                                       | <b>(32,556)</b>                                      | <b>(168,451)</b>                                     |
| <b>Other items</b>                                          |                                                        |                                                        |                                                      |                                                      |
| Interest income                                             | 32                                                     | 45                                                     | 70                                                   | 89                                                   |
| <b>Net loss and comprehensive loss for the period</b>       | <b>\$ (17,371)</b>                                     | <b>\$ (102,118)</b>                                    | <b>\$ (32,486)</b>                                   | <b>\$ (168,362)</b>                                  |
| <b>Basic and diluted loss per share</b>                     | <b>(0.00)</b>                                          | <b>(0.01)</b>                                          | <b>(0.00)</b>                                        | <b>(0.01)</b>                                        |
| <b>Weighted average number of common shares outstanding</b> | <b>20,361,861</b>                                      | <b>18,373,949</b>                                      | <b>20,361,861</b>                                    | <b>18,015,959</b>                                    |

**RED OAK MINING CORP.**

Interim Statements of Shareholders' Equity  
(expressed in Canadian dollars)  
(Unaudited – Prepared by Management)  
Periods ended August 31, 2015 and 2014

|                                   | Number of<br>Shares | Share<br>Capital     | Share<br>Subscriptions | Contributed<br>Surplus | Deficit                | Shareholder's<br>Equity |
|-----------------------------------|---------------------|----------------------|------------------------|------------------------|------------------------|-------------------------|
| Balance, May 31, 2015             | 20,361,861          | \$ 31,069,292        | \$ -                   | \$ 1,429,313           | \$ (33,411,219)        | \$ (912,614)            |
| Net loss for the period           | -                   | -                    | -                      | -                      | (32,486)               | (32,486)                |
| <b>Balance, November 30, 2015</b> | <b>20,361,861</b>   | <b>\$ 31,069,292</b> | <b>\$ -</b>            | <b>\$ 1,429,313</b>    | <b>\$ (33,443,705)</b> | <b>\$ (945,100)</b>     |
| Balance, May 31, 2014             | 17,661,861          | \$ 30,943,292        | \$ 60,000              | \$ 1,429,313           | \$ (32,942,077)        | \$ (509,472)            |
| Private placements -- net         | 2,700,000           | 126,000              | (60,000)               | -                      | -                      | 66,000                  |
| Net loss for the period           | -                   | -                    | -                      | -                      | (168,362)              | (168,362)               |
| <b>Balance November 30, 2014</b>  | <b>20,361,861</b>   | <b>\$ 31,069,292</b> | <b>\$ -</b>            | <b>\$ 1,429,313</b>    | <b>\$ (33,110,439)</b> | <b>\$ (611,834)</b>     |

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

**RED OAK MINING CORP.**  
**Interim Statements of Cash Flows**  
**(expressed in Canadian dollars)**  
**(Unaudited – Prepared by Management)**

