Arian Resources Corp.

Condensed Consolidated Interim Financial Statements

Three Months Ended August 31, 2016 and 2015

(Expressed in Canadian Dollars)

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The accompanying unaudited condensed consolidated interim financial statements have been prepared by and are the responsibility of the management. The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Arian Resources Corp.
Condensed Consolidated Interim Statements of Financial Position
(Expressed in Canadian dollars – unaudited)

	Notes		August 31, 2016		May 31, 2016
ASSETS					
Current assets					
Cash	4	$	3,602	$	4,366
Receivables	5		48,535		37,679
Prepaid expenses	6		507		507
			52,644		42,552
Non-current assets					
Equipment	7		33,622		35,392
Exploration and evaluation assets	8		28,457		-
			62,079		35,392
TOTAL ASSETS		**$**	**114,723**	**$**	**77,944**
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities	9	$	3,786,411	$	3,611,503
Loan payable	10		25,500		-
Due to related parties	12		365,727		391,575
TOTAL LIABILITIES			**4,177,638**		**4,003,078**
SHAREHOLDERS' DEFICIENCY					
Share capital	11		25,165,706		25,165,706
Share-based payment reserve	11		3,323,535		3,323,535
Warrant reserve	11		4,453,514		4,453,514
Deficit			(37,005,670)		(36,867,889)
TOTAL EQUITY			**(4,062,915)**		**(3,925,134)**
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY		**$**	**114,723**	**$**	**77,944**

Nature and continuance of operations – Note 1
Subsequent events – Note 15

On behalf of the Board:
"Aylin Cecen Aksu", Director *"Robert Naso"*, Director

Arian Resources Corp.
Condensed Consolidated Interim Statements of Comprehensive Loss
(Expressed in Canadian dollars – unaudited)

		Three months ended	
	Notes	**August 31, 2016**	**August 31, 2015**
Expenses			
Advertising and promotion		$ 120	$ 7,655
Amortization	7	1,770	21,836
Consulting fees	12	124,500	26,000
Foreign exchange gain		(1,625)	(15,252)
Insurance		-	2,675
Interest and bank charges		1,416	1,488
Management fees	12	-	90,000
Office		6,188	1,351
Professional fees		-	75
Rent		2,610	9,038
Salaries and wages		2,262	3,299
Telephone and utilities		223	5,132
Transfer agent and filing fees		317	4,385
		(137,781)	(157,682)
Net and comprehensive loss		**(137,781)**	**(157,682)**
Basic and diluted loss per common share	**11**	**$ (0.00)**	**$ (0.00)**

Arian Resources Corp.
Condensed Consolidated Interim Statements of Changes in Equity (Deficiency)
(Expressed in Canadian dollars – unaudited)

		Share capital							
	Notes	Number of shares	Amount	Subscriptions receivable	Shares to be issued	Share-based payment reserve	Warrant reserve	Deficit	Total
Balance at June 1, 2015		122,763,474	$ 24,839,889	$ (405,449)	$ 54,588	$ 3,323,535	$ 4,194,743	$ (30,124,377)	$ 1,882,929
Comprehensive loss		-	-	-	-	-	-	(157,682)	(157,682)
Share subscription received		-	-	46,000	-	-	-	-	46,000
Shares issued for cash – private placements	11	9,800,000	261,251	(40,000)	-	-	228,749	-	450,000
Share issue costs – finders' units	11	960,000	(22,408)	-	-	-	22,408	-	-
Balance at August 31, 2015		**133,523,474**	**$ 25,078,732**	**$ (399,449)**	**$ 54,588**	**$ 3,323,535**	**$ 4,445,900**	**$ (30,282,059)**	**$ 2,221,247**
Balance at June 1, 2016		139,552,880	$ 25,165,706	$ -	$ -	$ 3,323,535	$ 4,453,514	$ (36,867,889)	$ (3,925,134)
Comprehensive loss		-	-	-	-	-	-	(137,781)	(137,781)
Balance at August 31, 2016		**139,552,880**	**$ 25,165,706**	**$ -**	**$ -**	**$ 3,323,535**	**$ 4,453,514**	**$ (37,005,670)**	**$ (4,062,915)**

