Kapuskasing Gold

(formerly Olympic Resources Ltd.)

ANNUAL FINANCIAL STATEMENTS

For the years ended

May 31, 2015 & 2014

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Kapuskasing Gold Corp.

We have audited the accompanying financial statements of Kapuskasing Gold Corp., which comprise the statements of financial position as at May 31, 2015 and 2014 and the statements of operations and comprehensive loss, cash flows, and changes in shareholders' equity for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Kapuskasing Gold Corp. as at May 31, 2015 and 2014 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Kapuskasing Gold Corp.'s ability to continue as a going concern.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Professional Accountants

September 25, 2015

KAPUSKASING GOLD CORP. (formerly Olympic Resources Ltd.)
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

		May 31, 2015		**May 31, 2014**
ASSETS				
CURRENT				
Cash	$	104,460	$	35,821
Prepaid expenses		45,750		3,750
Sales taxes receivable		11,627		29,009
		161,837		68,580
NON-CURRENT				
EXPLORATION AND EVALUATION ASSETS (Note 6)		428,329		372,858
	$	590,166	$	441,438
LIABILITIES				
CURRENT				
Accounts payable and accrued liabilities (Note 7)	$	382,495	$	251,590
Other liability (Note 8)		5,022		-
		387,517		251,590
SHAREHOLDERS' EQUITY				
Share capital (Note 9)		2,842,990		2,451,788
Share subscriptions receivable (Note 9)		-		(95,090)
Shares committed for issuance (Note 9)		-		208,000
Contributed surplus		973,869		763,831
Deficit		(3,614,210)		(3,138,681)
		202,649		189,848
	$	590,166	$	441,438

NATURE OF BUSINESS AND GOING CONCERN (Note 1)
COMMITMENTS (Note 12)

Approved and authorized for issue on behalf of the Board on September 25, 2015:

"Signed"	"Signed"
Dean Nawata	Andrew Davidson

The accompanying notes form an integral part of these financial statements

KAPUSKASING GOLD CORP. (formerly Olympic Resources Ltd.)
STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Expressed in Canadian dollars)

For the years ended May 31,	**2015**	**2014**
GENERAL AND ADMINISTRATION:		
Bank charges	$ 403	$ 303
Consulting (Note 7)	198,475	176,425
Investor relations	154,104	33,870
Office and miscellaneous	2,582	5,076
Professional fees (Note 7)	29,373	52,745
Project investigation costs	15,000	-
Rent	2,125	2,500
Share-based compensation (Notes 7 and 9)	63,000	-
Transfer agent and filing fees	15,267	30,801
	480,329	301,720
Other income on settlement of flow-through premium liability (Note 8)	(4,800)	-
Impairment of exploration and evaluation assets (Note 6)	-	751,020
NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	$ 475,529	$ 1,052,740
LOSS PER SHARE, basic and diluted	$ (0.02)	$ (0.07)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING, basic and diluted	21,907,380	14,637,183

The accompanying notes form an integral part of these financial statements

KAPUSKASING GOLD CORP. (formerly Olympic Resources Ltd.)
STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)

For the years ended May 31,	**2015**	**2014**
OPERATING ACTIVITIES		
Net loss for the year	$ (475,529)	$ (1,052,740)
Share-based compensation	63,000	-
Other income on settlement of flow-through premium liability	(4,800)	
Impairment of exploration and evaluation assets	-	751,020
Changes in non-cash working capital items:		
Prepaid expenses	(42,000)	3,750
Sales taxes receivable	17,382	(22,789)
Accounts payable and accrued liabilities	128,694	204,087
	(313,253)	(124,172)
FINANCING ACTIVITIES		
Issuance of shares	355,552	322,230
Share issue costs	(15,490)	(7,120)
Share subscription receivable	95,090	-
	435,152	315,110
INVESTING ACTIVITIES		
Exploration and evaluation assets	(53,260)	(164,858)
	(53,260)	(164,858)
CHANGE IN CASH	68,639	26,080
CASH, BEGINNING OF YEAR	35,821	9,741
CASH, END OF YEAR	$ 104,460	$ 35,821
SUPPLEMENTAL INFORMATION		
Interest paid	$ -	$ -
Income taxes paid	-	-
Issuance of finders' warrants	6,835	5,026
Exploration and evaluation assets included in accounts payable and accrued liabilities	38,811	36,601
Shares committed for issuance	-	208,000
Shares issued for exploration and evaluation assets	208,000	55,000