|                                                                      | <b>Three Months<br/>Ended<br/>November 30<br/>2015</b> | <b>Three Months<br/>Ended<br/>November 30<br/>2014</b> | <b>Six Months<br/>Ended<br/>November 30<br/>2015</b> | <b>Six Months<br/>Ended<br/>November 30<br/>2014</b> |
|----------------------------------------------------------------------|--------------------------------------------------------|--------------------------------------------------------|------------------------------------------------------|------------------------------------------------------|
| <b>Cash flows from operating activities</b>                          |                                                        |                                                        |                                                      |                                                      |
| Loss for the period from continuing operations                       | \$ (17,371)                                            | \$ (102,118)                                           | \$ (32,486)                                          | \$ (168,362)                                         |
| Adjustments to reconcile loss to net cash from operating activities: |                                                        |                                                        |                                                      |                                                      |
| Accrued interest on loans                                            | 4,499                                                  | 4,084                                                  | 9,036                                                | 7,902                                                |
|                                                                      | (12,872)                                               | (98,034)                                               | (23,450)                                             | (160,460)                                            |
| Changes in non-cash working capital items:                           |                                                        |                                                        |                                                      |                                                      |
| (Increase) decrease in accounts receivable                           | 98                                                     | (89,976)                                               | 21                                                   | (90,690)                                             |
| (Increase) decrease in prepaid expenses                              | -                                                      | 14,987                                                 | 218                                                  | 9,034                                                |
| Increase (decrease) in accounts payable & accruals                   | (75,498)                                               | 79,223                                                 | 106,316                                              | 93,108                                               |
| <b>Net cash used in operating activities</b>                         | <b>(88,272)</b>                                        | <b>(93,800)</b>                                        | <b>83,105</b>                                        | <b>(149,008)</b>                                     |
| <b>Cash flows from investing activities</b>                          |                                                        |                                                        |                                                      |                                                      |
| Deposits for mineral properties                                      | -                                                      | (28,133)                                               | -                                                    | (81,858)                                             |
| Restricted cash                                                      | (32)                                                   | (45)                                                   | (70)                                                 | (90)                                                 |
| <b>Net cash used in investing activities</b>                         | <b>(32)</b>                                            | <b>(28,178)</b>                                        | <b>(70)</b>                                          | <b>(81,948)</b>                                      |
| <b>Cash flows from financing activities</b>                          |                                                        |                                                        |                                                      |                                                      |
| Common shares                                                        | -                                                      | 135,000                                                | -                                                    | 135,000                                              |
| Shares issue costs                                                   | -                                                      | (9,000)                                                | -                                                    | (9,000)                                              |
| Shares subscriptions                                                 | -                                                      | (60,000)                                               | -                                                    | (60,000)                                             |
| Increase (decrease) in loan payable                                  | 35,000                                                 | 45,000                                                 | 35,000                                               | 60,000                                               |
| Increase (decrease) in due to related party                          | 44,410                                                 | 9,748                                                  | (127,705)                                            | 24,854                                               |
| <b>Net cash provided by financing activities</b>                     | <b>79,410</b>                                          | <b>120,748</b>                                         | <b>(92,705)</b>                                      | <b>150,854</b>                                       |
| <b>Increase (decrease) in cash during the period</b>                 | <b>(8,894)</b>                                         | <b>(1,230)</b>                                         | <b>(9,670)</b>                                       | <b>(80,102)</b>                                      |
| <b>Cash, beginning of the period</b>                                 | <b>17,557</b>                                          | <b>11,659</b>                                          | <b>18,333</b>                                        | <b>90,531</b>                                        |
| <b>Cash, end of the period</b>                                       | <b>\$ 8,663</b>                                        | <b>\$ 10,429</b>                                       | <b>\$ 8,663</b>                                      | <b>\$ 10,429</b>                                     |

Supplemental disclosure with respect to cash flows (Note 11)

**RED OAK MINING CORP.**  
**Notes to the Interim Financial Statements**  
**(Unaudited – Prepared by Management)**  
**Periods Ended November 30, 2015 and 2014**  
**(expressed in Canadian dollars)**

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

Red Oak Mining Corp (“The Company”) is incorporated in the Province of British Columbia (extra-provincially registered in the Province of Alberta). The Company’s registered office is located at Suite 1400 – 1111 West Georgia Street, Vancouver, BC, V6E 4M3.

At November 30, 2015 the Company had a working capital deficiency of \$850,101 (May 31, 2015 - \$852,833) and had not yet achieved profitable operations, has accumulated losses of \$33,443,705 (May 31, 2015 - \$33,411,219) since its inception and expects to incur further losses in the development of its business, all of which casts substantial doubt about the Company’s ability to continue as a going concern. The Company’s ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or to obtain the necessary financing including support from related parties to meet its ongoing levels of corporate overhead, and discharge its liabilities as they come due. The Company is also depending on the continued patience of its related and third party creditors with respect to outstanding amounts. These financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge liabilities in the normal course of business.

Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. Accordingly, these financial statements do not give effect to adjustments, if any that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than the normal course of business and at amounts which may differ from those shown in these financial statements.

**2. BASIS OF PRESENTATION**

**(a) Statement of compliance**

These interim financial statements including comparatives, have been prepared in accordance with International Accounting Standards (“IAS”) 34 ‘Interim Financial Reporting’ (“IAS 34”) using accounting policies consistent with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”).

These financial statements were approved and authorized for issue by the Board of Directors on January 15, 2016.

**(b) Basis of measurement**

These financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value, as explained in the accounting policies set out below. All financial information in these financial statements is presented in Canadian dollars which is the functional currency of the Company. The accounting policies set out below have been applied consistently by the Company.