Arian Resources Corp.
Condensed Consolidated Interim Statements of Cash Flows
(Expressed in Canadian dollars – unaudited)

	Three months ended	
	August 31, 2016	**August 31, 2015**
Operating activities		
Net loss for the period	$ (137,781)	$ (157,682)
Adjustments for non-cash items:		
Amortization	1,770	21,836
Changes in non-cash working capital items:		
Receivables	(10,856)	(269,994)
Prepaid expenses	-	5,955
Due to related parties	(25,848)	124,000
Accounts payable and accrued liabilities	174,908	(33,681)
Net cash flows from (used in) operating activities	2,193	(309,566)
Investing activities		
(Expenditures) recovery on exploration and evaluation assets	(28,457)	39,042
Net cash flows from (used in) investing activities	(28,457)	39,042
Financing activities		
Loan payable	25,500	-
Shares issued for cash	-	450,000
Subscription received	-	46,000
Net cash flows from financing activities	25,500	496,000
Change in cash	(764)	225,476
Cash (bank indebtedness) , beginning	4,366	(63,572)
Cash, ending	**$ 3,602**	**$ 161,904**

1. Nature and continuance of operations

Arian Resources Corp. (the "Company") was incorporated in British Columbia on January 24, 2007. The Company's shares are traded on the TSX Venture Exchange ("TSX-V") under the symbol "ARC". The Company's principal activity is the exploration and evaluation of mineral properties. The head office, principal and registered address and records office of the Company are located at 1199 West Hastings Street, Suite 800, Vancouver, British Columbia, Canada, V6E 3T5.

These condensed consolidated interim financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at August 31, 2016, the Company had not advanced its exploration and evaluation assets to commercial production and is not able to finance day to day activities through operations. The Company's continuation as a going concern is dependent upon the successful results from its exploration and evaluation activities and its ability to attain profitable operations and generate funds therefrom and/or raise equity capital or borrowings sufficient to meet current and future obligations. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Management intends to finance operating costs over the next twelve months with loans from directors and companies controlled by directors and/or private placement of common shares.

2. Significant accounting policies and basis of preparation

The condensed consolidated interim financial statements were authorized for issue on October 31, 2016 by the directors of the Company.

Statement of compliance

The condensed consolidated interim financial statements of the Company comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), in particular IAS 34, interim reporting, and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of preparation

The condensed consolidated interim financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The condensed consolidated financial statements are presented in Canadian dollars unless otherwise noted.

Consolidation

The condensed consolidated interim financial statements include the accounts of the Company and its controlled entities. Details of controlled entities are as follows:

		Percentage owned*	
	Country of incorporation	**August 31, 2016**	**August 31, 2015**
Golden Touch Resources Australia Pty Ltd.	Australia	100%	100%
Balkan Resources, Shpk ("BRS")	Albania	100%	100%
JAB Resources Ltd. ("JAB")	Australia	100%	100%
JAB Resources, Shpk ("SHPK")	Albania	100%	100%

*Percentage of voting power is in proportion to ownership.

2. Significant accounting policies and basis of preparation (Continued)

Consolidation (continued)

Inter-company balances and transactions are eliminated on consolidation.

Significant estimates

The preparation of financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the useful lives of equipment, the recoverability of the carrying value of exploration and evaluation assets, fair value measurements for financial instruments, the recoverability and measurement of deferred tax assets, provisions for restoration and environmental obligations and contingent liabilities.

Significant judgments

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements include:

- The assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty;
- the classification / allocation of expenditures as exploration and evaluation expenditures or operating expenses; and
- the determination of the functional currency of the parent company and its subsidiaries.

Foreign currency translation

The functional currency of each of the Company's subsidiaries is measured using the currency of the primary economic environment in which that entity operates. The condensed consolidated financial statements are presented in Canadian dollars which is the parent company's functional and presentation currency. The functional currency of the subsidiaries of the Company has also been determined to be the Canadian dollar.

