PISTOL BAY MINING INC.

CONDENSED INTERIM FINANCIAL STATEMENTS

For The Nine Months Ended

February 29, 2016

Expressed in Canadian Dollars

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Section 4.3(3)(a) of the National Instrument 51-102, Continuous Disclosure Obligations, provides that if an auditor has not performed a review of the condensed interim financial statements, the interim financial statements must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The Company's external auditor, Manning Elliott LLP, have not performed a review of these condensed interim financial statements of Pistol Bay Mining Inc. for the nine months period ended February 29, 2016.

April 28, 2016

PISTOL BAY MINING INC.
CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
(EXPRESSED IN CANADIAN DOLLARS)

	February 29, 2016 - $ -	May 31, 2015 - $ -
ASSETS		
CURRENT ASSETS		
Cash	10,914	1,467
Amounts receivable	11,767	8,582
Due from related parties (Note 9)	3,957	3,957
Prepaid expenses and deposits (Note 9)	41,669	41,046
	68,307	55,052
PROPERTY AND EQUIPMENT (Note 4)	1,060	1,448
EXPLORATION AND EVALUATION ASSETS (Note 5)	58,000	-
	127,367	56,500
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Notes 6 and 13)	964,473	913,523
Due to related parties (Note 9)	83,640	50,890
	1,048,113	964,413
SHAREHOLDERS' EQUITY (DEFICIENCY)		
SHARE CAPITAL (Note 7)	21,285,650	21,174,308
SHARE SUBSCRIPTION RECEIVED	49,440	7,867
RESERVES (Note 8)	1,073,266	1,132,432
DEFICIT	(23,329,102)	(23,222,520)
	(920,746)	(907,913)
	127,367	56,500

NATURE OF OPERATIONS AND GOING CONCERN UNCERTAINTY (Note 1)
COMMITMENTS (Note 5 and 13)
SUBSEQUENT EVENTS (Note 16)

APPROVED BY THE BOARD OF DIRECTORS ON APRIL 28, 2016

ON BEHALF OF THE BOARD

"Charles Desjardins" Director
"Dave Bissoondatt" Director

See Accompanying Notes

PISTOL BAY MINING INC.

CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE LOSS
(EXPRESSED IN CANADIAN DOLLARS)

	Nine Months Ended		Three Months Ended	
	February 29, 2016	**February 28, 2015**	**February 29, 2016**	**February 28, 2015**
	- $ -	**- $ -**	**- $ -**	**- $ -**
EXPENSES				
Amortization	388	11,415	129	1,880
Business development and shareholder communications	6,687	4,102	1,000	-
Consulting fees	68,824	61,805	23,524	29,020
Insurance	-	2,953	-	-
Management fees (Note 9)	33,750	33,750	11,250	11,250
Office services and miscellaneous	6,381	22,346	3,643	1,824
Professional fees	8,010	33,201	6,296	14,301
Rent	1,985	16,258	-	5,295
Share-based payments (Notes 7 and 8)	19,121	30,107	-	30,107
Transfer agent and filing fees	13,158	16,381	6,373	8,609
Wages and benefits	-	1,743	-	-
	158,304	234,061	52,215	102,286
OTHER INCOME (EXPENSES)				
CRA penalties (Note 6)	-	(88,213)	-	-
Gain on disposition of property (Note 5)	-	20,000	-	-
Loss on disposition of marketable securities	-	(22,988)	-	-
Part XII taxes and interest related to flow-through shares (Note 13)	-	(23,904)	-	(7,968)
	-	(115,105)	-	(7,968)
NET LOSS FOR THE PERIOD	**(158,304)**	**(349,166)**	**(52,215)**	**(110,254)**
OTHER COMPREHENSIVE GAIN (LOSS) ITEMS				
Unrealized gain on marketable securities	-	12,500	-	25,000
COMPREHENSIVE LOSS FOR THE PERIOD	**(158,304)**	**(336,666)**	**(52,215)**	**(85,254)**
BASIC AND DILUTED LOSS PER COMMON SHARE	$ (0.02)	$ (0.07)	$ (0.01)	$ (0.02)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	7,965,191	4,711,343	8,520,757	4,793,868

See Accompanying Notes

PISTOL BAY MINING INC.

CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)

(EXPRESSED IN CANADIAN DOLLARS)

	Share Capital			Reserves		Accumulated other comprehensive gain (loss)		
	Number of shares issued	Amount	Subscription Received	Warrant reserve	Share based payment reserve	Unrealized marketable security gain (loss)	Deficit	Total
		$	$	$	$	$	$	$
Balance, May 31, 2014	**4,670,107**	**21,011,372**	**-**	**580,716**	**720,359**	**(12,500)**	**(22,899,375)**	**(599,428)**
Comprehensive loss:								
Loss for the period	-	-	-	-	-	-	(349,166)	(349,166)
Unrealized gain (loss) from marketable securities	-	-	-	-	-	12,500	-	12,500
Total comprehensive loss for the period	4,670,107	21,011,372	-	580,716	720,359	-	(23,248,541)	(936,094)
Private placements	1,170,000	58,500	-	-	-	-	-	58,500
Par value of shares for exercised options	200,000	12,000	-	-	-	-	-	12,000
Fair value options granted	-	-	-	-	30,107	-	-	30,107
Fair value of options cancelled and forfeited	-	-	-	-	(239,269)	-	239,269	-
Fair value of options expired	-	-	-	-	(67,710)	-	67,710	-
Subscription received	-	-	11,940	-	-	-	-	11,940
Balance, February 28, 2015	**6,040,107**	**21,081,872**	**11,940**	**580,716**	**443,487**	**-**	**(22,941,562)**	**(823,547)**
Balance, May 31, 2015	**6,870,757**	**21,165,235**	**16,940**	**580,716**	**551,716**	**-**	**(23,222,520)**	**(907,913)**
Comprehensive loss:								
Loss for the period	-	-	-	-	-	-	(158,304)	(158,304)
Total comprehensive loss for the period	6,870,757	21,165,235	16,940	580,716	551,716	-	(23,380,824)	(1,066,217)
Shares issued for exploration and evaluation assets	1,100,000	58,000	-	-	-	-	-	58,000
Subscription received	-	-	32,500	-	-	-	-	32,500
Subscription receivable	-	8,350	-	-	-	-	-	8,350
Stock options and warrants exercised	550,000	27,500	-	-	-	-	-	27,500
Fair value of options granted	-	-	-	-	19,121	-	-	19,121
Fair value of options cancelled and expired	-	-	-	-	(51,722)	-	51,722	-
Fair value of options exercised	-	26,565	-	-	(26,565)	-	-	-
Balance, February 29, 2016	**8,520,757**	**21,285,650**	**49,440**	**580,716**	**492,550**	**-**	**(23,329,102)**	**(920,746)**

See Accompanying Notes

PISTOL BAY MINING INC.