**RED OAK MINING CORP.**  
**Notes to the Interim Financial Statements**  
**(Unaudited – Prepared by Management)**  
**Periods Ended November 30, 2015 and 2014**  
**(expressed in Canadian dollars)**

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**2. BASIS OF PRESENTATION (continued)**

**(c) Use of estimates and judgments**

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual experience may differ from these estimates and assumptions. The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of change, if the change affects that period only, or in the period of the change and future periods, if the change affects both. Information about critical accounting estimates and judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements are discussed below:

*Judgments*

**Going concern assumption**

The continued use of the going concern assumption is based on the Company's judgments regarding the availability, timing, and costs of obtaining financing. The use of the going concern assumption is also based on the Company's judgments regarding the continued support and patience of related parties and third party creditors. In applying the going concern assumption, the Company has not taken into account the uncertainty surrounding the timing of receipt of the restricted cash and the timing of payments of accounts and loans payable in determining the fair values of its financial instruments.

*Estimates*

**Provision for environmental rehabilitation**

Provisions for environmental rehabilitation are based on the Company's best estimate of the probable outflow to complete reclamation work. The final costs of the currently recognized environmental rehabilitation provision may be higher or lower than currently provided for.

**(d) New standards and interpretations not yet adopted**

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee but are not yet effective.

**i) IFRS 9 – Financial Instruments**

IFRS 9 Financial Instruments is part of the IASB's wider project to replace 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 calculation depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after January 1, 2018. Implementation of IFRS 9 is not expected to have a material impact in the Company's financial instruments.



**RED OAK MINING CORP.**  
**Notes to the Interim Financial Statements**  
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**Periods Ended November 30, 2015 and 2014**  
**(expressed in Canadian dollars)**

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**2. BASIS OF PRESENTATION (continued)**

**ii) IAS 24 Related Party Disclosures – annual improvements to IFRS 2010-2012 cycle**

Amended to clarify that an entity providing key management services to the reporting entity or the parent of the reporting entity is a related party of the reporting entity. This also requires an entity to disclose amounts incurred for key management personnel services provided by a separate management entity. This standard is effective for annual periods beginning on or after July 1, 2014. The Company is currently evaluating the impact of this standard

**3. SIGNIFICANT ACCOUNTING POLICIES**

**(a) Exploration and evaluation assets**

Mineral properties and exploration and evaluation expenditures

Acquisition costs of exploration and evaluation assets together with direct exploration and evaluation expenditures thereon are deferred in the accounts at cost. These are classified as intangible assets. Once a project has been established as commercially viable and technically feasible, mineral properties are reclassified as tangible assets and related development expenditures are capitalized. When production is attained these costs will be amortized using the unit of production method based upon estimated proven recoverable reserves. When deferred expenditures on individual producing properties exceed the estimated net realizable value, the properties are written down to the estimated value. Costs relating to properties abandoned are written off when the decision to abandon is made.

The amounts shown for resource properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

**(b) Earnings (loss) per share**

Basic earnings/loss per share is computed by dividing the income or loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant period. Diluted earnings/loss per common share is computed by dividing the income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted.

**(c) Share-based payments**

The Company grants stock options to buy common shares of the Company to directors, officers, employees and service providers. The board of directors grants such options for periods of up to five years, with vesting periods determined at its sole discretion and at prices equal to or greater than the closing market price on the day preceding the date the options were granted.

The fair value of the options is measured at grant date, using the Black-Scholes option pricing model, and is recognized immediately that the employees earn the options. The fair value is recognized as an expense with a corresponding increase in equity. The amount recognized as expense is adjusted to reflect the number of share options expected to vest.

**RED OAK MINING CORP.**  
**Notes to the Interim Financial Statements**  
**(Unaudited – Prepared by Management)**  
**Periods Ended November 30, 2015 and 2014**  
**(expressed in Canadian dollars)**

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(d) Income taxes**

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in income except to the extent that they relate to a business combination or items recognized directly in equity or in other comprehensive loss/income. Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the period end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred income tax asset to be recovered.

**(e) Provision for environmental rehabilitation**

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of mining properties and other assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates is capitalized to exploration and evaluation assets along with a corresponding increase in the rehabilitation provision in the period incurred. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation.