<u>Transactions and balances:</u>

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the statement of comprehensive loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

2. Significant accounting policies and basis of preparation (Continued)

Foreign currency translation (continued)

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive loss in the statement of comprehensive loss to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive loss. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

Exploration and evaluation expenditures

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

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

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

Share-based payments

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the share-based payment reserve. The fair value of options is determined using the Black–Scholes Option Pricing Model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Financial instruments

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

2. Significant accounting policies and basis of preparation (Continued)

Financial instruments (continued)

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a company of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets. Unrealized gains and losses are recognized in other comprehensive loss, except for impairment losses and foreign exchange gains and losses. Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost.

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Company commits to purchase the asset.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen.

The Company does not have any derivative financial assets and liabilities.

Impairment of assets

The carrying amount of the Company's assets (which include equipment and exploration and evaluation assets) is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of comprehensive loss.

2. Significant accounting policies and basis of preparation (Continued)

Impairment of assets (continued)

The recoverable amount of assets is the greater of an asset's fair value less cost 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 assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Loss per share

Basic loss per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, the loss attributable to common shareholders equals the reported loss attributable to owners of the Company. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

Restoration and environmental obligations

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to exploration and evaluation assets along with a corresponding increase in the restoration provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The restoration asset will be depreciated on the same basis as other mining assets.

The Company's estimates of restoration costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to the restoration provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss for the period.

2. Significant accounting policies and basis of preparation (Continued)

Restoration and environmental obligations (continued)

The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred.

The costs of restoration projects that were included in the provision are recorded against the provision as incurred. The costs to prevent and control environmental impacts at specific properties are capitalized in accordance with the Company's accounting policy for exploration and evaluation assets.

Equipment

Equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of comprehensive loss during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss.

Equipment is recorded at cost less accumulated amortization. Half year rule is applied to the first year of acquisition. Amortization is provided on a straight line basis over the estimated useful lives of the assets as follows:

Equipment	**Useful life / depreciation rate**
Office furniture	5 years
Computers	40% to 66%
Motor Vehicle	30%
Leasehold improvements	30%
Exploration Equipment	20%

Income taxes

Current income tax:

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

2. Significant accounting policies and basis of preparation (Continued)

Income taxes (continued)

Deferred income tax:

Deferred income tax is provided using the asset and 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.

3. Accounting standards issued but not yet effective

The following new or amended accounting standards have been issued by the IASB for periods beginning on or after June 1, 2016.

(i) IFRS 9 Financial Instruments; and
(ii) Amendments to IAS 32 Financial Instruments: Presentation (Amendments regarding inconsistencies when applying the offsetting requirements).

The Company has not early adopted these revised standards and is currently assessing the impact that these standards will have on the consolidated financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

4. Cash

	August 31, 2016	May 31, 2016
Cash at bank	$ 3,602	$ 4,366

5. Receivables

The components of accounts receivable are as follows:

	August 31, 2016	May 31, 2016
GST receivable	$ 27,329	$ 22,178
Value added taxes and other receivables	21,206	15,501
	$ 48,535	$ 37,679

6. Prepaid expenses

The components of prepaid expenses are as follows:

	August 31, 2016	May 31, 2016
Insurance	$ 507	$ 507

7. Equipment

	Office Furniture	Computers	Leasehold Improvements	Motor Vehicles	Exploration Equipment	Total
Cost:						
At June 1, 2016	$ 102,872	$ 11,652	$ 12,975	$ 35,634	$ 359,206	$ 522,339
Additions	-	-	-	-	-	-
At August 31, 2016	102,872	11,652	12,975	35,634	359,206	522,339
Depreciation:						
At June 1, 2016	68,312	10,820	12,975	35,634	359,206	486,947
Charge for the period	1,728	42	-	-	-	1,770
At August 31, 2016	70,040	10,862	12,975	35,634	359,206	488,717
Net book value:						
At August 31, 2016	**$ 32,832**	**$ 790**	**$ -**	**$ -**	**$ -**	**$ 33,622**
At May 31, 2016	**$ 34,560**	**$ 832**	**$ -**	**$**	**$ -**	**$ 35,392**