CONDENSED INTERIM STATEMENTS OF CASH FLOWS
(EXPRESSED IN CANADIAN DOLLARS)

	Nine Months Ended	
	February 29, 2016	**February 28, 2015**
	- $ -	**- $ -**
CASH FLOW USED FOR OPERATING ACTIVITIES		
Net loss	(158,304)	(349,166)
Adjustments for non-cash items:		
Amortization	388	11,415
Flow-through assessment	-	(23,904)
Share-based payments	19,121	30,107
	(138,795)	(331,548)
Changes in non-cash working capital:		
Net change in non-cash working capital accounts	47,142	230,803
Net cash flow used in operating activities	(91,653)	(100,745)
FINANCING ACTIVITIES		
Receipt of amounts due from related parties	32,750	18,769
Subscription received	32,500	11,940
Proceeds from the issuance of common shares and exercise of stock options and warrants, net of share issuance costs	35,850	70,500
Net cash flows provided by financing activities	101,100	101,209
INCREASE IN CASH	9,447	464
CASH, BEGINNING OF THE PERIOD	1,467	23
CASH, END OF THE PERIOD	$ 10,914	$ 487

ADDITIONAL CASH FLOW INFORMATION (Note 10)

See Accompanying Notes

PISTOL BAY MINING INC.

SCHEDULE OF EXPLORATION AND EVALUATION ASSETS

(EXPERESSED IN CANADIAN DOLLARS)

	Dixie Property, Ontario	Garland Peninsula Property, Newfoundland	Summit Lake A&B, British Columbia	Total
	- $ -	- $ -	- $ -	- $ -
BALANCE OF COSTS,				
Acquisition costs	-	-	217,000	217,000
Deferred exploration costs	-	-	76,564	76,564
Total proceeds received from optionees	-	-	(170,000)	(170,000)
Cumulative impairment charge	-	-	(123,564)	(123,564)
BALANCE MAY 31, 2015 AND 2014	-	-	-	-
ACQUISITION COSTS:				
Shares	33,000	25,000	-	58,000
Total acquisition costs	33,000	25,000	-	58,000
Total acquisition costs	33,000	25,000	217,000	275,000
Total deferred exploration costs	-	-	76,564	76,564
Total proceeds received from optionees	-	-	(170,000)	(170,000)
Total cumulative impairment charge	-	-	(123,564)	(123,564)
BALANCE FEBRUARY 29, 2016	33,000	25,000	-	58,000

See Accompanying Notes

1. NATURE OF OPERATIONS AND GOING CONCERN UNCERTAINTY

Pistol Bay Mining Inc. (the "Company") was incorporated as 490879 British Columbia Ltd. on February 20, 1995 in the Province of British Columbia. On September 10, 1996, the Company changed its name to Solitaire Minerals Corp. On November 2, 2012, the Company changed its name to Pistol Bay Mining Inc. The Company's head office and registered address is: 700-595 Burrard Street, Vancouver BC, V7X 1S8, Canada.

The Company's shares are listed for trading on the TSX Venture Exchange (the "Exchange"). On October 9, 2014, the Company's Board of Directors approved a consolidation of the Company's common shares on the basis of one post-consolidated share for every five pre-consolidated shares. All current and comparative share capital amounts have been restated to account for the 5-for-1 share consolidation.

The Company is engaged in the exploration and development of mineral resources, currently focusing on a project in Newfoundland, Ontario and Saskatchewan. At this time, the Company does not own any operating mines and has no operating income from mineral production. Funding for operations is raised primarily through public and private share offerings. It is not known whether the Company's mineral property contains reserves that are economically recoverable. The recoverability of amounts recorded by the Company for exploration and evaluation assets are dependent upon the discovery of economically recoverable reserves, the ability to raise funding for continued exploration and development, the completion of property option expenditures and acquisition requirements, or from proceeds from disposition.

These financial statements have been prepared with the assumption that the Company will realize its assets and discharge its liabilities in the normal course of business. The Company's ability to meet its obligations and maintain its current operations through the ensuing twelve-month period and thereafter is contingent upon successful completion of additional financing arrangements and ultimately upon the discovery of proven reserves and generating profitable operations.

Management expects to be successful in arranging sufficient funding to meet operating commitments for the ensuing year. However, the Company's future capital requirements will depend on many factors, including the costs of exploring and developing its resource properties, operating costs, the current capital market environment and global market conditions. As at February 29, 2016, the Company has a working capital deficiency of $979,806 (May 31, 2015 - $909,361) and a cumulative deficit of $23,329,102 (May 31, 2015 - $23,222,520). Consequently, there is a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. For significant expenditures and resource property development, the Company will depend almost exclusively on outside capital. Such outside capital will include the issuance of additional equity shares. There can be no assurance that capital will be available, as necessary, to meet the Company's operating commitments and further exploration and development plans. The issuance of additional equity securities by the Company may result in significant dilution to the equity interests of current shareholders. The Company's future capital requirements will depend on many factors, including the costs of exploring and developing its resource properties, operating costs, the current capital market environment and global market conditions. The continued operations of the Company are dependent on its ability to develop a sufficient financing plan, receive continued financial support from related parties, complete sufficient public equity financing, and ultimately generate profitable operations in the future. The Company has no assurance that it will be successful in its efforts. If the Company is unable to obtain financing in the amounts and on terms deemed acceptable, the future success of the business could be adversely affected.

These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

2. BASIS OF PRESENTATION

Statement of compliance

The financial statements of the Company have been prepared in accordance with IAS 34 Interim Financial Reporting.

The financial statements of the Company should be read in conjunction with the Company's 2015 annual financial statements which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The financial statements have been prepared using accounting policies consistent with those used in the Company's 2015 annual financial statements except for income tax expense which is recognized and disclosed for the full financial year in the audited annual financial statements.

Approval of the audited financial statements

The financial statements of the Company for the nine months ended February 29, 2016, were reviewed by the Audit Committee, and approved and authorized for issue on April 28, 2016 by the Board of Directors of the Company.

Basis of Preparation

The financial statements of the Company have been prepared on the historical cost basis, except for certain financial instruments which are stated at their fair values. The Company's functional and presentation currency is Canadian dollars.

3. SIGNIFICANT ACCOUNTING POLICIES

Significant accounting judgments, estimates and assumptions

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, revenue and expenses.

Significant Accounting Judgments

Information about critical 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 statement are discussed below:

1) Deferred Income Taxes

The determination of whether it is likely that future taxable profits will be available to utilize against any deferred tax assets.

2) Provision

The recognition of provisions for restoration, rehabilitation and environmental obligations.