KAPUSKASING GOLD CORP. (formerly Olympic Resources Ltd.)
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian dollars)

	Number of Shares	Share Capital	Share Subscriptions Receivable	Shares Committed For Issuance	Contributed Surplus	Deficit	Total Shareholders' Equity
		$	$	$	$	$	$
Balance, May 31, 2013	13,056,922	2,142,214	-	-	608,205	(2,085,941)	664,478
Issued for exploration and evaluation assets	500,000	55,000	-	-	-	-	55,000
Issued for cash pursuant to private placements	5,448,800	266,720	(95,090)	-	150,600	-	322,230
Share issue costs (cash)	-	(7,120)	-	-	-	-	(7,120)
Finders' warrants	-	(5,892)	-	-	5,892	-	-
Shares committed to be issued for exploration and evaluation assets	-	-	-	208,000	-	-	208,000
Net loss for the year	-	-	-	-	-	(1,052,740)	(1,052,740)
Balance, May 31, 2014	19,005,722	2,451,788	(95,090)	208,000	763,831	(3,138,681)	189,848
Issued for exploration and evaluation assets	1,600,000	208,000	-	(208,000)	-	-	-
Issued for cash pursuant to private placements	5,121,930	215,349	-	-	140,203	-	355,552
Premium on flow-through shares issued	-	(9,822)	-	-	-		(9,822)
Share issue costs (cash)	-	(15,490)	-	-	-	-	(15,490)
Finders' warrants	-	(6,835)	-	-	6,835	-	-
Share subscriptions received	-	-	95,090	-	-	-	95,090
Share-based compensation	-	-	-	-	63,000	-	63,000
Net loss for the year	-	-	-	-	-	(475,529)	(475,529)
Balance, May 31, 2015	25,727,652	2,842,990	-	-	973,869	(3,614,210)	202,649

The accompanying notes form an integral part of these financial statements

1. NATURE OF BUSINESS AND GOING CONCERN

Kapuskasing Gold Corp. (the "Company") (formerly Olympic Resources Ltd.) was incorporated under the Business Corporations Act in British Columbia on April 26, 2010. The head office, principal address and records office of the Company are located at 1021 West Hastings Street, Suite 650, Vancouver, British Columbia, V6E 0C3. The Company's registered address is 700 West Georgia Street, 25th Floor, Vancouver, British Columbia, V7Y 1B3.

On December 19, 2013, all of the issued common shares and equity instruments of the Company were consolidated on the basis of 2 pre-consolidation common shares/equity instruments for 1 post-consolidation common share/equity instrument. As a result of the consolidation, all share and per-share information in the financial statements have been restated to reflect the consolidation.

GOING CONCERN

The Company's principal business activities include the acquisition and exploration of mineral property assets. At May 31, 2015, the Company had not yet determined whether the properties contain ore reserves that are economically recoverable. The recoverability of amounts shown for an exploration and evaluation asset is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain the necessary financing to complete the development of and future profitable production from the properties or realizing proceeds from their disposition.

The Company has an accumulated deficit of $3,614,210 as at May 31, 2015. The Company's ability to continue its operations and to realize its assets at their carrying values is dependent upon obtaining additional financing and generating revenues sufficient to cover its operating costs.

As at May 31, 2015, the Company's current cash resources are insufficient to cover the expected expenditures in fiscal 2016. The Company's ability to continue as a going concern is dependent on being able to obtain the necessary financing to satisfy its liabilities as they become due. There can be no assurances that management will be successful in securing adequate financing.

The Company reported net losses in fiscal 2015 and 2014 of $475,529 and $1,052,740 respectively. These recurring losses and the need for continued financing to further successful exploration may cast significant doubt as to the Company's ability to continue as a going concern.

These financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying financial statements.

These financial statements were approved for issuance by the Board of Directors on September 25, 2015.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

3. BASIS OF MEASUREMENT

These annual financial statements have been prepared on a historical cost basis, and are prepared and presented in Canadian dollars, which is also the Company's functional currency.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies. The areas involving a higher degree of judgement, complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the presentation of these financial statements are set out below. These policies have been consistently applied to all the periods presented.

a) Exploration and evaluation assets

i. Pre-license expenditures

Pre-license expenditures are costs incurred before the legal rights to explore a specific area have been obtained. These costs are expensed in the period in which they are incurred as exploration and evaluation expense.