	Office Furniture	Computers	Leasehold Improvements	Motor Vehicles	Exploration Equipment	Total
Cost:						
At June 1, 2015	$ 101,082	$ 10,651	$ 12,975	$ 35,634	$ 359,206	$ 519,548
Additions	-	-	-	-	-	-
At August 31, 2015	101,082	10,651	12,975	35,634	359,206	519,548
Depreciation:						
At June 1, 2015	29,436	4,922	5,310	11,068	35,920	86,656
Charge for the period	3,582	287	575	1,228	16,164	21,836
At August 31, 2015	33,018	5,209	5,885	12,296	52,084	108,492
Net book value:						
At August 31, 2015	**$ 68,064**	**$ 5,442**	**$ 7,090**	**$ 23,338**	**$ 307,122**	**$ 411,056**
At May 31, 2015	**$ 71,646**	**$ 5,729**	**$ 7,665**	**$ 24,566**	**$ 323,286**	**$ 432,892**

8. Exploration and evaluation assets

	Perlat	Iballja	Total for the period ended August 31, 2016	Total for the year ended May 31, 2016
Property acquisition costs				
Balance, beginning	$ -	$ -	$ -	$ 1,128,300
Impairment	-	-	-	(1,128,300)
Balance, ending	-	-	-	-
Exploration costs				
Balance, beginning	-	-	-	3,453,732
Costs incurred during period:				
Drilling and related costs	14,069	-	14,069	-
Geological consulting	5,288	-	5,288	-
Travel and accommodation	9,100	-	9,100	-
(Recovery)	-	-	-	(52,915)
Impairment	-	-	-	(3,400,817)
	28,457	-	28,457	(3,453,732)
Balance, ending	28,457	-	28,457	-
Total	**$ 28,457**	**$ -**	**$ 28,457**	**$ -**

Perlat

During year the ended May 31, 2014, the Company entered into an option agreement whereby the Company has an option to acquire the issued and outstanding shares of BRS that owns the Perlat exploitation permit that is located in Albania. The property is permitted for mining for 25 years, with a 10 year renewal option.

In consideration for the option, the Company must:

a) Issue 5,000,000 common shares of the Company on closing (issued with a fair value of $900,000);
b) Pay $2,000,000 on June 30, 2015;
c) Pay $2,000,000 on December 30, 2016;
d) On the date that concentrate emanating from the property covered by the exploitation permit is accepted by a smelter, pay $3,000,000, plus
    i) Pay $3,000,000; or
    ii) Issue 3,000,000 common shares; and
e) Grant the optionor a 2.5% net smelter royalty interests in the property.

As of the date of these financial statements, the Company has not paid the $2,000,000, which was due June 30, 2015.

As part of the agreement, the Company paid $150,000 to settle a debt payable by the optionor. The agreement stipulates that the optionor must reimburse the Company for this debt settlement; however the Company has no plans to demand payment and the $150,000 has been recognized as an acquisition cost.

8. Exploration and evaluation assets (Continued)

Perlat (continued)

Pursuant to the exploration permit for the Perlat property, the Company must make the following expenditures on the property:

a) 7,819,745 Albanian Lek (CAD $75,852) during the first year by May 27, 2015 (incurred);
b) 45,410,000 Albanian Lek (CAD $472,264) during the second year by May 27, 2016; and
c) 4,728,255 Albanian Lek (CAD $49,174) during the third year by May 27, 2017.