3) Going Concern

The assessment of the Company's ability to continue as a going concern involves judgment regarding future funding available for its exploration projects and working capital requirements.

3. SIGNIFICANT ACCOUNTING POLICIES

Significant Accounting Estimates and Assumptions

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Management believes the estimates are reasonable; however, actual results could differ from those estimates and could impact future results of operations and cash flows.

1) Share Based Payments

Equity-settled share options are recognized as an expense based on their fair value at the date of grant. The fair value of share options is estimated through the use of the valuation model – Black-Scholes, which require inputs such as the risk-free interest rate, expected dividends, expected volatility and the expected option life. Using different input estimates or models would produce different fair values, and result in the recognition of a higher or lower share-based payments.

2) Exploration and Evaluation Expenditures

The estimated value of the exploration and evaluation costs which are capitalized in the statement of financial position.

<u>Foreign currency translation</u>

The financial statements are presented in Canadian dollars which is the Company's functional and presentation currency.

Transactions in foreign currencies are translated at rates in effect at the time of the transaction. Monetary assets and liabilities are translated at the exchange rate prevailing at the reporting date. Gains and losses are included in net earnings.

<u>Cash</u>

Cash includes cash on hand and deposits held at call with financial institutions.

<u>Property and equipment</u>

Recognition and Measurement

On initial recognition, property and equipment are valued at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

Property and equipment is subsequently measured at cost less accumulated amortization, less any accumulated impairment losses.

When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of equipment.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and equipment (continued)

Gains and Losses

Gains and losses on disposal of an item of equipment are determined by comparing the proceeds from disposal with the carrying amount, and are recognized net within other income in profit or loss.

Amortization

One-half the normal amortization is taken in the year of acquisition for equipment with declining balance method. The amortization rates applicable to each category of property and equipment are as follows:

Computer equipment	30% - 55% declining balance
Leasehold improvements	Straight-line over the lease term

Exploration and Evaluation Assets

Costs incurred before the Company has obtained the legal rights to explore an area are expensed in the period in which they are incurred.

Costs incurred to acquire the legal right to explore a property are capitalized. Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures are recognized and capitalized on a property-by-property basis. These direct expenditures include such costs as surveying costs, drilling costs, labor and contractor costs, materials used and licensing and permit fees.

Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined the property is considered to be under development and is classified as development properties. The carrying value of exploration and evaluation assets is transferred to development properties after being tested for impairment.

Once commercial production has commenced all capitalized costs related to the property are transferred to producing properties and the costs of acquisition, exploration and development will be amortized over the life of the property based on estimated economic reserves. Proceeds received from the sale of any interest in a property will be credited against the carrying value of the property, with any excess included in other income for the period. If a property is abandoned, the acquisition, deferred exploration and development costs will be written off to other expenses.

Currently, all mineral properties of the Company are at the exploration stage.

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

Exploration costs renounced due to flow-through share subscription agreements remain capitalized; however, for corporate income tax purpose the Company has no right to claim these costs as tax deductible expenses.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recorded costs of mineral properties and deferred exploration costs are not intended to reflect present or future values of resource properties. The recorded costs are subject to measurement uncertainty and it is reasonably possible, based on existing knowledge that, changes in future conditions could require a material change in the recognized amount.

Payments on mineral property option agreements are made at the discretion of the Company and, accordingly, are recorded as incurred.

Impairment of Long-lived assets

1) Financial assets

Financial assets are assessed at each reporting date to determine whether there is objective evidence that they are impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against the asset impaired. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

2) Non-financial assets

Exploration and evaluation assets are regularly reviewed for impairment or whenever events or changes in circumstances indicate that the carrying amount of reserve properties may exceed its recoverable amount. When an impairment review is undertaken, the recoverable amount is assessed by reference to the higher of the value in use and fair value less costs to sell. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a discounted rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the carrying amount of an asset exceeds the recoverable amount an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

When an impairment subsequently reverses, the carrying amount of the asset is increased to the revised estimate and its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Share capital

The Company records proceeds from the issuance of its common shares as equity. Proceeds received on the issuance of units, consisting of common shares and warrants are allocated between the common share and warrant component. The Company has adopted a 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 most easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share capital (continued)

The fair value of the common shares issued in the private placement was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing quoted price on the issuance date. The remaining proceeds, if any, are allocated to the attached warrants. Any fair value attributed to the warrants is recorded as warrant reserve. Management does not expect to record a value to the warrant in most equity issuances as unit private placements are commonly priced at market or at a permitted discount to market. If the warrants are issued as share issuance costs, the fair value of agent's warrants are measured using the Black-Scholes option pricing model and recognized in equity as a deduction from the proceeds.

If the warrants are exercised, the related amount is reclassified as share capital. If the warrants expire unexercised, the related amount remains in warrant reserve.

Incremental costs directly attributable to the issue of new common shares are shown in equity as a deduction, net of tax, from the proceeds. Common shares issued for consideration other than cash are valued based on their market value at the date that shares are issued.

Flow-through shares

The Company may from time to time, issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company allocates the proceeds from flow-through shares into 1) share capital based on the fair value of the Company's shares at the date of issuance, and 2) a flow-through share premium, calculated based on the share issuance price and market price at the time of closing, if any, which is recognized as a liability. In accordance with IAS 12, Income Taxes, a deferred tax liability is recognized, with certain specific exceptions, for the taxable temporary difference that arises from the difference between the carrying amount of eligible expenditures capitalized as an asset in the statement of financial position and its tax base. Upon expenditures being incurred, the flow-through share premium is drawn down proportionately and recorded to either other income or deferred tax recovery. In instances where the Company has sufficient deductible temporary differences available to offset the deferred income tax liability created from renouncing qualifying expenditures, the realization of the deductible temporary differences will be shown as a recovery in profit or loss in the period of renunciation.

Proceeds received from the issuance of flow-through shares must be used only for Canadian resource property exploration expenditures within a two-year period.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-Back Rule, in accordance with Canada Revenue Agency flow-through regulations. When applicable, this tax is accrued as a financial expense.

Loss per share

Loss per share is calculated on the basis of the weighted average number of common shares outstanding during the year, adjusted for all periods presented for the 5-for-1 share consolidation effective October, 9, 2014 (Note 1). The Company follows the treasury share method to calculate the dilutive effect of options, warrants and similar instruments. Under this method, the dilutive effect on earnings per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. Existing share options and share purchase warrants have not been included in the computation of diluted loss per share as to do so would be anti-dilutive. Accordingly, basic and diluted loss per share is the same for the periods presented.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payments

Equity-settled share options awarded to employees and other providing similar services are measured at the fair value of the options at the date of grant is charged to profit and loss over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

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

When equity instruments are granted to non-employees, they are recorded at the fair value of the goods and services received, unless the fair value of the goods and services received cannot be reasonably measured, in which case they are measured using the fair value of the equity instruments issued. Expenses are recorded in the statement of comprehensive loss. Amounts related to the cost of issuing shares are recorded as a reduction of share capital. Amounts related to the issuance of shares for mineral interests are capitalized in mineral interests on the statement of financial position.