The Company's estimates are reviewed annually for changes in regulatory requirements, effects of inflation and changes in estimates. Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss for the year. The costs of rehabilitation projects that were included in the rehabilitation provision are recorded against the provision as incurred.

**RED OAK MINING CORP.**  
**Notes to the Interim Financial Statements**  
**(Unaudited – Prepared by Management)**  
**Periods Ended November 30, 2015 and 2014**  
**(expressed in Canadian dollars)**

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(f) Financial instruments**

**i) Financial assets**

The Company classifies its financial assets in the following categories: Fair value through profit or loss, held-to-maturity investments, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of assets at recognition.

- Financial assets at fair value through profit or loss (“FVTPL”)

Financial assets at FVTPL are initially recognized at fair value with changes in fair value recorded through income. Cash and restricted cash are included in this category of financial assets.

**ii) Financial liabilities**

The Company classifies its financial liabilities in the following categories: Borrowings and other financial liabilities and derivative financial liabilities.

- Borrowings and other financial liabilities

Borrowings and other financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs incurred and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in the income statement over the period to maturity using the effective interest method. Borrowings and other financial liabilities are classified as current or non-current based on their maturity date. Financial liabilities include accounts payable and accrued liabilities, due to related parties and loans payable.

**(g) Agent warrants and warrants**

Warrants issued to agents in connection with an equity financing are recorded at fair value and charged to share issue costs associated with the offering with an offsetting credit to contributed surplus in shareholders’ equity.

Warrants included in units offered to subscribers in connection with financings are valued using the residual value method whereby proceeds are first allocated to the fair value of the shares and the excess if any, allocated to the warrants.

**4. FINANCIAL INSTRUMENTS, RISK MANAGEMENT AND CAPITAL DISCLOSURES**

**(a) Fair value of financial instruments**

As at November 30, 2015, the Company’s financial instruments consist of cash, restricted cash, accounts payable and accrued liabilities, due to related parties and loans payable.

IFRS requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. IFRS establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value.

**RED OAK MINING CORP.**  
**Notes to the Interim Financial Statements**  
**(Unaudited – Prepared by Management)**  
**Periods Ended November 30, 2015 and 2014**  
**(expressed in Canadian dollars)**

**4. FINANCIAL INSTRUMENTS, RISK MANAGEMENT AND CAPITAL DISCLOSURES**  
(continued)

A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. IFRS prioritizes the inputs into three levels that may be used to measure fair value

Level 1: Valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices such as quoted interest or currency exchange rates; and

Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

|                          | Level 1          | Level 2             | Level 3     | Total               |
|--------------------------|------------------|---------------------|-------------|---------------------|
| <b>November 30, 2015</b> |                  |                     |             |                     |
| Cash                     | \$ 8,663         | \$ -                | \$ -        | \$ 8,663            |
| Restricted cash          | 17,205           | -                   | -           | 17,205              |
| Loans payable            | -                | (335,000)           | -           | (335,000)           |
|                          | <b>\$ 25,868</b> | <b>\$ (335,000)</b> | <b>\$ -</b> | <b>\$ (309,132)</b> |
| <b>May 31, 2015</b>      |                  |                     |             |                     |
| Cash                     | \$ 18,333        | \$ -                | \$ -        | \$ 18,333           |
| Restricted cash          | 17,135           | -                   | -           | 17,135              |
| Loans payable            | -                | (300,000)           | -           | (300,000)           |
|                          | <b>\$ 35,468</b> | <b>\$ (300,000)</b> | <b>\$ -</b> | <b>\$ (264,532)</b> |

The fair value of cash and restricted cash are determined based on Level 1 inputs which consist of quoted prices in active markets for identical assets. The fair value of loans payable are determined based on Level 2 inputs and estimated using the present value of future cash flows based on current interest rates for financial instruments with similar conditions and maturity. As at November 30, 2015, the Company believes that the carrying values of accounts payable and accrued liabilities and due to related parties approximate the fair values because of their nature and relatively short maturity dates or durations.

**(b) Risk management**

**Credit Risk**

The Company is exposed to credit risk with respect to its cash. To minimize this risk, cash is placed with major Canadian financial institutions.

**Interest Rate Risk**

The Company is not exposed to significant interest rate risk due to the relatively short-term maturity of its monetary assets and liabilities.

