DGS MINERALS INC.

CONDENSED INTERIM FINANCIAL STATEMENTS

For the Nine Months Ended May 31, 2016 and 2015

(Expressed in Canadian Dollars)

(Unaudited – Notice of No Auditor Review of Interim Financial Statements)

CONTENTS

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

The accompanying unaudited condensed interim financial statements of **DGS Minerals Inc.** for the nine months ended May 31, 2016 and 2015 have been prepared by management and have not been the subject of a review by the Company's independent auditor.

DGS MINERALS INC.
CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited – Notice of No Auditor Review of Interim Financial Statements)
Expressed in Canadian Dollars

	Notes	**May 31, 2016 (Unaudited)**	August 31, 2015 (Audited)
ASSETS			
CURRENT			
Cash		**$ 24,144**	$ 132,909
Receivables		**2,503**	13,127
Prepaid expenses		**1,048**	416
Total current assets		**27,695**	146,452
Equipment		**2,712**	3,500
Exploration and evaluation assets	3	**33,771**	22,843
		$ 64,178	$ 172,795
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities	5	**$ 95,126**	$ 76,648
		95,126	76,648
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Share capital	4	**8,496,648**	8,496,648
Share subscriptions	4c	**26,091**	-
Contributed surplus		**856,760**	856,760
Deficit		**(9,410,447)**	(9,257,261)
TOTAL SHAERHOLDERS' EQUITY (DEFICIENCY)		**(30,948)**	96,147
		$ 64,178	$ 172,795

Nature of Operations and Going Concern (Note 1)

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS:

"Simon Tam"
Director

"Craig Walker"
Director

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

DGS MINERALS INC.
CONDENSED INTERIM STATEMENTS OF NET AND COMPREHENSIVE LOSS
FOR THE NINE MONTHS ENDED MAY 31, 2016 AND 2015
(Unaudited – Notice of No Auditor Review of Interim Financial Statements)
Expressed in Canadian Dollars

	Note	**Three Months ended May 31, 2016**	Three Months ended May 31, 2015	**Nine Months ended May 31, 2016**	Nine Months ended May 31, 2015
EXPENSES					
Amortization		**$ 264**	$ 375	**$ 788**	$ 1,125
Accounting, audit and legal	5	**28,534**	25,637	**78,877**	56,264
Consulting fees		**1,500**	1,500	**4,500**	4,500
Filing and transfer agent fees		**4,392**	7,563	**24,914**	12,055
Management fees	5	**7,500**	7,500	**22,500**	22,500
Office and miscellaneous	5	**50**	47	**50**	180
Rent		**4,500**	4,500	**13,500**	13,500
Travels and accommodation		**4,560**	-	**8,057**	-
NET AND COMPREHENSIVE LOSS FOR THE PERIOD		**(51,300)**	(47,122)	**(153,186)**	(110,124)
BASIC AND DILUTED LOSS PER SHARE		**$ (0.00)**	$ (0.02)	**$ (0.01)**	$ (0.04)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING		**12,674,689**	2,674,689	**12,674,689**	2,674,689

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

DGS MINERALS INC.
CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)
FOR THE NINE MONTHS ENDED MAY 31, 2016 AND 2015
(Unaudited – Notice of No Auditor Review of Interim Financial Statements)
Expressed in Canadian Dollars

	Number of Shares	Share Capital	Contributed Surplus	Share Subscriptions	Deficit	Total Deficiency
Balance, August 31, 2014	**2,675,080**	**$ 8,041,648**	**$ 856,760**	**$ -**	**$ (9,104,165)**	**$ (205,757)**
Cancellation of escrow shares (note 4 f))	(391)	-	-	-	-	-
Net loss for the period					(110,124)	(110,124)
Balance, May 31, 2015	**2,674,689**	**8,041,648**	**856,760**	**-**	**(9,214,289)**	**(315,881)**
Shares issued (note 4 b (ii))	10,000,000	500,000	-	-	-	500,000
Shares issuance costs (note 4 b (ii))	-	(45,000)	-	-	-	(45,000)
Net loss for the period					(42,972)	(42,972)
Balance, August 31, 2015	**12,674,689**	**8,496,648**	**856,760**		**(9,257,261)**	**96,147**
Share subscriptions (note 4 c)	-	-	-	26,091	-	26,091
Net loss for the period					(153,186)	(153,186)
Balance, May 31, 2016	**12,674,689**	**$ 8,496,648**	**$ 856,760**	**$ 26,091**	**$ (9,410,447)**	**$ (30,948)**