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

All equity-settled share-based payments are reflected in share based payments reserve, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in share based payment reserve is credited to share capital, adjusted for any consideration paid.

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. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Income taxes

Deferred income tax is recorded using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Financial instruments and risks

The Company classifies its financial assets and liabilities into one of the following categories, depending on the purpose for which the financial instrument was required. The Company's accounting policy for each category is as follows:

i) Financial assets and financial liabilities at fair value through profit or loss ("FVTPL")

Financial assets and financial liabilities classified as FVTPL are acquired or incurred principally for the purpose of selling or repurchasing them in the near term. They are recognized at fair value based on market prices, with any resulting gains and losses reflected in net income for the period in which they arise.

ii) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the intention and ability to hold to maturity. They are measured at amortized cost using the effective interest method less any impairment loss. A gain or loss is recognized in net income when the financial asset is derecognized or impaired, and through the amortization process.

iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale, or that are not classified as loans and receivables, held-to-maturity investments, or FVTPL. They are measured at fair value. Fair value is determined based on market prices. Equity instruments that do not have a quoted market price in an active market are measured at cost. Gains and losses are recognized directly in other comprehensive income until the financial asset is derecognized, at which time the cumulative gain or loss previously recognized in accumulated other comprehensive income is recognized in net income for the year.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments and risks (continued)

iv) Loans and receivables

Loans and receivables are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest method, less any impairment losses. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

v) Financial liabilities

Financial liabilities are classified as other financial liabilities or FVTPL, based on the purpose for which the liability was incurred. The Company's liabilities comprise accounts payable and due to related parties, all of which are classified as other financial liabilities. These liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest method. This ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Accounts payable represent liabilities for goods and services provided to the Company prior to the end of the year which are unpaid.

The Company has classified its financial instruments as follows:

- Cash is classified as FVTPL
- Marketable securities are classified as available-for-sale
- Accounts payable and amounts due to related parties are classified as other financial liabilities

Transaction costs related to financial instruments other than FVTPL are capitalized as part of the cost of the financial instrument. Where the Company has entered into net smelter royalties or other similar participatory arrangements with property vendors or purchasers, such arrangements are considered to be derivative instruments. Additionally, the Company may have purchase options associated with net smelter royalties which are derivative instruments. The fair value of these derivative instruments is not reliably measurable until proven economically recoverable reserves have been identified.

Per IFRS 7, three levels of the fair value hierarchy that reflects the significance of inputs used in making fair value adjustments is required. The three levels of the fair value hierarchy are as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provisions

The Company may be subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities. The Company would record the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the year in which the obligation is incurred. The typical nature of the rehabilitation activities includes restoration, reclamation and re-vegetation of the affected exploration sites. Management has assessed that there are no legal or constructive obligations presently and for all periods presented.

When a liability is recognized, the present value of the estimated rehabilitation cost is capitalized by increasing the carrying amount of the related exploration properties. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks.

Additional environmental disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and rehabilitation liability in the year in which they occur.

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.

New Accounting Standards, Amendments and Interpretations Not Yet Effective

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or the International Financial Reporting Interpretations Committee ("IFRIC") during the Company's financial year beginning June 1, 2015. The Company has adopted all the following new standards relevant to the Company for the nine months ended February 29, 2016.

- IAS 32 (Amendment) *'Financial Instruments: Presentation'*, which establishes principles for presenting financial instruments as liabilities or equity and for offsetting financial assets and financial liabilities.

- IAS 36 (Amendment) '*Impairment of Assets*', which changes the disclosure requirements regarding the recoverable amount in circumstances where an impairment loss has been recognized or reversed, when there has been no impairment of a cash generating unit with goodwill or intangible assets and to require additional disclosure when an impairment of assets is based on fair value less costs of disposal.

- IFRIC 21 '*Levies*', which is an interpretation of IAS 37, '*Provisions, Contingent Liabilities and Contingent Assets*'. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event, known as an obligating event. The interpretation clarifies that the obligation event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

- IAS 32 (Amendment) *'Offsetting Financial Assets and Financial Liabilities'* is effective for annual periods beginning on or after January 1, 2014 that clarifies the application of offsetting requirements.

The adoption of the above standards did not have a material impact on the Company's financial statements.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Standards, Amendments and Interpretations Not Yet Effective

The following new standard is not yet effective for the nine months ended February 29, 2016:

- 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 classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. IFRS 9 is applicable to annual reporting periods beginning on or after January 1, 2018.

The Company does not expect that the new and amended standards will have significant impact on its financial statements.

4. PROPERTY AND EQUIPMENT

	February 29, 2016			May 31, 2015		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
	-$-	-$-	-$-	-$-	-$-	-$-
Computer	41,370	40,310	1,060	41,370	39,922	1,448
Leasehold improvement	132,818	132,818	-	132,818	132,818	-
	174,188	173,128	1,060	174,188	172,740	1,448

5. EXPLORATION AND EVALUATION ASSETS

a) Dixie Property, Ontario

On May 26, 2015, the Company entered into an option agreement to acquire 100% Zinc-Copper properties located in the Red Lake, Ontario region. The Dixie 17-18-19 properties ("Dixie Claims") consist of 67 claim units (1,072 hectares) located in the Confederation Lake greenstone belt, 35 kilometers southeast of Red Lake, Ontario.

Pursuant to the amended option agreement (Note 16) to acquire a 100% interest in the Dixie claims, the Company is required to make total cash payments of $76,000 and issue a total of 2,400,000 common shares of the Company over a four-year period as follows:

- Issue 1,000,000 shares to the optionors upon TSX Venture Exchange approval.
- Pay $10,000 and issue 600,000 shares to the optionors on or before the date that is one-year anniversary of TSX Venture Exchange approval.
- Pay $16,000 and issue 800,000 shares to the optionors on or before the date that is two-year anniversary of TSX Venture Exchange approval.
- Pay $20,000 to the optionors on or before the date that is three-year anniversary of TSX Venture Exchange approval.
- Pay $30,000 to the optionors on or before the date that is four-year anniversary of TSX Venture Exchange approval.

5. EXPLORATION AND EVALUATION ASSETS

a) Dixie Property, Ontario (Continued)

The vendors of the Dixie claims will retain a 0.5% net smelter royalty, which may be repurchased for $400,000 at any time up to when a production decision is made. Rubicon Mineral Corp. will also retain a 0.5% net smelter royalty.

