MARGARET LAKE DIAMONDS INC.

Condensed Interim Financial Statements

For the six months ended November 30, 2015 and 2014

Expressed in Canadian Dollars

(Unaudited – Prepared by Management)

MARGARET LAKE DIAMONDS INC.

Index	Page

MARGARET LAKE DIAMONDS INC.

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 condensed 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 interim financial statements of the Company have been prepared by management and approved by the Audit Committee and Board of Directors of the Company.

The Company's independent auditors have not performed a review of these condensed interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of the condensed interim financial statements by an entity's auditors.

January 26, 2016

MARGARET LAKE DIAMONDS INC.

Condensed Interim Statements of Financial Position
(Expressed in Canadian Dollars - unaudited)

	Note		November 30, 2015 (unaudited)		May 31, 2015 (audited)
Assets					
Current assets					
Cash	3	**$**	**60,654**	$	260,680
Receivables	4		**13,360**		19,598
Prepaid expenses			**5,764**		3,033
			79,778		283,311
Exploration and evaluation assets	6		**2,640,689**		2,573,414
		$	**2,720,467**	$	2,856,725
Liabilities and shareholders' equity					
Current liabilities					
Trade and other payables	5	**$**	**154,142**	$	302,775
Due to related parties	8		**107,709**		75,948
			261,851		378,723
Shareholders' equity					
Share capital	7		**3,058,524**		3,008,469
Reserves	7(g)		**118,912**		133,967
Deficit			**(718,820)**		(664,434)
			2,458,616		2,478,002
		$	**2,720,467**	$	2,856,725

Nature of operations (Note 1)

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

MARGARET LAKE DIAMONDS INC.

Condensed Interim Statement of Changes in Equity
(Expressed in Canadian Dollars - unaudited)

	Share capital					
	Shares	**Amount**	**Equity component of convertible debt**	**Reserves**	**Deficit**	**Total Equity**
Balance, May 31, 2014	21,164,009	$ 2,093,736	$ 10,644	$ 118,848	$ (556,985)	**$ 1,666,243**
Shares issued for exploration and evaluation assets	100,000	28,000	–	–	–	28,000
Flow-through private placements	1,160,000	324,800	–	–	–	324,800
Flow-through premium liability	–	(34,800)	–	–	–	(34,800)
Private placement	1,070,000	267,500	–	–	–	267,500
Share issuance costs	–	(27,200)	–	–	–	(27,200)
Fair value of agent's options	–	(6,875)	–	6,875	–	–
Share-based compensation	–	–	–	25,563	–	25,563
Net loss	–	–	–	–	(41,022)	(41,022)
Balance, November 30, 2014	23,494,009	2,645,161	10,644	151,286	(598,007)	**2,209,084**
Flow-through private placements	559,000	100,620	–	–	–	100,620
Flow-through premium liability	–	(11,600)	–	–	–	(11,600)
Share issuance costs	–	(14,982)	–	–	–	(14,982)
Fair value of agent's options	–	(3,645)	–	3,645	–	–
Exercise of agent's options	360,800	57,044	–	(20,964)	–	36,080
Conversion of debt	2,252,271	235,871	(10,644)	–	–	225,227
Net loss	–	–	–	–	(66,427)	(66,427)
Balance, May 31, 2015	26,666,080	3,008,469	–	133,967	(664,434)	**2,478,002**
Shares issued for exploration and evaluation assets (Note 7(b)(i))	200,000	16,000	–	–	–	16,000
Exercise of share options (Note 7(b)(ii))	190,000	34,055	–	(15,055)	–	19,000
Net loss	–	–	–	–	(54,386)	(54,386)
Balance, November 30, 2015	**27,056,080**	**$ 3,058,524**	**$ –**	**$ 118,912**	**$ (718,820)**	**$ 2,458,616**

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

MARGARET LAKE DIAMONDS INC.