**RED OAK MINING CORP.**  
**Notes to the Interim Financial Statements**  
**(Unaudited – Prepared by Management)**  
**Periods Ended November 30, 2015 and 2014**  
**(expressed in Canadian dollars)**

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**4. FINANCIAL INSTRUMENTS, RISK MANAGEMENT AND CAPITAL DISCLOSURES**  
(continued)

**Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company does not have operating cash flow and therefore has relied primarily on equity financings and loans from related parties to meet its capital requirements. As at November 30, 2015 the Company has a working capital deficiency of \$850,101 (May 31, 2015 - \$852,833). The Company will need to obtain additional financing to meet the obligations as they come due.

**Commodity Price Risk**

The Company's ability to raise capital to fund exploration or development activities is subject to risk associated with fluctuations in the market prices of resource commodities.

**5. ACCOUNTS RECEIVABLE**

|                    | November<br>30,<br>2015 |    | May 31,<br>2015 |
|--------------------|-------------------------|----|-----------------|
| GST/HST receivable | \$ 1,418                | \$ | 1,439           |
|                    | \$ 1,418                | \$ | 1,439           |

**6. INVESTMENT**

The Company owns 14% (175,000 common shares) of Universal Wing Geophysics Corp. ("UWG"), a former subsidiary of the Company. UWG is a private Company without a quoted market price in an active market. The shares were initially measured at a fair value of \$1 and there has been no change during the period ended November 30, 2015 and year ended May 31, 2015.

**7. EXPLORATION AND EVALUATION ASSETS**

**(a) Provost Property, Alberta**

In February 2003, the Company acquired a 100% interest in an oil well (16-28) and an 18% interest in a shut-in gas well (02/13-17) located in the Provost area of Alberta.

During the year ended May 31, 2010, the Company abandoned the oil well and determined that it would be required to perform additional reclamation work. Management's best estimate of the cost for the associated reclamation work is \$16,000. A reclamation obligation was recorded. The Company deposited \$16,000 with the Alberta Energy Resources Conservation ("AECB"), which amount is shown as restricted cash on the statement of financial position. The bond represents the Company's best estimate of the fair value of reclamation costs associated with the Company's property. The \$16,000 deposit plus interest will be refunded once the AECB is satisfied that the Company has performed all necessary decommissioning activities. No reclamation work was done during the period ended November 30, 2015 and year end May 31, 2015

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**7. EXPLORATION AND EVALUATION ASSETS (continued)**

**(b) Other properties**

During the years ended May 31, 2015 and 2014, the Company was in the process of acquiring a new coal property in Columbia from a private company in Panama. The company paid deposits of \$93,553 (\$USD - \$85,000) (May 31, 2014 - \$106,582 (\$USD - \$96,862)) to tenant holders in Columbia in order to secure the mineral land while negotiating a suitable agreement.

The Company decided not to proceed with acquiring the property, therefore the Company wrote-off the entire amount of \$200,135 during the year ended May 31, 2015.

**8. LOANS PAYABLE**

|                                                                    | November 30,<br>2015 | May 31, 2015 |
|--------------------------------------------------------------------|----------------------|--------------|
| Western Potash Corp.                                               | \$ 240,000           | \$ 240,000   |
| - Interest rate of 5% per annum, due February 19, 2016, unsecured. |                      |              |
| Western Potash Corp.                                               | 15,000               | 15,000       |
| - Interest rate of 5% per annum, due August 14, 2016, unsecured.   |                      |              |
| Western Potash Corp.                                               | 35,000               | 35,000       |
| - Interest rate of 5% per annum, due October 29, 2016, unsecured.  |                      |              |
| Western Potash Corp.                                               | 10,000               | 10,000       |
| - Interest rate of 5% per annum, due November 30, 2016, unsecured. |                      |              |
| JP Varas Management                                                | 35,000               | -            |
| - Interest rate of 2% per annum, due November 25, 2016             |                      |              |
| Less: current portion                                              | (240,000)            | (240,000)    |
|                                                                    | \$ 95,000            | \$ 60,000    |

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**9. SHARE CAPITAL**

(a) Authorized: Unlimited common shares without par value

(b) The Company issued common shares as follows:

- (i) On November 7, 2014, the Company closed a non-brokered private placement for 2,700,000 units at a price of \$0.05 per unit for cash proceeds of \$135,000. Each unit consists of one common share and one share purchase warrant entitling the holder to purchase an additional common share at a price of \$0.10 in first year and \$0.20 in second year, with warrants expiring on November 7, 2016. The Company incurred share issue costs of \$9,000 in connection with the private placement.