ii. Exploration and evaluation expenditures

Once the legal right to explore has been acquired, costs directly associated with the exploration project are capitalized as either tangible or intangible exploration and evaluation assets according to the nature of the asset acquired. Such exploration and evaluation costs may include undeveloped land acquisition, geological, geophysical and seismic, exploratory drilling and completion, testing, decommissioning and directly attributable internal costs. Exploration and evaluation costs are not depleted and are carried forward until technical feasibility and commercial viability of extracting a mineral resource is considered to be determined. The technical feasibility and commercial viability of a mineral resource is considered to be established when proved and or probable mineral reserves are determined to exist. All such carried costs are subject to technical, commercial and management review at least once a year to confirm the continued intent to develop or otherwise extract value from the exploratory activity. When this is no longer the case, impairment costs are charged to exploration and evaluation expense. Upon determination of mineral reserves, exploration and evaluatioin assets attributed to those reserves are first tested for impairment and then reclassified to development and production assets within property, plant and equipment, net of any impairment. Expired land costs are also expensed to exploration and evaluation expense as they occur.

The Company has not established any National Instrument (“NI”) 43-101 compliant proven or probable reserves on any of its mineral properties which have been determined to be economically viable.

iii. Impairment

Exploration and evaluation assets are assessed for impairment when indicators and circumstances suggest that the carrying amount may exceed its recoverable amount. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. The recoverable amount is the higher of fair value less costs to sell and value in use. 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 pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period.

Industry-specific indicators for an impairment review arise typically when one of the following circumstances applies:

- Substantive expenditure or further exploration and evaluation activities is neither budgeted nor planned;

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- Title to the asset is compromised, has expired or is expected to expire;
- Adverse changes in the taxation, regulatory or political environment;
- Adverse changes in variables in commodity prices and markets making the project unviable; and
- Variations in the exchange rate for the currency of operation.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of 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 (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

b) Restoration, Rehabilitation, and Environmental Obligations

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration or development of a mineral property interest. Such costs arise from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, along with a corresponding liability as soon as the obligation to incur such costs arises. The timing of the actual rehabilitation expenditure is dependent on a number of factors such as the life and nature of the asset, the operating license conditions and, when applicable, the environment in which the mine operates.

Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight line method. The corresponding liability is progressively increased as the effect of discounting unwinds creating an expense recognized in profit or loss. The Company has no restoration, rehabilitation and environmental obligations as at May 31, 2015 and 2014.

c) Cash

Cash in the statement of financial position is comprised of cash held at major financial institutions and short term investments which are readily convertible into a known amount of cash. The Company’s cash is invested in business accounts which are available on demand by the Company.

d) Income Taxes

Income tax on the profit or loss for the periods presented comprises current and deferred taxes. Income tax is recognized in profit or loss except to the extent that it relates to items recognized in other comprehensive income/loss or directly in equity, in which case it is recognized in other comprehensive income or loss or equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the asset and liability method, providing for unused tax loss carry-forwards and temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period applicable to the period of expected realization or settlement.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Income Taxes (continued)

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority and the group intends to settle its current tax assets and liabilities on a net basis.

e) Share Capital

Common shares and warrants are classified as equity. Incremental costs directly attributable to the issue of common shares, including warrants, are recognized as a reduction of equity, net of tax. For compound financial instruments, the relative fair value method is used to separate the components where the Company issues common shares and warrants as part of its equity financing activities.

The Company has adopted a relative fair value method with respect to the measurement of shares and warrants issued as private placement units. The relative fair value method allocates value to each component on a pro-rata basis, based on the fair value of the components calculated independently of one another. The Company considers the market value of the common shares issued as fair value, and measures the fair value of the warrant component of the unit using the Black-Scholes option pricing model. The unit value is then allocated, pro-rata, between the two components, with the fair value attributed to the warrants being recorded as contributed surplus.

f) Share-Based Payments

Options and stand alone warrants granted are accounted for using the fair value method. Under this method, the fair value of stock options and warrants granted are measured at estimated fair value at the grant date and recognized over the vesting period. Consideration received on the exercise of stock options is recorded as share capital and the related contributed surplus on options granted is transferred to share capital.

The Company uses the Black-Scholes option pricing model to determine the fair value of these incentives taking into consideration terms and conditions upon which the options were granted. At each financial reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

g) Loss Per Share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

h) Financial Instruments

Financial assets are classified into one of four categories:

- Fair value through profit or loss;
- Held-to-maturity;
- Available for sale and;
- Loans and receivables

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

Financial assets at fair value through profit or loss ("FVTPL")

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated as at FVTPL if:

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

The Company classifies its cash as FVTPL.