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

DGS MINERALS INC.
CONDENSED INTERIM STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED MAY 31, 2016 AND 2015
(Unaudited – Notice of No Auditor Review of Interim Financial Statements)
Expressed in Canadian Dollars

	Three Months ended May 31, 2016	Three Months ended May 31, 2015	**Nine Months ended May 31, 2016**	Nine Months ended May 31, 2015
CASH PROVIDED BY (USED IN)				
OPERATING ACTIVITIES				
Net loss for the period	**$ (51,300)**	$ (47,122)	**$ (153,186)**	$ (110,124)
Item not involving cash:				
Amortization	**264**	375	**788**	1,125
Net changes in non-cash working capital items:				
Other receivables and deposits	**1,321**	(2,033)	**10,624**	(3,862)
Prepaid Expenses	**-**	(417)	**(631)**	-
Accounts payable and accrued liabilities	**43,374**	28,172	**18,477**	87,344
Net cash used in operating activities	**(6,341)**	(21,025)	**(123,928)**	(25,517)
INVESTING ACTIVITY				
Exploration and evaluation assets	(10,928)	-	(10,928)	-
Net cash used in investing activities	**(10,928)**	-	**(10,928)**	-
FINANCING ACTIVITIES				
Increase in due to related parties	-	50,000	26,091	4,000
Increase in shares subscription	26,091	-	26,091	50,000
Net cash provided by financing activities	**26,091**	50,000	**26,091**	54,000
CHANGE IN CASH DURING THE PERIOD	**8,822**	28,975	**(108,765)**	28,483
CASH, BEGINNING OF PERIOD	**15,322**	(15)	**132,909**	477
CASH, END OF PERIOD	**$ 24,144**	$ 28,960	**$ 24,144**	$ 28,960

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

1. **Nature of Operations**

a) Nature of Operations

DGS Minerals Inc. ("the Company") was incorporated in Canada on September 24, 1990.

The Company is an exploration stage company, engaged principally in the acquisition and development of mineral properties.

Effective October 16, 2015, the Company began trading on the Canadian Securities Exchange under the symbol DLE.

The address of the Company's corporate office and principal place of business is 3467 Commercial Street, Vancouver, British Columbia, Canada V5N 4E8.

b) Going Concern

While the Company's financial statements have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due, certain conditions and events may cast significant doubt on the validity of this assumption. For the nine months ended May 31, 2016, the Company reported a loss of $153,186 (2015 - $110,124) and as at that date had an accumulated deficit of $9,410,447 (2015 - $9,214,289). As of May 31, 2016, the Company had working capital deficit of $67,431 (August 31, 2015 working capital $69,804). The Company does not have sufficient funds available to bring its mineral properties to production, if possible, which would allow it to be self-sustaining. The Company will need additional financing to continue exploring, and if successful develop its properties to bring them to the production stage. While the Company has been successful in securing financings in the past, there can be no assurance that the Company will be able to do so in the future.

These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption deemed to be inappropriate. These adjustments could be material.

2. Significant Accounting Policies

a) Statement of Compliance

These condensed interim financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. The condensed interim financial statements should be read in conjunction with the annual audited financial statements for the year ended August 31, 2015, which have been prepared in accordance with IFRS as issued by the IASB.

The policies applied in these financial statements are based on IFRS issued and outstanding as of July 28, 2016, the date the Board of Directors approved these financial statements.

2. Significant Accounting Policies - continued

b) Basis of Measurement

These financial statements were prepared on an accrual basis and are based on historical costs, except for financial instruments, which measured at fair value.

c) Critical Accounting Estimates, Judgments and Uncertainties

The preparation of these financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year.

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

Share-based payments

The Company uses the Black-Scholes option pricing model to estimate the fair value of stock options granted and warrants issued. Under this model, the Company must estimate the term, volatility and if applicable, the forfeiture rate of options granted and warrants issued.

Exploration and Evaluation Assets

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgement in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditures are capitalized, information becomes available suggesting that the recovery of the expenditure are unlikely, the amount capitalized is written off to profit or loss in the same period.

Title to Mineral Property Interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

Impairment of Non-Financial Assets

The Company reviews and evaluates its property, including exploration and evaluation assets, and equipment for indications of impairment when events or changes in circumstances indicate that the related carrying amount may not be recoverable or at least at the end of each reporting period. The asset's recoverable amount is estimated if an indication of impairment exists.