On July 7, 2015, the Company issued 600,000 common shares at a price of $0.055 per unit for total proceeds of $33,000 to the optionors pursuant to the option agreement.

On October 15, 2015, the Company requested amending the original option agreement dated May 21, 2015 that the total amount of cash payment the optionors will receive from $20,000 to $10,000, and share issuance from 600,000 to 1,0000,000 in year one.

b) Garland Peninsula Property, Newfoundland

In September 2015, the Company entered into an option agreement to acquire an undivided 100% interest in the Garland Peninsula Property ("Garland") consisting 4 mineral clams located in Labrador, Newfoundland.

Pursuant to the option agreement to acquire a 100% interest in the Garland, the Company is required to pay $3,500 and issue 500,000 common shares within thirty days of the TSX Venture Exchange ("TSXv") approval. On October 16, 2015, the Company issued 500,000 common shares at a price of $0.05 per unit for total proceeds of $25,000 to the optionors pursuant to the option agreement.

On October 16, 2015, the Company entered into an option agreement to acquire additional 40 mineral claims. Pursuant to this option agreement, the Company is required to pay a cumulative amount of $15,000 in cash, and issue 1,250,000 common shares as follows:

- Pay $2,500 to the optionors upon execution of the agreement.
- Pay $2,500 and issue 500,000 shares to the optionors within 5 days of the TSXv approval.
- Pay $10,000 and issue 750,000 shares to the optionors on or before the date that is one-year anniversary of the approval date.

Prior to completing the submission to the TSXv for the October 16, 2015 option, the parties mutually agreed not to proceed with the option.

c) Summit Lake Project, British Columbia

<u>Summit "A" and "B" properties</u>

The Company held a 100% interest in six claims in the Summit "A" and Summit "B" properties located in northwestern British Columbia, Canada.

The Company entered into an option agreement with Revolver Resources Inc. ("Revolver"), which granted an option for Revolver to earn a 60% interest in the Summit "B" property by completing $2,500,000 in exploration expenditures, making $500,000 in cash payments to the Company and issuing 4,000,000 common shares to the Company over a three-year period commencing May 17, 2013. In accordance with

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5. EXPLORATION AND EVALUATION ASSETS

c) Summit Lake Project, British Columbia (Continued)

the option agreement, Revolver made cash payments totaling $100,000 and issued 2,000,000 common shares to the Company. However, Revolver defaulted on a payment due May 17, 2014, and the option agreement was effectively terminated.

On February 26, 2014, the Company entered into an option agreement with Vega Mining Inc. ("Vega") whereby Vega may earn a 70% interest in the Summit A and D properties. Pursuant to the terms of the option agreement, Vega will pay a cumulative amount of $110,000 cash and issue 3,500,000 common shares over a three-year period.

During the 2014 year, Vega defaulted on the agreement and the agreement was terminated. Management decided not to pursue this property any further as a result of market constraints and economic feasibility of the project, and the property was written off entirely. An impairment charge of $123,564, was recorded against the property.

d) Athabasca Basin, Saskatchewan

The Company currently holds a 25% interest in three mineral claims located in the eastern Athabasca Basin of Saskatchewan. The claims are subject to a 2.0% Net Smelter Royalty ("NSR").

The Company has an option agreement with Rio Tinto plc ("Rio Tinto") for these claims whereby Rio Tinto can increase its aggregate interest to 100% by exercising the following option:

- Increase its aggregate interest in the property to 100% by making a cash payment of $5,000,000 to the Company within five years of December 31, 2014.

In the event Rio Tinto exercises the option, the Company shall receive a 5% net profit interest royalty (5% of income from mining operations after deduction of all capital expenditures and operating expenditures on or for the benefit of these claims), and the parties shall use their reasonable commercial efforts to settle, execute and deliver a formal royalty deed to determine all matters pertaining to this 5% net profit interest royalty.

As at May 31, 2014, the Company has capitalized no costs related to these claims. All costs capitalized in the past were written down during the years ended May 31, 2012 and 2013.

During the year ended May 31, 2015, the Company received $20,000 for the sale of the C3 property in the Athabasca Basin, Saskatchewan.

6. ACCOUNTS PAYABLES AND ACCRUED LIABILITIES

	February 29, 2016	May 31, 2015
Accounts payables	$ 315,254	$ 392,398
Accrued liabilites	84,976	51,643
Flow through tax liabilities	476,030	381,269
Penalties assessed (1)	88,213	88,213
	$ 964,473	$ 913,523

(1) During the year ended May 31, 2015, the Canada Revenue Agency conducted an audit of the Company's corporate and payroll taxes and assessed total penalties of $88,213 for failure in compliance pursuant to the Income Tax Act.

7. SHARE CAPITAL

The authorized share capital of the Company consists of an unlimited number of common shares without par value.

During the nine months ended February 29, 2016:

i. During the nine months ended February 29, 2016, the Company issued a total of 550,000 common shares, for gross proceeds of $27,500, for options exercised.

ii. On July 7, 2015, the Company issued 600,000 common shares valued at $33,000 for the acquisition of exploration and evaluation assets.

iii. On October 16, 2015, the Company issued 500,000 common shares valued at $25,000 for the acquisition of exploration and evaluation assets.

During the year ended May 31, 2015:

i. On February 24, 2015, the Company closed a non-brokered private placement of 1,170,000 units at a price of $0.05 per unit for total gross proceeds of $58,500. $9,073 is receivable as at May 31, 2015. Each unit consisted of one common share and one half of one share purchase warrant, which entitles the holder to purchase one additional common share of the Company at a price of $0.10 per share for a period of 18 months from the date of issuance.

ii. During the year ended May 31, 2015, the Company issued a total of 1,030,000 common shares, for gross proceeds of $57,550, for options exercised.

Share Options

Under the Company's share option plan, the Company may grant options to employees, consultants and directors up to 10% of the issued and outstanding share capital at the date of grant. The exercise price of the options granted will be no less than the discounted market price of the Company's shares and the maximum term of the options will be 5 years or such longer term as permitted by the Exchange.

Share options granted to directors, employees and consultants, other than employees or consultants engaged in Investor Relations activities, will vest fully on the date of grant. Share options granted to employees or consultants engaged in Investor Relations activities will vest in stages over a minimum period of twelve months with no more than one-quarter of the share options vesting in any three-month period.

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate. The pricing models adopted by management do not necessarily provide a consistent single measure of the fair value of the Company's share options and other share-based transactions.