Held-to-maturity ("HTM")

HTM investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs. The Company does not have any assets classified as HTM investments.

Available-for-sale financial assets ("AFS")

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (i) loans and receivables, (ii) held-to-maturity investments or (iii) financial assets as at FVTPL. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on AFS monetary items, are recognized in other comprehensive income or loss. When an investment is derecognized, the cumulative gain or loss in the investment revaluation reserve is transferred to profit or loss. The Company does not have any assets classified as AFS investments.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. The Company does not have any assets classified as loans and receivables.

Derecognition of financial assets

A financial asset is derecognized when:

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

h) Financial Instruments *(continued)*

Impairment of financial assets

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

Objective evidence of impairment could include the following:

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

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

The carrying amount of all financial assets is directly reduced by the impairment loss. With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease relates to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss.

On the date of impairment reversal, the carrying amount of the financial asset cannot exceed its amortized cost had impairment not been recognized.

Financial liabilities and equity

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

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

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

i. *Other financial liabilities*

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

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expenses over the corresponding period. The effective interest rate is the rate that exactly discounts estimated future cash payments over the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

The Company has classified accounts payable and accrued liabilities as other financial liabilities.

ii. *Derecognition of financial liabilities*

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

i) Critical Accounting Estimates and Judgements

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual experience may differ from these estimates and assumptions.

The effect of a change in accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Information about critical accounting estimates and judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements are discussed below:

Judgements

Exploration and evaluation expenditures

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

Title to mineral property interests

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

Estimates

Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 9.

Deferred taxes

The Company recognizes the deferred tax benefit related to deferred income and resource tax assets to the extent recovery is probable. Assessing the recoverability of deferred tax assets requires management to make significant estimates of future taxable profit. To the extent that future cash flows and taxable profit differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods from deferred income and resource tax assets.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

j) Comparative figures

Certain comparative figures have been reclassified to conform to current year's presentation.

5. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Company has adopted the following new and revised standards, along with any consequential amendments, effective June 1, 2014. These changes were made in accordance with the applicable transitional provisions and did not have a material impact on the Company's financial statements:

IAS 32, "Financial Instruments: Presentation"

The IASB amended IAS 32, "Financial Instruments: Presentation" to clarify certain aspects because of diversity in application of the requirements on offsetting, focused on four main areas:

- the meaning of 'currently has a legally enforceable right of set-off';
- the application of simultaneous realization and settlement;
- the offsetting of collateral amounts; and
- the unit of account for applying the offsetting requirements.

New standards not yet adopted

The Company is currently assessing whether or not the adoption of the following standards will have a material effect on the Company's future financial statements:

IFRS 9, "Financial Instruments"

In November 2009, the IASB published IFRS 9, "Financial Instruments", which covers the classification and measurement of financial assets as part of its project to replace IAS 39, "Financial Instruments: Recognition and Measurement." In October 2010, the requirements for classifying and measuring financial liabilities were added to IFRS 9. Under this guidance, entities have the option to recognize financial liabilities at fair value through earnings. If this option is elected, entities would be required to reverse the portion of the fair value change due to their own credit risk out of earnings and recognize the change in other comprehensive income. IFRS 9 is effective on January 1, 2018. Early adoption is permitted and the standard is required to be applied retrospectively.

(Expressed in Canadian dollars)

6. EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation asset expenditures by nature are detailed as follows:

	2015	2014
Sampling, technical reports, data compilation and maping	$ 60,751	5,280
Total	**$ 60,751**	**5,280**

Exploration and evaluation assets by properties are detailed as follows:

	Acquisition	Exploration	Impairment	May 31, 2015	May 31, 2014
Borden North	$ 111,660	$ 56,355	$ -	$ 168,015	$ 116,940
Borden South	27,550	239	-	27,789	27,550
Golden Route	7,920	-	-	7,920	7,920
Chapleau	41,980	-	-	41,980	41,980
Rollo	150,100	4,157	-	154,257	150,100
Schewabik	28,368	-	-	28,368	28,368
Total	**$ 367,578**	**$ 60,751**	**$ -**	**$ 428,329**	**$ 372,858**

BORDEN NORTH PROPERTY, ONTARIO

On February 27, 2014 the Company entered into a purchase agreement to acquire a 100% interest in the Borden North Gold Property ("Borden North"). The Vendors retain a 2% Net Smelter Royalty, of which 1% may be repurchased for $1,000,000. Under the terms of the agreement, the Company is committed to issue 600,000 shares to the Vendors and have agreed to issue an additional $600,000 worth of bonus shares, contingent on the Company's release of a 43-101 compliant measured and indicated resource of 2,000,000 ounces or more of gold within the claims of Borden North. In addition, the Company paid $33,660 in cash as a repayment of staking costs associated with Borden North. During the year ended May 31, 2015, the Company received regulatory approval for the agreement and issued the 600,000 shares (valued at $78,000) to the Vendors.