(c) **Warrants**

- (i) As of November 30, 2015, the Company had 2,700,000 (May 31, 2015: 10,200,000) warrants outstanding enabling holders to acquire the following:

| Number of Shares | Exercise Price                                            | Expiry Date       |
|------------------|-----------------------------------------------------------|-------------------|
| 2,700,000        | \$0.10 to November 7, 2015 and \$0.20 to November 7, 2016 | November 07, 2016 |
| <b>2,700,000</b> |                                                           |                   |

- (ii) Summary of warrants outstanding at November 30, 2015:

|                                     | Warrants Outstanding | Weighted Average Exercise Price | Weighted Average Remaining Contractual Life |
|-------------------------------------|----------------------|---------------------------------|---------------------------------------------|
| Balance at May 31, 2015             | 10,200,000           | \$ 0.19                         | 0.59 years                                  |
| Expired                             | (7,500,000)          | 0.20                            | -                                           |
| <b>Balance at November 30, 2015</b> | <b>2,700,000</b>     | <b>\$ 0.15</b>                  | <b>0.92 years</b>                           |

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**9. SHARE CAPITAL (continued)**

**(d) Stock options**

The Company has a stock option plan in place under which it is authorized to grant options of up to 10% of its outstanding shares to officers, directors, employees and consultants. The exercise price of each option is to be determined by the Board of Directors and at prices equal to or greater than the closing market price on the day preceding the date the options were granted. Each option should have a maximum term of five years.

During the period ended November 30, 2015 and year ended May 31, 2015, the Company did not grant any options.

- i) As of November 30, 2015, the Company had 250,000 (May 31, 2015: 250,000) stock options outstanding and exercisable enabling holders to acquire the following:

| <b>Number of Shares</b> | <b>Exercise Price</b> | <b>Expiry Date</b> |
|-------------------------|-----------------------|--------------------|
| 250,000                 | \$0.20                | September 22, 2016 |
| <b>250,000</b>          |                       |                    |

- ii) Summary of options outstanding at November 30, 2015:

|                                     | <b>Options<br/>Outstanding</b> | <b>Weighted<br/>Average<br/>Exercise Price</b> | <b>Weighted<br/>Average<br/>Remaining<br/>Contractual Life</b> |
|-------------------------------------|--------------------------------|------------------------------------------------|----------------------------------------------------------------|
| <b>Balance at May 31, 2014</b>      | 375,000                        | \$ 0.20                                        | 2.33 years                                                     |
| Expired                             | (125,000)                      | 0.20                                           | -                                                              |
| <b>Balance at May 31, 2015</b>      | 250,000                        | 0.20                                           | 2.33 years                                                     |
| <b>Balance at November 30, 2015</b> | <b>250,000</b>                 | <b>\$ 0.20</b>                                 | <b>0.83 years</b>                                              |



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**10. RELATED PARTY TRANSACTIONS**

**Key Management Compensation**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's executive officers and Board of Director members.

During the period ended November 30, 2015, the Company entered into the following transactions with the related parties:

- (a) Incurred management and directors fees of \$nil (November 30, 2014 - \$55,000) with a director of the Company.

As at November 30, 2015, \$333,816 (May 31, 2014 - \$461,521) was owing to companies controlled by directors and officers of the Company.

- (b) Incurred accounting fees of \$9,000 (November 30, 2014 - \$9,000) with BJ Financial Accounting Inc. (a company controlled by the former CFO and director of the Company).

- (c) Incurred interest expense of \$1,504 (November 30, 2014 - \$1,504) on loans from Arctic Star Exploration Corp. (a company related by a CFO).

- (d) The loans payable of \$61,208 (May 31, 2015 - \$59,704) is due to Arctic Star Exploration Corp (a company related by a common officer).

**11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

Interest on all interest bearing obligations was accrued but not paid for the period ended November 30, 2015 and year ended May 31, 2015.

|                   | November 30,<br>2015 | May 31,<br>2015 |
|-------------------|----------------------|-----------------|
| Income taxes paid | \$ -                 | \$ -            |
| Interest paid     | \$ -                 | \$ -            |