Condensed Interim Statements of Comprehensive Loss
(Expressed in Canadian Dollars - unaudited)

	Note	Three months ended November 30, **2015**	Three months ended November 30, 2014	Six months ended November 30, **2015**	Six months ended November 30, 2014
Expenses:					
Accretion of convertible debt		$ –	$ 3,051	$ –	$ 6,137
Consulting		–	2,450	–	2,450
Interest on convertible debt		–	4,577	–	9,205
Office and administration	8	**9,367**	10,757	**20,143**	24,651
Professional fees		**7,350**	12,964	**17,350**	29,090
Regulatory fees		**2,994**	1,254	**5,692**	4,728
Rent	8	**3,000**	3,000	**6,000**	6,000
Share-based compensation		–	5,348	–	25,563
Transfer agent fees		**2,560**	3,437	**5,201**	5,384
Travel and promotion		–	13,795	–	20,045
		(25,271)	(60,633)	**(54,386)**	(133,253)
Other items:					
Interest Income		–	31	–	63
Loss before income taxes		**(25,271)**	(60,602)	**(54,386)**	(133,190)
Deferred income tax recovery		–	34,800	–	92,168
Comprehensive loss		**$ (25,271)**	$ (25,802)	**$ (54,386)**	$ (41,022)
Loss per common share					
Basic and diluted		**$ (0.00)**	$ (0.00)	**$ (0.00)**	$ (0.00)
Weighted average number of common shares outstanding		**26,988,387**	22,053,030	**26,826,353**	21,610,948

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

MARGARET LAKE DIAMONDS INC.

Condensed Interim Statements of Cash Flows
(Expressed in Canadian Dollars - unaudited)

	For the six months ended November 30, 2015	2014
Cash provided by (used in):		
Operating activities:		
Comprehensive loss	**$ (54,386)**	$ (41,022)
Accretion of convertible debt	–	6,137
Deferred income tax recovery	–	(92,168)
Interest accrued on convertible debt	–	9,205
Share-based compensation	–	25,563
Changes in non-cash working capital item:		
Receivables	**6,238**	(32,783)
Prepaid expenses	**(2,731)**	(10,835)
Trade and other payables	**(148,633)**	1,986
Due to related parties	**1,761**	7,440
Net cash used in operating activities	**(197,751)**	(126,477)
Investing activities:		
Exploration advances	–	175,722
Exploration and evaluation assets	**(21,275)**	(1,274,548)
Net cash used in investing activities	**(21,275)**	(1,098,826)
Financing activities:		
Common shares issued for cash, net	**19,000**	565,100
Net cash provided by financing activities	**19,000**	565,100
Change in cash	**(200,026)**	(660,203)
Cash, beginning	**260,680**	965,357
Cash, ending	**$ 60,654**	$ 305,154

Supplemental cash flow information:

Other significant non-cash transactions during the six months ended November 30, 2015 included:

- Accrued exploration expenditures of $56,272 (May 31, 2015 - $205,493) in trade and other payables;
- Accrued exploration expenditures of $90,000 (May 31, 2015 - $60,000) in due to related parties (Note 8);
- Fair value of shares issued for exploration and evaluation assets of $16,000 (Note 7); and
- Reallocation of $15,055 from reserves to share capital on exercise of options (Note 7).

Other significant non-cash transactions during the six months ended November 30, 2014 included:

- Accrued exploration expenditures of $301,291 (May 31, 2014 - $13,389) in trade and other payables;
- Accrued exploration expenditures of $30,000 (May 31, 2014 - $Nil) in due to related parties;
- Accrued interest of $9,205 in due to related parties;
- Fair value of shares issued for exploration and evaluation assets of $28,000;
- Fair value of agent's warrants of $6,875 recorded as share issuance costs; and
- Allocation of $34,800 to flow-through premium liability on issuance of shares.

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

1. Nature of operations

Margaret Lake Diamonds Inc. (the “Company”) was incorporated by a Certificate of Incorporation issued pursuant to the provisions of the Business Corporations Act (British Columbia) on February 9, 2011. Effective September 7, 2011, the Company completed an Initial Public Offering (“IPO”) and commenced trading under the symbol JAI.P on the TSX Venture Exchange (the “Exchange”). Effective March 27, 2014, the Company changed its name to Margaret Lake Diamonds Inc., consolidated its issued and outstanding shares on a 2 old for 1 new basis, and changed its symbol to DIA.H. All shares and per share references in these financial statements have been retroactively restated accordingly unless noted otherwise.