On August 18, 2014, the Company entered into an option agreement whereby Sinomine International Exploration (Hong Kong) Holding Co. Ltd. ("Sinomine") has the option to earn a majority interest in the Perlat property pursuant to the following terms:

a) The Company must fund a $3,000,000 work program to be carried out by Sinomine by December 31, 2014, to be paid as follows:
    i) $300,000 within 30 days of closing (paid);
    ii) $500,000 before September 30, 2014;
    iii) $1,000,000 when 5,000 metres of drilling is complete, anticipated to be by December 15, 2014; and
    iv) $1,200,000 when Sinomine has completed all geological work, by March 31, 2015;

b) Sinomine must produce a prefeasibility report and a valuation report on the Perlat property by March 31, 2015;
c) Upon conclusion of the work program, Sinomine must decide whether to partner for production by April 30, 2015;
    i) If Sinomine decides to proceed, it must inform the Company in writing and a partnership agreement will be drawn up by May 30, 2015;
    ii) If Sinomine decides to proceed, the Company shall receive credit for the $3,000,000 investment in the joint venture; and
    iii) If Sinomine decides not to proceed, the Company shall receive a 10% discount on the $3,000,000 investment, which will be refunded to the Company.

As of August 31, 2016, the Company and Sinomine have completed the work program described in (a) above; therefore $2,275,760 is payable to Sinomine at August 31, 2016 (Note 9). During the year ended May 31, 2016, the Company fully impaired the Perlat Project, resulting in impairment of $4,527,580, as it has no immediate plans to continue its exploration.

During the three months ended August 31, 2016, the Company incurred exploration costs of $28,457.

Iballja

During the year ended May 31, 2014, SHPK won the bid for a copper exploitation permit known as the Iballja Copper Project. During the year ended May 31, 2016, the Company fully impaired the Iballja Project, resulting in an impairment of $1,537, as it has no immediate plans to continue its exploration.

Kacinar

During the year ended May 31, 2014, the Company fully impaired the Kacinar Gold Project, as it had no immediate plans to continue its exploration. During the year ended May 31, 2015, the Company incurred expenditures of $278,555 and received a recovery of $340,700 relating to the Kacinar Gold Project; therefore the net recovery of $62,145 was recognized.

9. Accounts payable and accrued liabilities

		August 31, 2016		May 31, 2016
Accounts payable (Note 8)	$	4,012,754	$	3,591,503
Accrued liabilities		20,000		20,000
	$	4,032,754	$	3,611,503

10. Loan payable

The Company received a loan of $25,500 from the former CEO of the Company. This loan has no specific terms and is due on demand.

11. Share capital

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

At August 31, 2016, there were 139,552,880 issued and fully paid common shares (May 31, 2016 – 139,552,880).

Year ended May 31, 2016

On August 18, 2015, the Company closed the first tranche of a private placement by issuing 9,800,000 units at a price of $0.05 per unit for gross proceeds of $490,000. Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at a price of $0.07 for a period of five years. The fair value of the attached warrants was $174,455. In connection with the private placement, the Company paid finder's fees of 960,000 units with a total fair value of $48,000, of which $34,155 was allocated to share issue costs and $13,845 to warrant reserve. Each finder's unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share at a price of $0.07 for a period of two years.

The private placement and finder's warrants were valued using the Black Scholes Option Pricing Model assuming a risk-free interest rate of 0.51%, an expected life of 2-5 years, annualized volatility of 173%, and a dividend rate of 0%.

On October 28, 2015, the Company completed a share-for-debt settlement by issuing 2,729,410 unit at $0.02 per unit. Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at a price of $0.07 for a period of five years. The fair value of the attached warrants was $26,251 using the Black Scholes Option Pricing Model assuming a risk-free interest rate of 0.51%, an expected life of 5 years, annualized volatility of 176%, and a dividend rate of 0%.

On November 10, 2015, the Company closed the second tranche of a private placement by issuing 3,300,000 units at a price of $0.05 per unit for gross proceeds of $165,000. Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at a price of $0.07 for a period of five years. The fair value of the attached

11. Share capital (Continued)

Issued share capital (continued)

warrants was $44,220 using the Black Scholes Option Pricing Model assuming a risk-free interest rate of 0.51%, an expected life of 5 years, annualized volatility of 177%, and a dividend rate of 0%.