Impairment loss is recognized when the carrying amount of an asset exceeds its recoverable amount. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows of other assets or groups of assets. Future cash flows are estimated based on expected future production, commodity prices, operating costs and capital costs.

2. Significant Accounting Policies - continued

c) Critical Accounting Estimates, Judgments and Uncertainties - continued

The recoverable amount is the greater of the asset's 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 the current market assessment of the time value of money and the risks specific to the asset.

Impairment losses reducing the carrying value to the recoverable amount are recognized in profit or loss. An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

Valuation of Shares Issued in Non-Cash Transactions

Generally, the valuation of non-cash transactions is based on the value of the goods or services received. When this cannot be determined, it is based on the fair value of the non-cash consideration. When non-cash transactions are entered into with employees and those providing similar services, the non-cash transactions are measured at the fair value of the consideration given up.

Recognition of Deferred Tax Assets

The Company considers whether the realization of deferred tax assets is probable in determining whether or not to recognize these deferred tax assets.

d) Functional and Presentation Currency

The functional currency is the currency of the primary economic environment in which the entity operates and has been determined for each entity within the Company. The functional currency for all entities within the Company is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in International Accounting Standards ("IAS") 21, The Effects of Changes in Foreign Exchange Rates.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the statement of financial position date while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in the statement of loss and comprehensive loss.

The Company's functional currency is the Canadian Dollar ("CAD"). The financial statements are presented in CAD which is the Company's presentation currency, unless otherwise noted.

2. Significant Accounting Policies - continued

e) Equipment

Equipment is carried at cost less accumulated depreciation and accumulated impairment losses, if any.

The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the items and restoring the site on which it is located.

An item of equipment is de-recognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit and loss.

Where an item of equipment is composed of major components with different useful lives, the components are accounted for as separate items of equipment. Expenditures incurred to replace a component of an item of equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

The Company depreciates its assets using the declining balance method at the following rates:

Categories	Rates
Computer equipment including software	30% to 100%
Office equipment	30 %

f) Exploration and Evaluation Assets

Mineral exploration and evaluation expenditures are capitalized once the legal right to explore a property has been acquired. Exploration and evaluation assets are recorded at cost less accumulated impairment losses. Direct costs related to the acquisition, exploration and evaluation of mineral properties are capitalized until the commercial viability of the asset is established, at which time the capitalized costs are reclassified to mineral properties under development. To the extent that the expenditures are spent to establish ore reserves within the rights to explore, the Company will consider those costs as intangible assets in nature. The depreciation of a capital asset in connection with exploring or evaluating a property of this nature will be included in the cost of the intangible asset.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of the project are deemed to be impaired. As a result, those exploration and expenditure costs, in excess of estimated recoveries, are written off to the statement of comprehensive loss/income.

Management reviews the facts and circumstances suggesting if the carrying amount of the exploration and evaluation assets exceeds their recoverable amount on a regular basis. If the facts and circumstances suggest the carrying value exceeds the recoverable amount, the Company will perform an impairment test on the property in accordance with the provisions of IAS 36.

Exploration stage assets and development stage assets are considered separate CGUs for impairment testing purposes.

2. Significant Accounting Policies - continued

f) Exploration and Evaluation Assets - continued

The amount shown for mineral properties does not necessarily represent present or future values. 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.

g) Financial Instruments

Financial Assets

Financial assets are classified into one of four categories:

- fair value through profit or loss ("FVTPL");
- held-to-maturity ("HTM");
- available for sale ("AFS"); and
- loans and receivables.

The classification is determined at initial recognition and depends on the nature and purpose of the financial asset.

FVTPL financial assets

Financial assets are classified as FVTPL when the financial asset is held for trading or it is designated as FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future;
- it is a part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets classified as FVTPL are stated at fair value with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized incorporates any dividend or interest earned on the financial asset. Transaction costs are expensed as incurred.

HTM investments

HTM investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs. They are subsequently measured at amortized cost.

AFS financial assets

Short-term investments and other assets held by the Company are classified as AFS and are stated at fair value. Gains and losses arising from changes in fair value are recognized directly in equity in the investments revaluation reserve. Impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, are recognized directly in profit or loss rather than equity.

When an investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in the investment's revaluation reserve is included in profit or loss for the period

2. Significant Accounting Policies – continued

g) Financial Instruments - continued

The fair value of AFS monetary assets denominated in a foreign currency is translated at the spot rate at the statement of financial position date. The change in fair value attributable to translation differences on amortized cost of the asset is recognized in profit or loss, while other changes are recognized in equity.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Loans and receivables are initially recognized at the transaction value, including transaction costs and subsequently are carried at amortized cost less impairment losses. The impairment loss of receivables is based on a review of all outstanding amounts at period end. Bad debts are written off during the year in which they are identified. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Effective interest method

The effective interest method calculates the amortized cost of a financial asset and allocates interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as FVTPL.