During the nine months ended February 29, 2016:

i. On August 7, 2015 the Company granted 150,000 share options, which are exercisable for a period of five years, at a price of $0.05 per share. As the fair value of the services could not be reliably measured, the Company used the Black-Scholes model to estimate the fair value of the share options granted. The fair value of share options granted was estimated at the grant date using the Black-Scholes pricing model with estimated, stock price of $0.05, volatility 239%, risk-free rate 0.78%, dividend yield 0%, and expected life of 5 years. With these assumptions, the fair value of options was determined to be $7,164, which has been expensed with a corresponding credit to share-based

7. SHARE CAPITAL (CONTINUED)

Share Options (Continued)

payment reserve. During the nine months ended February 29, 2016, all 150,000 share options were exercised for total proceeds of $7,500.

ii. On August 26, 2015 the Company granted 250,000 share options, which are exercisable for a period of five years, at a price of $0.05 per share. As the fair value of the services could not be reliably measured, the Company used the Black-Scholes model to estimate the fair value of the share options granted. The fair value of share options granted was estimated at the grant date using the Black-Scholes pricing model with estimated, stock price of $0.05, volatility 239%, risk-free rate 0.72%, dividend yield 0%, and expected life of 5 years. With these assumptions, the fair value of options was determined to be $11,957, which has been expensed with a corresponding credit to share-based payment reserve. During the nine months ended February 29, 2016, all 250,000 share options were exercised for total proceeds of $12,500.

<u>During the year ended May 31, 2015:</u>

i. During the year ended May 31, 2015, 313,200 fully vested share options expired or were cancelled unexercised, resulting in the transfer of $196,973 from share-based payment reserve to deficit.

ii. During the year ended May 31, 2015, 350,000 share options were exercised at a price of $0.05 per unit, 150,000 share options at a price of $0.055 per unit, and 530,000 share options at a price of $0.06 per unit for total proceeds of $57,550.

iii. On January 8, 2015 the Company granted 200,000 share options, which are exercisable for a period of five years, at a price of $0.06 per share. As the fair value of the services could not be reliably measured, the Company used the Black-Scholes model to estimate the fair value of the share options granted. The fair value of share options granted was estimated at the grant date using the Black-Scholes pricing model with estimated, stock price of $0.05, volatility 235%, risk-free rate 1.28%, dividend yield 0%, and expected life of 5 years. With these assumptions, the fair value of options was determined to be $9,910, which has been expensed with a corresponding credit to share-based payment reserve.

iv. On February 24, 2015 the Company granted 330,000 share options, which are exercisable for a period of five years, at a price of $0.06 per share. As the fair value of the services could not be reliably measured, the Company used the Black-Scholes model to estimate the fair value of the share options granted. The fair value of share options granted was estimated at the grant date using the Black-Scholes pricing model with estimated, stock price of $0.06, volatility 238%, risk-free rate 0.70%, dividend yield 0%, and expected life of 5 years. With these assumptions, the fair value of options was determined to be $19,647, which has been expensed with a corresponding credit to share-based payment reserve.

v. On April 16, 2015 the Company granted 250,000 share options, which are exercisable for a period of five years, at a price of $0.05 per share. As the fair value of the services could not be reliably measured, the Company used the Black-Scholes model to estimate the fair value of the share options granted. The fair value of share options granted was estimated at the grant date using the Black-Scholes pricing model with estimated, stock price of $0.05, volatility 238%, risk-free rate 0.80%, dividend yield 0%, and expected life of 5 years. With these assumptions, the fair value of options was determined to be $12,404, which has been expensed with a corresponding credit to share-based payment reserve.

vi. On April 22, 2015 the Company granted 100,000 share options, which are exercisable for a period of five years, at a price of $0.05 per share. As the fair value of the services could not be reliably measured, the Company used the Black-Scholes model to estimate the fair value of the share options

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7. SHARE CAPITAL (CONTINUED)

Share Options (Continued)

granted. The fair value of share options granted was estimated at the grant date using the Black-Scholes pricing model with estimated, stock price of $0.05, volatility 238%, risk-free rate 0.94%, dividend yield 0%, and expected life of 5 years. With these assumptions, the fair value of options was determined to be $4,962, which has been expensed with a corresponding credit to share-based payment reserve.

vii. On May 1, 2015 the Company granted 350,000 share options, which are exercisable for a period of five years, at a price of $0.055 per share. As the fair value of the services could not be reliably measured, the Company used the Black-Scholes model to estimate the fair value of the share options granted. The fair value of share options granted was estimated at the grant date using the Black-Scholes pricing model with estimated, stock price of $0.06, volatility 238%, risk-free rate 1.05%, dividend yield 0%, and expected life of 5 years. With these assumptions, the fair value of options was determined to be $20,849, which has been expensed with a corresponding credit to share-based payment reserve.

viii. On May 14, 2015 the Company granted 150,000 share options, which are exercisable for a period of five years, at a price of $0.05 per share. As the fair value of the services could not be reliably measured, the Company used the Black-Scholes model to estimate the fair value of the share options granted. The fair value of share options granted was estimated at the grant date using the Black-Scholes pricing model with estimated, stock price of $0.05, volatility 239%, risk-free rate 1.10%, dividend yield 0%, and expected life of 5 years. With these assumptions, the fair value of options was determined to be $7,444, which has been expensed with a corresponding credit to share-based payment reserve.

A summary of share options outstanding is as follows:

	Options (1)	Weighted Average Exercise Price $ (1)	Weighted Average Years to Expiry
Balance at May 31, 2014	460,200	1.20	3.85
Granted	1,380,000		
Exercised	(1,030,000)		
Expired and Cancelled	(313,200)		
Balance at May 31, 2015	497,000	0.31	4.32
Granted	400,000		
Exercised	(550,000)		
Expired and Cancelled	(7,000)		
Balance at February 29, 2016	340,000	0.20	3.36

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7. SHARE CAPITAL (CONTINUED)

Share Options (Continued)

As at February 29, 2016, the Company had share purchase options outstanding to directors, officers, employees and consultants as follows:

Outstanding and Exercisable [1]	Exercise Price $ [1]	Expiry Date
40,000	$0.50	January 2, 2018
15,000	$0.70	March 20, 2018
50,000	$0.53	January 23, 2018
35,000	$0.28	April 8, 2019
200,000	$0.055	May 1, 2020
340,000	0.20	

[1] The number of options and the exercise price per share has been retroactively adjusted to reflect the 5-for-1 share consolidation effective October 9, 2014.

Warrants

The Company applied the fair value method using the Black-Scholes option pricing model in accounting for its Agents' warrants granted with the assumptions. Typically share issuance cost for agents are calculated using the fair value of the goods or services received.

During the nine months ended February 29, 2016, no warrants granted, cancelled, expired or exercised.