BORDEN SOUTH PROPERTY, ONTARIO

During the year ended May 31, 2014, the Company acquired, by staking, the Borden South Gold Property in Ontario. The total cost associated with the acquisition was $27,550.

GOLDEN ROUTE PROPERTY, ONTARIO

During the year ended May 31, 2014, the Company acquired, by staking, the Golden Route Property in Ontario. The total cost associated with the acquisition was $7,920.

CHAPLEAU PROPERTY, ONTARIO

During the year ended May 31, 2014, the Company acquired, by staking, the Chapleau Gold Property in Ontario. The total cost associated with the acquisition was $41,980.

(Expressed in Canadian dollars)

6. EXPLORATION AND EVALUATION ASSETS *(continued)*

ROLLO PROPERTY, ONTARIO

On February 25, 2014 the Company entered into a purchase agreement to acquire a 100% interest in the Rollo Gold Property in Ontario ("Rollo"). The Vendors retain a 2% Net Smelter Royalty, of which 1% may be repurchased for $1,665,000. Under the terms of the agreement, the Company is committed to issue 1,000,000 shares to the Vendors and have agreed to issue an additional $1,000,000 worth of bonus shares, contingent on the Company's release of a 43-101 compliant measured and indicated resource of 2,000,000 ounces or more of gold within the claims of Rollo. In addition, the Company paid $20,100 in cash as a repayment of staking costs associated with Rollo. During the year ended May 31, 2015, the Company received regulatory approval for the agreement and issued the 1,000,000 shares (valued at $130,000) to the Vendors.

SCHEWABIK PROPERTY, ONTARIO

During the year ended May 31, 2014, the Company acquired, by staking, the Schewabik Gold Property in Ontario. The total cost associated with the acquisition was $28,368.

DRAGON LAKE PROPERTY, YUKON

In June 2011, and revised September 6, 2013, the Company entered into an option agreement with Eagle Plains Resources Ltd. with respect to the Dragon Lake Property, located in the Ross River Mining District, Yukon Territory. Under the terms of the option agreement, the Company may earn an undivided sixty percent (60%) interest in and to the property by making cash and share payments and incurring qualified exploration expenditures as follows:

	Cash Payment	Exploration Expenditures	Share Payment
(i) On signing (paid)	$ 30,000	$ -	-
(ii) On Regulatory approval (issued)	-	-	100,000
(iii) December 31, 2011 (incurred/issued)	-	400,000	50,000
(iv) December 31, 2012 (incurred/issued)	-	-	-
(v) December 31, 2013	-	-	100,000
(vi) December 31, 2014	70,000	200,000	100,000
(vii) December 31, 2015	400,000	2,400,000	150,000
TOTAL	$ 500,000	$ 3,000,000	500,000

Additionally, the Company paid an additional $10,967 in acquisition costs, and paid a finders' fee of $8,400 in cash and issued 19,091 common shares with a fair value of $8,400. Pursuant to the agreement, the Dragon Lake Property is subject to a 1% Net Smelter Royalty in favour of a third party. During the year ended May 31, 2014, the Company made the decision not to continue under the option agreement. As such, all costs incurred were written off during the year ended May 31, 2014.

MCWHIRTER LAKE PROPERTY

The Company entered into an option agreement in August 2012 to acquire a 100% interest in the McWhirter Lake Graphite property located in Ontario. The Vendors retain a 2% Net Smelter Royalty, of which 1% may be repurchased for $1,000,000.

(Expressed in Canadian dollars)

6. EXPLORATION AND EVALUATION ASSETS *(continued)*

MCWHIRTER LAKE PROPERTY (continued)

The parties have negotiated at arm's length the following terms and conditions with respect to earning up to a 100%-interest in the Property:

	Cash	Shares
On Signing	$20,000 (paid)	-
On Regulatory approval	$20,000 (paid)	750,000 (issued)
August 28. 2013	Nil	250,000 (issued)
October 28, 2013	Nil	250,000 (issued)

During the year ended May 31, 2014, the Company made the decision not to continue under the option agreement. As such, all costs incurred were written off during the year ended May 31, 2014.