Year ended May 31, 2015

In June and July 2014, the Company completed a non-brokered private placement of 6,194,833 units at $0.15 per unit for gross proceeds of $929,225. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to subscribe for one common share of the Company at an exercise price of $0.25 per share for a period of two years. The fair value of the attached warrants was $260,714. In connection to the private placement the Company paid a finder's fee of 469,333 units with a total fair value of $70,400, of which $50,647 was allocated to share issue costs and $19,752 to warrant reserve. These finder's units have the same terms as the private placement units. Cash share issuance costs of $24,300 were incurred for this private placement. The private placement and finder's warrants were valued using the Black Scholes Option Pricing Model assuming a risk-free interest rate of 1.10-1.12%, an expected life of 2 years, annualized volatility of 197-199%, and a dividend rate of 0%.

On November 24, 2014, the Company completed the first tranche of a non-brokered private placement of 4,700,000 units at $0.15 per unit for gross proceeds of $705,000. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to subscribe for one common share of the Company at an exercise price of $0.25 per share for a period of five years. The fair value of the attached warrants was $204,765. In connection to the private placement the Company paid a finder's fee of 70,000 units with a total fair value of $10,500, of which $7,450 was allocated to share issue costs and $3,050 to warrant reserve. These finder's units have the same terms as the private placement units. The private placement and finder's warrants were valued using the Black Scholes Option Pricing Model assuming a risk-free interest rate of 1.03%, an expected life of 5 years, annualized volatility of 162-163%, and a dividend rate of 0%.

On December 5, 2014, the Company closed the second and final tranche of a non-brokered private placement. The second tranche consisted of 300,000 units at a price of $0.15 per unit for gross proceeds of $45,000. Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at a price of $0.25 per share for a period of five years. The fair value of the attached warrants was $10,771.

On February 13, 2015, the Company completed the shares-for-debt settlement by issuing 10,192,400 common shares with a fair value of $305,772 for settlement of $509,620 of debt, resulting in a gain of $203,848.

On March 12, 2015, the Company closed the first and second tranches of a non-brokered private placement. The Company issued 12,400,000 units at $0.05 per unit for gross proceeds of $620,000. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at a price of $0.10 for a period of five years. The fair value of the attached warrants was $278,292. Of the total units issued, 5,400,000 units were issued with a fair value of $270,000 to settle loans totaling $270,000. In connection with the private placement, the Company paid a finder's fee of 100,000 units with a fair value of $5,000, of which $1,800 was allocated to share issue costs and $3,200 to warrant reserve. These finder's units consist of one common share and one share purchase warrant, which is exercisable at $0.10 for a period of two years. The private placement and finder's warrants were valued using the Black Scholes Option Pricing Model assuming a risk-free interest rate of 1.03-1.48%, an expected life of 2-5 years, annualized volatility of 164%, and a dividend rate of 0%.

11. Share capital (Continued)

Issued share capital (continued)

On August 12, 2014, the Company entered into a consulting agreement with Pada Investments LLC and Jim Belushi, whereby Mr. Belushi was to provide services to the Company in exchange for the following consideration:

a) 133,337 units on the first work day in 2014 and 133,333 units for each work day in 2014 thereafter, subject to a minimum of 320,000 units per month and a maximum of 1,600,000 units in 2014 in aggregate; and
b) 94,112 units on the first work day in 2015 and 94,118 units for each work day in 2015 thereafter, subject to a minimum of 133,333 units per month and a maximum of 1,600,000 units in 2015 in aggregate.

Each unit consists of one common share and one share purchase warrant exercisable for a period of five years at an exercise price equal to the current market price of the shares plus $0.01 on the date of payment, subject to a minimum exercise price of $0.05. Mr. Belushi worked 12 days in 2014 and 12 days in 2015 during the year ended May 31, 2015; therefore the Company is obligated to issue 2,729,410 units to him, which have a fair value of $54,588 at May 31, 2015.