<u>During the year ended May 31, 2015:</u>

i. On July 23, 2014, 800,040 warrants and 25,334 agent warrants expired unexercised.

ii. On August 13, 2014, 55,080 warrants and 3,060 agent warrants expired unexercised.

iii. On September 12, 2014, 591,000 warrants expired unexercised.

iv. On December 11, 2014, 808,000 warrants and 65,100 agent warrants expired unexercised.

v. On December 27, 2014, 472,000 warrants and 45,200 agent warrants expired unexercised.

vi. On February 24, 2015, the Company granted 585,000 warrants to its investors pursuant to the non-brokered private placement closed.

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7. SHARE CAPITAL (CONTINUED)

Warrants (Continued)

A summary of changes in share purchase warrants outstanding is as follows:

	Warrants outstanding [1]	Weighted average exercise price -$- [1]	Weighted average number of year to expiry
Balance at May 31, 2014	2,864,814	0.85	0.37
Granted	585,000		
Expired	(2,864,814)		
Balance at May 31, 2015 and February 29, 2016	585,000	0.10	0.48

[1] The number of options and the exercise price per share has been retroactively adjusted to reflect the 5-for-1 share consolidation effective October 9, 2014.

8. RESERVES

Share based payment reserve

The share option reserve records items recognized as share-based payments expense until such time that the share options are exercised, at which time the corresponding amount will be transferred to share capital. If the options expire or are forfeit, the corresponding amount previously recorded is transferred from share-based payments reserve to deficit.

	-$-
Balance, May 31, 2014	720,359
Granted	75,216
Fair value of share options expired and cancelled	(196,973)
Fair value of share options exercised	(46,886)
Balance, May 31, 2015	551,716
Granted	19,121
Fair value of share options expired and cancelled	(51,722)
Fair value of share options exercised	(26,565)
Balance, February 29, 2016	492,550

The warrant reserve records items recognized as warrants until such time that the warrants are exercised, at which time the corresponding amount will be transferred to share capital. If the warrants expire unexercised, the amount previously recorded remains in warrant reserves.

	-$-
Balance, May 31, 2013	569,924
Agent warrants granted	27,577
Agent warrants exercised	(16,785)
Balance, May 31, 2015 and February 29, 2016	580,716

(EXPRESSED IN CANADIAN DOLLARS)

8. RESERVES (CONTINUED)

At June 1, 2011, management made the determination that estimating the value of the common share is a more reliable basis for measuring the components. Previously, the Company had measured the fair value of the warrant using the Black-Scholes option pricing model. Under the revised valuation approach, management does not expect to record a value to the warrant in most equity issuances as unit private placements are commonly priced at market or at a permitted discount to market. The portion of the warrant reserve relating to past equity issuances of $3,353,488 was reclassified to share capital to establish consistency in the methodology. As at February 29, 2016, the remaining $580,716 warrant reserve represents the fair value of the warrants granted to brokers as share issuance costs in the previous years.

9. RELATED PARTY TRANSACTIONS

Related party transactions are in the normal course of operations and measured at the exchange amount, which is the amount of consideration established and agreed by the related parties. Amounts due to or from related parties are non-interest bearing and unsecured. The amount advanced to the director(s) of the Company is for business purposes, such as travel and accommodation and is included in prepaid expenses. Repayment terms, if any, are determined at the time of the advance.

Due from related parties:

	February 29, 2016 **- $ -**	May 31, 2015 **- $ -**
Amount due from a company with directors in common	3,957	3,957
Advanced to a director (included in prepaid)	38,525	38,525
	42,482	42,482

Due to related parties:

	February 29, 2016 **- $ -**	May 31, 2015 **- $ -**
Amount due to companies with directors in common	7,046	7,046
Amount due to a director	76,594	43,844
	83,640	50,890

During the nine months ended February 29, 2016 and 2015, the Company incurred the following amounts through transactions with directors and a company controlled by a director:

	February 29, 2016 **- $ -**	February 28, 2015 **- $ -**
Management fees	33,750	33,750

Key Management Compensation:

Key management includes directors (executive and non-executive) and officers of the Company. The compensation paid or payable to key management is as follows:

- During the nine months ended February 29, 2016, the Company paid or accrued to the CFO of the Company $33,750 (2014 - $33,750) in management fees.

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10. ADDITIONAL CASH FLOW INFORMATION

During the nine months ended February 29, 2016 and 2015, the Company incurred non-cash financing and investing activities as follows:

	February 29, 2016	Febaruy 28, 2015
Non-cash financing activities:		
Fair value of options granted	19,121	30,107
Fair value of options cancelled and expired	(51,722)	(306,979)
Fair value of options exercised	(26,565)	-
Non-cash investing activities:		
Shares issued for exploration and evaluations assets	58,000	-

11. CAPITAL MANAGEMENT

The Company considers its capital structure to include net residual equity of all assets, less liabilities. The Company's objectives when managing capital are to (i) maintain financial flexibility in order to preserve its ability to meet financial obligations and continue as a going concern; (ii) maintain a capital structure that allows the Company to pursue the development of its mineral properties; and (iii) optimize the use of its capital to provide an appropriate investment return to its shareholders commensurate with risk.

The Company's financial strategy is formulated and adapted according to market conditions in order to maintain a flexible capital structure that is consistent with its objectives and the risk characteristics of its underlying assets. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, acquire or dispose of assets, or adjust the amount of cash and cash equivalents and receivables.

12. FINANCIAL INSTRUMENTS AND RISKS

Fair Values

The following table outlines the Company's financial instruments measured at fair value by level with the fair value hierarchy described in Note 3. Assets and liabilities are classified based on the lowest level of input that is significant to the fair measurement.

As at February 29, 2016 and May 31, 2015, the Company's financial instruments measured at fair value are as follows:

	Level 1	Level 2	Level 3	Total
	$	$	$	$
February 29, 2016				
Cash	10,914	-	-	10,914
Total	10,914	-	-	10,914
May 31, 2015				
Cash	1,467	-	-	1,467
Total	1,467	-	-	1,467

12. FINANCIAL INSTRUMENTS AND RISKS (CONTINUED)

Financial Instrument Risks

The Company's financial instruments are exposed to certain financial risks, including credit risk, interest rate risk, market risk, liquidity risk and currency risk.

a) Credit risk

The Company is exposed to credit concentration risk by holding cash and cash equivalents. This risk is minimized by holding the investments in large Canadian financial institutions. The Company has no accounts receivable exposure, and its various refundable credits are due from Canadian Government agencies.

b) Interest rate risk

The Company is exposed to minimal interest rate risk. Fluctuations in market interest rates do not have a significant impact on the Company's operations.

c) Market risk

The Company is exposed to market risk for fluctuating values of its publicly traded marketable securities and other company investments. The Company has no control over these fluctuations and does not hedge its investments.

d) Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its financial obligations as they come due. As at the nine months ended February 29, 2016, The Company manages this risk by monitoring its working capital to ensure its expenditures will not exceed available resources. As at February 29, 2016, the Company had cash of $10,914 (May 31, 2015 – $1,467) and net working capital deficit of $979,806 (May 31, 2015 - $909,361), and due to the net working capital deficit, the Company cannot settle accounts payable of $964,473 (May 31, 2015 - $913,523) which fall due for payment within twelve months of the statement of financial position date.