7. RELATED PARTY TRANSACTIONS AND BALANCES

During the year ended May 31, 2015, the Company entered into transactions with related parties comprised of directors, officers and companies with common directors as follows:

Related party	**Nature of transactions**
Andrew Davidson, CFO	Consulting fees
Dean Nawata, President & CEO	Consulting fees

Included for the years ended May 31, 2015 and May 31, 2014 at their exchange amounts are the following items paid or accrued to key management personnel and/or companies with common directors. The Company has identified its directors and certain senior officers as its key management personnel. Exchange amounts are the amounts agreed upon by the transacting parties.

Included in accounts payable and accrued liabilities is $289,781 (2014 - $155,575) payable to directors and officers.

		2015		**2014**
Consulting	$	162,500	$	150,000
Share-based compensation		35,000		-
Totals	$	197,500	$	150,000

8. OTHER LIABITLITY

During the year ended May 31, 2015, the Company closed financings and recorded a premium received on flow-through shares of $9,822, which was recorded as a liability to be reversed to profit and loss when the eligible expenditures are incurred. As at May 31, 2015, the remaining liability is estimated at $5,022 and the Company recognized the difference of $4,800 to the statement of operations and comprehensive loss.

9. SHARE CAPITAL

a) Share capital

Authorized

Unlimited common shares without par value.

Issued and outstanding

As at May 31, 2015, the issued share capital is comprised of 25,727,652 common shares (2014 – 19,005,722):

Fiscal 2014

i. The Company issued 250,000 shares at a value of $0.11 per share as partial payment under the McWhirter Lake agreement (see also Note 6).

ii. The Company issued 250,000 shares at a value of $0.11 per share as partial payment under the McWhirter Lake agreement (see also Note 6).

iii. The Company completed a private placement issuing 4,000,000 units at $0.05 per unit raising gross proceeds of $200,000. Each unit consisted of one share and one share purchase warrant. Each share purchase warrant entitles the holder to purchase a further share in the Company at a price of $0.10 per share for 5 years after closing.

iv. The Company completed a private placement issuing 1,448,800 units at $0.15 per unit raising gross proceeds of $217,320. Of the gross proceeds raised, $95,090 were still receivable as at May 31, 2014. Each unit consisted of one share and one half share purchase warrant. Each whole share purchase warrant entitles the holder to purchase a further share in the Company at a price of $0.20 per share for 2 years after closing. Also as part of the financing, the Company issued 45,500 finders warrants exercisable at a price of $0.15 per warrant for 2 years after closing.

Fiscal 2015

v. The Company issued 1,000,000 shares at a value of $0.13 per share as partial payment for the Borden North property (see also Note 6)

vi. The Company issued 600,000 shares at a value of $0.13 per share as partial payment for the Rollo property (see also Note 6)

vii. The Company completed a private placement issuing 506,560 flow-through units at $0.075 per unit raising gross proceeds of $37,992 and issuing 1,727,370 non-flow-through units at $0.0675 per unit raising gross proceeds of $116,598. Each unit consisted of one common share and one share purchase warrant. Each share purchase warrant entitles the holder to purchase a further non-flow-through common share in the Company at a price of $0.10 per share for 2 years after closing. Also as part of the financing, the Company issued 14,777 finders' warrants exercisable at a price of $0.10 per warrant for 2 years after closing.

viii. The Company completed a private placement issuing 803,000 flow-through units at $0.075 per unit raising gross proceeds of $60,225 and issuing 2,085,000 non-flow-through units at $0.0675 per unit raising gross proceeds of $140,737. Each unit consisted of one common share and one share purchase warrant. Each share purchase warrant entitles the holder to purchase a further non-flow-through common share in the Company at a price of $0.10 per share for 2 years after closing. Also as part of the financing, the Company issued 97,600 finders' warrants exercisable at a price of $0.10 per warrant for 2 years after closing.

(Expressed in Canadian dollars)

9. SHARE CAPITAL *(continued)*

b) 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 Exchange requirements, grant to directors, officers, and technical consultants to the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares of the Company. Such options will be exercisable for a period of up to 5 years from the date of grant, and must comply with the rules of the TSX Venture Exchange. The stock options vest at the board's discretion.