Impairment of financial assets

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

Objective evidence of impairment could include the following:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments; or
- it has become probable that the borrower will enter bankruptcy or financial reorganization.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of all financial assets, excluding trade receivables, is directly reduced by the impairment loss. The carrying amount of trade receivables is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease relates to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss. On the date of impairment reversal, the carrying amount of the financial asset cannot exceed its amortized cost had impairment not been recognized.

2. Significant Accounting Policies – continued

g) Financial Instruments – continued

Derecognition of financial assets

A financial asset is derecognized when:

- the contractual right to the asset's cash flows expire; or
- the Company transfers the financial asset and substantially all risks and rewards of ownership to another entity.

h) Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs. Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

De-recognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

i) Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Rehabilitation Provisions:

Provision related to asset retirement obligation, dismantling, decommissioning and site disturbance remediation is made for the estimated cost and capitalized in the relevant asset category. Such provision is measured at the present value of management's best estimate of expenditure required to settle the present obligation at the Statement of Financial Position date. Subsequent to the initial measurement, the obligation is adjusted at the end of each reporting period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as finance costs in the Statement of Operations whereas increases/decreases due to changes in the estimated future cash flows are capitalized. Actual costs incurred upon settlement of the obligation are charged against the provision to the extent the provision is established.

2. Significant Accounting Policies – continued

i) Provisions – continued

Other Provisions:

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

The Company had no provisions as at May 31, 2016 and 2015.

j) Income Taxes

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

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purpose. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit and loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantially enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

k) Share Capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company’s common shares and share purchase warrants are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or warrants are shown in equity as a deduction, net of tax, from the proceeds.

The Company has adopted the residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The fair value of the common shares issued in the private placements was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing price on the measurement date. The balance, if any, was allocated to the attached warrants. Any fair value attributed to the warrants is recorded in contributed surplus.

2. Significant Accounting Policies – continued

l) Earnings (Loss) per Share

Basic earnings (loss) per share is computed by dividing the net earnings (loss) attributable to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings per share is computed similar to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods. Diluted loss per share is not separately presented, as the effect of securities exercisable into common shares would reduce the amount presented as loss per share.

m) Share-based Payments

The Company issues equity instruments such as common shares, share options and warrants, for services rendered by employees and non-employees.

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in statement of comprehensive loss over the vesting period, described at the period during which all the vesting conditions are satisfied.

Where equity settled share options are awarded to employees, the fair value of the options at the date of the grant is charged to the statement of the comprehensive loss over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the good or services received in the statement of comprehensive loss unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliability estimated, the fair value is measured by use of a valuation model.

All exercisable equity settled share-based payments are reflected in contributed surplus until exercised, the amount reflected in contributed surplus is credited to share capital along with the consideration paid for those shares.

Where the terms and conditions of equity settled share based payments are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is charged to the statement of comprehensive loss over the remaining vesting period.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period.

2. Significant Accounting Policies - continued

n) New Standards, Interpretations and Amendments Adopted

The material accounting policies followed in these condensed interim consolidated financial statements are the same as those applied in the Company's audited consolidated financial statements for the year ended August 31, 2015. The Company has consistently applied the same material accounting policies throughout all periods presented.

No new IFRS accounting standards have been adopted by the Company during the nine-month period ended May 31, 2016.

o) New Standards Not Yet Adopted

The following accounting standard is mandatory effective from January 1, 2018. The Company has not adopted this standard early and is assessing the impact of adoption on the consolidated financial statements:

- IFRS 9: Financial Instruments. Replacement standard for IAS 39 Financial instruments: Recognition and Measurement. IFRS 9 retains (and simplifies) the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on an entity's business model and the contractual cash flow of the financial asset. Classification is made at the time the financial asset is initially recognized, namely when the entity becomes a party to the contractual provisions of the instrument.

3. Exploration and Evaluation Assets

Decano Property

In July 2014, the Issuer staked two mineral tenures in the Similkameen Mining Division of British Columbia, Canada covering approximately 1,065 hectares.

During the nine months ended May 31, 2016, the Company capitalized and deferred exploration costs of $33,771 on the property (2015-$16,343).