Basic and diluted loss per share

The calculation of basic and diluted loss per share for the three months ended August 31, 2016 was based on the loss attributable to common shareholders of $137,781 (2015 – $157,682) and the weighted average number of common shares outstanding of 139,552,880 (2015 – 124,286,735).

Stock options

The Company has adopted an incentive stock option plan, which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the TSX-V requirements, grant to directors, officers, employees and technical consultants to the Company, non-transferable stock options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the Company's issued and outstanding common shares. Such options will be exercisable for a period of up to 10 years from the date of grant.

Year ended May 31, 2015

On July 1, 2014, the Company granted 600,000 stock options to directors, officers, and employees of the Company with an exercise price of $0.20 and a term expiring on July 1, 2019. These options vested upon option grant. During the year ended May 31, 2015, stock-based compensation of $48,635 was recognized.

On August 26, 2014, the Company granted 1,200,000 stock options to directors, officers, and employees of the Company with an exercise price of $0.20 and a term expiring on August 26, 2016. These options vested upon option grant. During the year ended May 31, 2015, stock-based compensation of $74,333 was recognized.

On December 22, 2014, the Company granted incentive stock options to directors, officers, and employees to acquire 1,000,000 common shares at a price of $0.10 and a term expiring on December 22, 2019. These options vested upon option grant. During the year ended May 31, 2015, stock-based compensation of $75,395 was recognized.

11. Share capital (Continued)

Stock options (continued)

Total stock-based compensation for the three months ended August 31, 2016 was $nil (2015 – $nil). The fair value was determined using the Black-Scholes Option Pricing Model using the following weighted average assumptions:

	Year ended May 31, 2016	Year ended May 31, 2015
Expected life of options	-	2-5 years
Annualized volatility	-	161% - 205%
Risk-free interest rate	-	1.091% - 1.43%
Dividend rate	-	0%

The changes in options during the three months ended August 31, 2016 and the year ended May 31, 2016 are as follows:

	August 31, 2016		May 31, 2016	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning	10,500,000	$ 0.19	10,500,000	$ 0.19
Options expired	(1,200,000)	-	-	-
Options outstanding, ending	9,300,000	$ 0.19	10,500,000	$ 0.19
Options exercisable, ending	9,300,000	$ 0.19	10,500,000	$ 0.19

A summary of the Company's options outstanding as at August 31, 2016 is as follows:

Options Outstanding	Price per Share	Expiry date
3,600,000	$0.20	May 31, 2023
400,000	$0.20	July 3, 2023
400,000	$0.20	September 19, 2023
1,500,000	$0.23	February 18, 2019
1,800,000	$0.20	March 24, 2019
600,000	$0.20	July 1, 2019
1,000,000	$0.10	December 22, 2019
9,300,000		

For the three months ended August 31, 2016, 1,200,000 stock options expired unexercised.

The options outstanding as at August 31, 2016 have a weighted average remaining contractual life of 4.64 years.

11. Share capital (Continued)

Warrants

The changes in warrants during the three months ended August 31, 2016 and the year ended May 31, 2016 are as follows:

	August 31, 2016		May 31, 2016	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Warrants outstanding, beginning	63,424,224	$0.14	67,735,893	$0.19
Warrants granted	-	-	16,789,410	0.07
Warrants expired	(6,664,167)	0.25	(21,101,079)	0.25
Warrants outstanding, ending	56,760,057	$0.12	63,424,224	$0.14
Warrants exercisable, ending	56,760,057	$0.12	63,424,224	$0.14

The following table summarizes the warrants outstanding at August 31, 2016:

Number of warrants	Exercise price	Expiry date
14,816,999	$ 0.10	February 1, 2018
3,207,667	$ 0.25	June 25, 2018
4,375,981	$ 0.25	September 19, 2018
4,770,000	$ 0.25	November 21, 2019
300,000	$ 0.25	December 3, 2019
11,000,000	$ 0.10	March 5, 2020
1,400,000	$ 0.10	March 12, 2020
100,000	$ 0.10	March 12, 2017
9,800,000	$ 0.07	August 13, 2020
960,000	$ 0.07	August 13, 2017
2,729,410	$ 0.07	October 28, 2020
3,300,000	$ 0.07	November 10, 2020
56,760,057		

For the three months ended August 31, 2016, 6,664,167 warrants expired unexercised.