On January 15, 2015, 1,125,000 options exercisable at $0.10 and expiring on January 15, 2020 were granted. Share-based compensation of $63,000 was recorded using the Black-Scholes Model with the following assumptions:

Expected term	5 years
Volatility	172.8%
Risk-free interest rate	1.02%
Expected dividend yield	nil

(i) The following stock options were outstanding and exercisable as at May 31, 2015:

Number of Options	Exercise Price	Expiry Date
850,000	$ 0.28	May 3, 2017
1,125,000	$ 0.10	January 15, 2020

(ii) A summary of the Company's issued and outstanding stock options and changes during those years are presented below:

	Number of Options	Weighted Average Exercise Price	Weighted Average Life Remaining (in years)
Balance, May 31, 2013 and May 31, 2014	1,000,000	$0.28	2.93
Expired/ cancelled	(150,000)	$0.28	
Issued	1,125,000	$0.10	
Balance, May 31, 2015	1,975,000	$0.18	3.47

(Expressed in Canadian dollars)

9. SHARE CAPITAL *(continued)*

c) Warrants and finders' warrants

(i) The following warrants were outstanding and exercisable as at May 31, 2015:

Number of Warrants	Exercise Price	Expiry Date
4,000,000	$0.10	February, 5, 2019
1,459,600	$0.10	May 19, 2017
1,526,000	$0.10	April 16,2017
511,057	$0.10	December 17, 2016
1,737,650	$0.10	November 24, 2016
45,500	$0.15	May 27, 2016
724,400	$0.20	May 27, 2016

(ii) A summary of the Company's outstanding and exercisable share purchase warrants are as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, May 31, 2013	500,000	$0.30
Issued	4,769,900	$0.12
Balance, May 31, 2014	5,269,900	$0.13
Expired	(500,000)	$0.30
Issued	5,234,307	$0.10
Balance, May 31, 2015	**10,004,207**	**$0.11**

In February 2014, the Company issued 4,000,000 share purchase warrants in connection to the private placement units described in Note 9 (a)(iii) above. The warrants are exercisable at $0.10 per share and expire on February 5, 2019. A fair value of $91,500 was allocated to the warrants issued using the Black-Scholes model with the following assumptions:

Expected term	5 years
Volatility	140.6%
Risk-free interest rate	1.58%
Expected dividend yield	nil

In May 2014, the Company issued 724,400 share purchase warrants and 45,500 finders' warrants in connection to the private placement units described in Note 9 (a)(iv) above. The warrants are exercisable at $0.20 per share and the finders' warrants are exercisable at $0.15 per share and all warrants expire on May 27, 2016. A fair value of $59,100 was allocated to the share purchase warrants and $5,892 to the finders' warrants issued using the Black-Scholes model with the following assumptions:

Expected term	2 years
Volatility	157.2%
Risk-free interest rate	1.04%
Expected dividend yield	nil

(Expressed in Canadian dollars)

9. SHARE CAPITAL *(continued)*

c) Warrants and finders' warrants *(continued)*

In November 2014, the Company issued 1,730,650 share purchase warrants and 7,600 finders' warrants in connection to the private placement units described in Note 9 (a)(vii) above. The warrants are exercisable at $0.10 per share and expire on November 24, 2016. A fair value of $54,621 was allocated to the unit warrants and $338 to the finders' warrants issued using the Black-Scholes model with the following assumptions:

Expected term	2 years
Volatility	238.2%
Risk-free interest rate	1.03%
Expected dividend yield	nil

In December 2014, the Company issued 503,280 share purchase warrants and 7,777 finders' warrants in connection to the private placement units described in Note 9 (a)(vii) above. The warrants are exercisable at $0.10 per share and expire on December 17, 2016. A fair value of $14,886 was allocated to the unit warrants and $334 to the finders' warrants issued using the Black-Scholes model with the following assumptions:

Expected term	2 years
Volatility	230.3%
Risk-free interest rate	0.99
Expected dividend yield	nil

In April 2015, the Company issued 1,368,000 share purchase warrants and 91,600 finders' warrants in connection to the private placement units described in Note 9 (a)(viii) above. The warrants are exercisable at $0.10 per share and expire on April 16, 2017. A fair value of $38,585 was allocated to the unit warrants and $5,917 to the finders' warrants issued using the Black-Scholes model with the following assumptions:

Expected term	2 years
Volatility	219.5%
Expected dividend yield	nil
Risk-free interest rate	0.57