4. Share Capital

a) Authorized

Unlimited number of common shares without par value

b) Issued

(i) On August 5, 2015, pursuant to the approval by its shareholders of a share consolidation at its Annual General Meeting held on August 28, 2014, the Company proceeded with a share consolidation on a basis of three (3) old shares for one (1) new share. As a result of this consolidation, all share information in the financial statements has been retrospectively restated to reflect the consolidation unless otherwise stated.

(ii) On August 10, 2015, the Company closed the non-brokered private placement through the issuance of 10,000,000 units at a price of $0.05 per unit for gross proceeds of $500,000. Each unit consists of one common share and one non-transferrable share purchase warrant. Each share purchase warrant will entitle the holder to purchase one further common share of the Company within one year at the price of $0.05 per share. In connection with the closing of the private placement, the Company paid finders' fees of a total of $45,000 in cash.

Expressed in Canadian Dollars

4. Share Capital – continued

c) Share Subscriptions

On April 12, 2016, the Company announced that it intended to carry out a non-brokered private placement of up to 10,000,000 units at a price of $0.15 per unit raising aggregate proceeds of up to $1,500,000. Each unit shall comprise of one common share and one share purchase warrant of the Company, which share purchase warrant shall be exercisable into a further common share of the Company for a two year term at an exercise price of $0.15 per common share.

During the period ended May 31, 2016, the Company received $26,091 in share subscriptions.

d) Share Purchase Warrants

There were no warrant transactions during the nine month periods ended May 31, 2016 and 2015.

Warrant transactions and the number of warrants outstanding are summarized as follows:

	Number of Warrants		Weighted Average Exercise Price	Weighted Average Life Remaining (years)
Balance, August 31, 2014 and May 31, 2015	-		$ -	-
Issued	10,000,000	(i)	$ 0.05	1.00
Balance, August 31, 2015 and May 31, 2016	10,000,000		$ 0.05	0.19

(i) On August 10, 2015, 10,000,000 warrants were issued for the close of the $500,000 non-brokered private placement (See note 4 b (ii)).

As at May 31, 2016, the following warrants were outstanding and exercisable:

Number of Warrants	Exercise Price	Expiring
10,000,000	$ 0.05	August 10, 2016

As at May 31, 2015, there were no warrants outstanding.

Expressed in Canadian Dollars

4. Share Capital – continued

e) Stock Options

The Company has a stock option plan whereby the Company is authorized to grant options for up to 10% of the Company's issued and outstanding common shares. Stock option transactions and the number of stock options outstanding are summarized as follows:

	Number of Options	Weighted Average Exercise Price	Weighted Average Life Remaining (years)
Balance, August 31, 2014	40,166	$ 9.60	0.45
Cancelled/Expired	(30,833) (i)	$ 7.50	
Balance, May 31, 2015 and August 31, 2015	9,333	$ 16.50	0.50
Expired	(9,333) (ii)	$ 16.50	
Balance, May 31, 2016	-	-	-

(i) On November 17, 2014, 30,833 stock options expired unexercised.
(ii) On November 30, 2015, 9,333 stock options expired unexercised.

At May 31, 2016, there were no stock options outstanding.

f) Escrow Shares

On April 15, 2015, upon expiration of the escrow agreement, 391 post-consolidation shares held in escrow were effectively cancelled leaving a balance of nil common shares in escrow.

5. Related Party Transactions

During the nine month periods ended May 31, 2016, the Company entered into the following transactions with related parties:

- Incurred office rent expense of $13,500 (2015 - $13,500) and accounting fees of $27,000 (2015 - $27,000) to a company controlled by a director. As at May 31, 2016, the amounts of $4,725 (2015 - $39,375) and $9,450 (2015 - $78,750) were payable for rent and accounting fees respectively.

- Incurred accounting fees of $7,500 (2015 - $7,500) to an officer of the Company of which $5,000 was payable as at May 31, 2016 (2015 - $29,225).

- Incurred management fees of $22,500 (2015 - $22,500) to a company controlled by a director. As at May 31, 2016, the amount of $10,000 (2015 - $60,000) was payable.

- Incurred consulting fees of $4,500 (2015 - $4,500) to a director of the Company of which $25,500 was payable as at May 31, 2016 (2015 - $19,500).

- Due to related parties consisted of $nil (2015 - $8,000) loan payable to a company controlled by a director and officer of the Company.

Expressed in Canadian Dollars

5. Related Party Transactions - continued

Amounts due to related parties are non-interest bearing, unsecured and have no specific terms of repayment.