Currency risk is the risk to the Company's expenses that arises from fluctuations in foreign exchange rates and the degree of volatility of these rates. At February 29, 2016, the Company's cash is held in Canadian dollars and accordingly the Company's exposure to foreign currency risks on cash balances held in foreign currencies is not expected to be significant.

13. COMMITMENTS

Lease commitments

On August 15, 2012, the Company together with other three related companies entered into a joint tenancy for office premises with Pacific Center Lease Ltd. from May 1, 2013 to August 31, 2019.

On December 5, 2014, the lease and tenancy premises were terminated by Pacific Centre Leaseholds Limited (Note 14).

13. COMMITMENTS

Flow-through shares tax liabilities

The Company entered into Flow-through Share Subscription Agreements in the calendar year ended December 31, 2010 whereby it was committed to incur on or before December 31, 2011 a total of $1,154,819 of qualifying Canadian Exploration Expenses ("CEE") as described in the Income Tax Act of Canada.

As at February 29, 2016, the Company has Canadian Exploration Expenditure obligations of $301,125 that was required to be fulfilled by December, 2012. As the Company did not fulfill the expenditure obligation, Canada Revenue Agency ("CRA") assessed penalties in the amount of $36,072. Furthermore, the Company may also have to indemnify shareholders for taxes and penalties related to the unspent portion of the commitment. An estimated amount totaling $130,000 has been accrued related to the indemnification on the unfulfilled commitments. The outcome of the amount of actual claims and penalties, if any, is contingent on future assessments of CRA. During the nine months ended February 29, 2016, the Company accrued interest of $Nil (May 31, 2015: $11,700) on the flow through liabilities.

The Company entered into Flow-through Share Subscription Agreements in the calendar year ended December 31, 2011 whereby it was committed to incur on or before December 31, 2012 a total of $347,900 of qualifying Canadian Exploration Expenses ("CEE") as described in the Income Tax Act of Canada. As at February 29, 2016, the Company has Canadian Exploration Expenditure obligations of $347,500 that was required to be fulfilled by December 31, 2012. CRA has assessed a penalty in the amount of $37,935 related to Part XII.6 tax penalties on the unfulfilled commitments. Furthermore, the Company may also have to indemnify shareholders for taxes and penalties related to the unspent portion of the commitment. An estimated amount totaling $135,665 has been accrued related to the indemnification on the unfulfilled commitments. The outcome of the amount actual claims and penalties, if any, is contingent on future assessments of CRA. During the nine months ended February 29, 2016, the Company accrued interest of $Nil (May 31, 2015: $12,204) on the flow through liabilities.

14. LEGAL PROCEEDINGS

On August 15, 2014, the Company was informed by Perry & Company who acts as solicitors for U.T.M. Exploration Services Ltd. ("UTM") that Revolver Resources Inc. (Revolver) owes UTM $196,108 (inclusive of interest) for unpaid exploration costs. In May 2013 The Company entered into an option agreement with Revolver. UTM performed exploration services at the Summit B property of the Company as per instructions of Revolver. The Company did not have a contract with UTM with respect to these expenses. UTM placed a lien on the Company's claims at the Summit B property and threatened litigation in the event Revolver fails to make payment for the outstanding amount.

On June 8, 2015, Pacific Centre Leaseholds Limited (the "Landlord") filed a civil claim against the Company and three related companies for the unpaid lease payments and assessed damages pursuant to the amended lease agreements dated June 16, 2014. The assessed damages claimed by the Landlord for the breaches of the lease agreement are $156,424 for arrears of rent prior to termination of the lease, $70,316 for accelerated rent for December 2014, $52,737 for accrued rent from April 2015 to July 2015, cost on a full indemnity basis, and accruing interest on the assessed amounts. The total amount claimed is $279,477. As at February 29, 2016, the Company has accrued $74,264 in connection with unpaid lease to the Landlord.

15. SEGMENTED INFORMATION

The Company currently operates in a single reportable operating segment: the acquisition, exploration and development of mineral properties in Canada. All of the Company's assets and expenditures are located in Canada. Since the Company does not have any revenue producing activities, there is no segment information by revenues.

16. SUBSEQUENT EVENTS

Pursuant to the option agreement announced in September 2015 to acquire a 100% interest in the Garland, the Company paid $1,500 on March 4, 2016.

On March 22, 2016, the Company received TSX Venture Exchange approval to amend the terms of the option agreement for the Dixie Claims previously announced May 26, 2015. Under the amended agreement, the vendor will be receiving 400,000 additional shares of the Company in lieu of a $10,000 cash payment which was due upon execution of the original option agreement. As a result, in order to acquire a 100% interest in the Dixie Claims, the Company is now required to make total cash payment of $76,000 and issue a total of 2,400,000 shares over a four-year period, and on March 24, 2016, the Company issued 400,000 additional shares of the Company.

On April 15, 2016, the Company executed the private placement, previously announced to issue 4,000,000 units at a price of $0.02 per unit for total gross proceeds of $80,000. Each unit consists of one common share and one transferrable warrant, each warrant exercisable into one additional common share for a period of 18 months from the date of issue, at a price of $0.05 per share. In accordance with applicable securities legislation, shares, warrants and any shares issued upon exercise of the warrants are subject to a hold period of four months and a day from the date of issuance. In connection with the placement, the Company paid a cash commission totaling $800.

On April 20, 2016, the Company announced that it has arranged non-brokered private placements of up to 10,000,000 units for total proceeds of up to $550,000. Up to 5,000,000 units will be issued as non flow-through units at a price of $0.05 per unit consisting of one common share and one whole warrant. Each warrant will entitle the holder to purchase one additional common share of the Company at a price of $0.075 per share for 12 months from the date of closing. Up to 5,000,000 units will be issued as flow-through units at a price of $0.06 per unit consisting of one common share and one half of one whole warrant. Each whole warrant will entitle the holder to purchase one additional common share of the Company at a price of $0.09 per share for 12 months from the date of closing. Finder's fees, as allowed pursuant to the policies of the TSX Venture Exchange, may be payable in connection with the offering. The Company intends to use the proceeds for initial exploration work on its Confederation Lake project (Dixie claims) and to investigate additional opportunities that will enhance shareholder value.

The Company further announced that pursuant to its stock option plan, the Company has granted incentive stock options to its directors, officers, consultants, and employees to purchase in the total of 1,000,000 common shares in the capital stock of the Company, subject to regulatory approval, exercisable for a period of five years, at a price of $0.05 per share.