In May 2015, the Company issued 1,520,000 share purchase warrants and 6,000 finders' warrants in connection to the private placement units described in Note 9 (a)(viii) above. The warrants are exercisable at $0.10 per share and expire on May 19, 2017. A fair value of $32,111 was allocated to the unit warrants and $246 to the finders' warrants issued using the Black-Scholes model with the following assumptions:

Expected term	2 years
Volatility	215.6%
Expected dividend yield	nil
Risk-free interest rate	0.70

10. BASIC AND DILUTED LOSS PER SHARE

The calculation of basic and diluted loss per share for the years ended May 31, 2015 and May 31, 2014 was based on the loss attributable to common shareholders of $475,529 (May 31, 2014 – $1,052,740) and the weighted average number of common shares outstanding of 21,907,380 (May 31, 2014 – 14,637,183).

(Expressed in Canadian dollars)

11. INCOME TAXES

A reconciliation of income taxes at statutory rates (26% for both years presented) with the reported taxes is as follows:

		2015		2014
Earnings (loss) for the year	$	(475,529)	$	(1,052,740)
Expected income tax (recovery)	$	(124,000)	$	(274,000)
Change in statutory tax rates and other		11,000		(7,000)
Impact of flow-through shares		10,000		-
Share issue costs		(2,000)		(2,000)
Change in unrecognized deductible temporary differences		105,000		283,000
Total Income tax expense (recovery)	$	-	$	-

The significant components of the Company's deferred tax assets that have not been included on the statement of financial position are as follows:

		2014		2014
Deferred Tax Assets (liabilities)				
Exploration and evaluation assets	$	365,000	$	373,000
Share issue costs		9,000		1,000
Non-capital losses available for future periods		443,000		326,000
		817,000		700,000
Unrecognized deferred tax assets		(817,000)		(700,000)
Net deferred tax assets	$	-	$	-

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the statement of financial position are as follows:

	2014	Expiry Date Range	2014	Expiry Date Range
Temporary Differences				
Exploration and evaluation assets	$ 1,401,000	No expiry date	$ 1,434,000	No expiry date
Share issue costs	34,000	2034 to 2038	6,000	2035 to 2038
Non-capital losses available for future periods	1,702,000	2031 to 2035	1,253,000	2031 to 2034

Tax attributes are subject to review, and potential adjustment, by tax authorities.

12. COMMITMENTS

The Company is obligated to make certain payments and issue shares as described in Note 6 in connection with the acquisition of its exploration and evaluation assets.

13. MANAGEMENT OF CAPITAL

The Company’s objectives when managing capital are to safeguard the Company’s ability to continue as a going concern in order to pursue the sourcing and exploration of mineral properties. The Company does not have any externally imposed capital requirements to which it is subject.

As at May 31, 2015, the Company considers capital to be all components of shareholders’ equity. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Company did not change its approach to management of capital in the year ended May 31, 2015.

14. FINANCIAL INSTRUMENTS

The Company is exposed to varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes. 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 of potential loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash. The Company limits the exposure to credit risk by only investing its cash with high-credit quality financial institutions.

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 manages liquidity risk through the management of its capital structure and financial leverage as described in Note 13.

The Company monitors its ability to meet its short-term exploration and administrative expenditures by raising additional funds through share issuance when required. All of the Company's financial liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms. The Company does not have investments in any asset backed deposits.

In the normal course of business, the Company enters into contracts that give rise to commitments for future minimum payments. The following table summarizes the Company's significant commitments and corresponding maturities:

	<1 year	**1 – 3 Years**	**Total**
Accounts payable and accrued liabilities	$ 382,495	-	$ 382,495

Foreign Exchange Risk

The Company currently does not have significant foreign exchange risk as all of its transactions are in Canadian dollars.

Interest Rate Risk

The Company is not exposed to significant interest rate risk.

Commodity Price Risk

The Company's ability to raise capital to fund exploration activities is subject to risks associated with fluctuations in the market price of mineral resources. The Company closely monitors commodity prices to determine the appropriate course of action to be taken.

Fair Value Measurements

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.

14. FINANCIAL INSTRUMENTS *(continued)*

The fair value of cash is determined based on "Level 1" inputs which consist of quoted prices in active markets for identical assets. As at May 31, 2015, the Company believes that the carrying values of accounts payable approximates its fair value because of their nature and relatively short maturity dates or durations.

Assets measured at fair value on a recurring basis were presented on the Company's Statement of Financial Position as of May 31, 2015 as follows:

	Level 1	Level 2	Level 3	Total
Cash	$ 104,460	$ -	$ -	$ 104,460