The warrants outstanding have a weighted average remaining contractual life of 2.84 years.

Share-based payment reserve

The share-based payment reserve records items recognized as stock-based compensation expense and other share-based payments until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital.

Warrant reserve

The warrant reserve records the fair value of warrants issued until such time that the warrants are exercised, at which time the corresponding amount will be transferred to share capital.

12. Related party transactions

Related party balances

The following balances are due to related parties:

		August 31, 2016		May 31, 2016
Companies controlled by directors of the Company	$	2,500	$	2,500
Directors of the Company		363,227,		389,075
	$	365,727	$	391,575

These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

Key management personnel compensation

	For the three months ended			
		August 31, 2016		August 31, 2015
Consulting	$	22,500	$	8,000
Management fees		-		90,000
	$	22,500	$	98,000

13. Financial risk and capital management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. All cash is deposited in bank accounts held with major banks in Canada. As most of the Company's cash is held by two banks there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies. The Company's secondary exposure to risk is on its receivables. This risk is minimal for receivables consisting mainly of refundable government goods and services taxes.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

13. Financial risk and capital management (Continued)

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

Foreign exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company's subsidiaries are exposed to currency risk as they incur expenditures that are denominated in Australian dollars and the Euro while their functional currency is the Canadian dollar. The Company does not hedge its exposure to fluctuations in foreign exchange rates.

The following is an analysis of Canadian dollar equivalent of financial assets and liabilities that are denominated in Australian dollars:

		August 31, 2016		**May 31, 2016**
Cash	$	322	$	322
Receivables		184		184
Accounts payable		(16,348)		(16,348)
	$	(15,842)	$	(15,842)

As at August 31, 2016 with other variables unchanged, a +/- 10% change in the Australian dollar to Canadian dollar exchange rate would impact the Company's net loss by $1,584.

The following is an analysis of Canadian dollar equivalent of financial assets and liabilities that are denominated in Euro:

		August 31, 2016		**May 31, 2016**
Cash	$	466	$	3,769
Receivables		-		-
Accounts payable		(99,967)		(72,697)
	$	(99,501)	$	(68,928)

As at August 31, 2016, with other variables unchanged, a +/- 10% change in the Euro to Canadian dollar exchange rate would impact the Company's net loss by $9,950.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on its cash and bank indebtedness as these instruments have original maturities of three months or less and are therefore exposed to interest rate fluctuations on renewal.

13. Financial risk and capital management (Continued)

Capital management

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of share capital and working capital.

There were no changes in the Company's approach to capital management during the year. The Company is not subject to any externally imposed capital requirements.

Classification of financial instruments

Financial assets included in the statement of financial position are as follows:

	August 31, 2016	May 31, 2016
Fair value through profit and loss:		
Cash	$ 3,602	$ 4,366

Financial liabilities included in the statement of financial position are as follows:

	August 31, 2016	May 31, 2016
Non-derivative financial liabilities:		
Trade payables	$ 3,766,411	$ 3,591,503
Loan payable	25,500	-
Due to related parties	365,727	391,575
	$ 4,157,638	$ 3,983,078

Fair value

The fair value of the Company's financial assets and liabilities approximates the carrying amount.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- 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.

Cash is classified as level 1.

14. Segmented information

Operating segments

The Company operates in a single reportable operating segment – the acquisition, exploration and development of mineral properties.

Geographic segments

The Company's non-current assets are located in the following countries:

	As at August 31, 2016		
	Canada	**Albania**	**Total**
Equipment	$ 33,622	$ -	**$ 33,622**

	As at May 31, 2016		
	Canada	**Albania**	**Total**
Equipment	$ 35,392	$ -	**$ 35,392**

15. Subsequent events

The Company received a loan of $30,000 from the former CEO of the Company. This loan has no specific terms and is due on demand.