These related party transactions were in the normal course of business and were measured at exchange amounts which is the amount of consideration established and agreed to by the related parties.

Key Management Compensation

Key management personnel are persons responsible for planning, directing and controlling the activities of an entity and includes executive and non-executive directors. Key management personnel compensation comprised:

	May 31, 2016	May 31, 2015
Accounting fees	**$ 34,500**	$ 34,500
Consulting fees	**4,500**	4,500
Management fees	**22,500**	22,500
	$ 61,500	$ 61,500

6. Financial Instruments and Risk Management

Financial instruments

International Financial Reporting Standards 7, Financial Instruments: Disclosures, establishes a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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. as prices) or indirectly (i.e. derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company’s financial instruments include cash, other receivable and accounts payable and accrued liabilities. The carrying values of these financial instruments approximate their fair value due to their short-term nature.

It is management’s opinion that the Company is not exposed to significant interest, currency or credit risks relating to its financial instruments. There were no transfers between levels during the periods May 31, 2016 and 2015.

Risk Management

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

It is management’s opinion that the Company is not exposed to significant interest rate risk, currency risk or credit risk relating to its financial instruments.

6. Financial Instruments and Risk Management -continued

Credit Risk

Credit risk is the risk that one party to a financial instrument will not fulfill some or all of its obligations, thereby causing the Company to sustain a financial loss. The Company is exposed to credit risk with respect to its cash position and receivables. The Company's cash is held in a major bank which is considered to have high creditability. The Company's receivable is from a government agency thus the collection is considered assured. The Company believes it has no significant credit risk.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in obtaining funds to meet obligations. The Company's approach to managing liquidity risk is to ensure that it will have sufficient funds to meet liabilities when due. As at May 31, 2016, the Company had a cash balance of $24,144 (August 31, 2015 - $132,909) to settle liabilities of $95,126 (August 31, 2015- $76,648). Accordingly, the Company is unable to meet its current obligations and is exposed to liquidity risk. All of the Company's financial liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk, and other price risk, which are discussed further below:

(i) Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company has cash balances and no interest bearing debt. The Company's current policy is to invest excess cash in short-term deposit certificates issued by its banking institution. Due to the short term nature of these financial instruments, fluctuations in interest rates do not have a significant impact on their fair values as at May 31, 2016 and 2015.

(ii) Currency risk

The Company is subject to currency risk to the extent of the expenditures denominated in US dollars that it will incur pursuant to the property option agreement. The Company does not presently manage currency risks through hedging or other currency management tools.

(iii) Price risk

Price risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market prices other than those arising from interest rate risk. Currently the Company is not exposed to other price risk.

Expressed in Canadian Dollars

7. Capital Management

The Company's capital management objectives are to raise the necessary equity financing to fund its exploration projects and to manage the equity funds raised which best optimizes its exploration programs and the interests of its equity shareholders at an acceptable risk level.

In the management of capital, the Company includes items in shareholders' equity (excluding accumulated other comprehensive income) in the definition of capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may raise additional equity funds and acquire new exploration properties as circumstances dictate.

There were no changes in the Company's approach to capital management during the period ended May 31, 2016. The Company is not subject to externally imposed capital requirements.

8. Income Taxes

A reconciliation of the income tax provision computed at statutory rates to the reported income tax provision is as follows:

		2015		2014
Statutory tax rates		**26%**		26%
Expected tax recovery		**(40,000)**		(36,000)
Decrease (increase) resulting from:				
Non-deductible items		**-**		-
Tax rate changes		**-**		-
Other		**36,000**		45,000
Change in tax assets not recognized		**4,000**		(9,000)
		-	$	-

The significant components of the Company's deferred income tax assets and liabilities are as follows:

		2015		2014
Equipment	**$**	**7,000**	$	6,000
Share issuance costs		**12,000**		9,000
Mineral properties		**1,025,000**		1,025,000
Non-capital loss carry-forwards		**616,000**		616,000
		1,660,000		1,656,000
Tax assets not recognized		**(1,660,000)**		(1,656,000)
Net deferred income tax assets	**$**	**-**	$	-

Future tax benefits, which may arise as a result of these losses and other tax assets, have not been recognized in these financial statements due to the uncertainty of their realization.

As at August 31, 2015, the Company has approximately $2,370,000 (2014 - $2,368,000) of accumulated non-capital losses which can be applied to reduce future taxable income and expiring on various years to 2035. In addition, the Company has Canadian exploration and development expenditures of approximately $3,967,000 which are available to reduce taxable income of future years. The exploration and development expenditures carry forward indefinitely.