On April 22, 2014, the Company received final approval from the Exchange for its QT. Pursuant to an assignment agreement dated March 14, 2014 (the “Assignment Agreement”) with Harsbo Minerals Ltd. (“Harsbo”), the Company was granted the sole and exclusive option (the "Option") to acquire up to a seventy percent (70%) undivided interest in nineteen (19) mineral claims located in the Northwest Territories, Canada, known as the Margaret Lake Diamond Property (the “Margaret Lake Property”). In consideration of the assignment of the Option, on closing the Company issued Harsbo 6,000,000 escrow shares, releasable under the terms of a value escrow agreement. As a result of closing the QT, the Company is no longer a Capital Pool Company, and has been listed as a “Tier 2” mining issuer on the Exchange trading under the symbol “DIA”.

On August 28, 2014, the Company signed a property option agreement with Canterra Minerals Corporation (“Canterra”) (the “Marlin Property Option Agreement”) whereby the Company has been granted the right to acquire an aggregate 49% right, title and interest in and to Canterra’s Marlin Property (the “Marlin Property”) in the Northwest Territories.

On July 6, 2015, the Company entered into a Mineral Property Transfer Agreement (“Transfer Agreement”) with Margaret Lake Diamonds Ltd. (“MLDL”), under which it has acquired, subject to completing the property transfer and issuance of the 6 million shares, the remaining 40% interest in the Margaret Lake Property held by MLDL. As a result the Company will now own 100% of the Margaret Lake Property with no ongoing work obligations and no royalties payable (Note 6).

The Company’s principal address and head office is Suite 2050-1055 W. Georgia Street, Vancouver BC, V6E 3P3. The registered and records office is Suite 700-595 Burrard Street, Vancouver BC, V7X 1S8.

These financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company’s ability to continue as a going concern and the recoverability of the amounts shown for exploration and evaluation assets are dependent on the ability of the Company to raise additional financing in order to complete the exploration of its properties, the discovery of economically recoverable reserves and upon future profitable production or proceeds from disposition of the Company’s exploration and evaluation assets. As a resource company in the exploration stage, the ability of the Company to complete its acquisition, exploration and evaluation will be affected principally by its ability to raise adequate amounts of capital through equity financing, debt financings, joint venturing of projects and other means. These material uncertainties may cast significant doubt about the Company’s ability to continue as a going concern.

The Company has incurred a loss for the six months ended November 30, 2015 of $54,386 (2014 - $41,022) with no operating revenue and has an accumulated deficit of $718,820 (May 31, 2015 - $664,434). At November 30, 2015, the Company had working capital deficiency of $182,073 (May 31, 2015 – of $95,412), including cash of $60,654, of which $24,973 is committed to exploration expenditures qualifying for a flow-through program.

The financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

2. Significant accounting policies and basis of presentation

These condensed interim financial statements were authorized for issue on January 26, 2016 by the directors of the Company.

Statement of compliance

These condensed interim financial statements are unaudited and have been prepared in accordance with International Accounting Standards ("IAS") 34, "Interim Financial Reporting" using accounting po`licies consistent 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"). The Company adopted accounting policies consistent with IFRS since incorporation on February 9, 2011.

Basis of presentation

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

These condensed interim financial statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company's audited financial statements for the year ended May 31, 2015.

These condensed interim financial statements does not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that this financial report be read in conjunction with the Company's audited annual financial statements for the year ended May 31, 2015.

Significant estimates and assumptions

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 estimates are revised.

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; and
- the classification / allocation of expenditures as exploration and evaluation expenditures or operating expenses.

Significant accounts that require estimates relate to valuation allowances for deferred income taxes, valuation of share-based compensation, shares issued for acquisition of mineral properties, shares issued as finder's fees and warrants issued in private placements.

(Expressed in Canadian dollars - unaudited)

2. Significant accounting policies and basis of presentation (continued)

New standard not yet adopted

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective. The Company has not early adopted these revised standards and is currently assessing the impact that these standards will have on its financial statements.

- *IFRS 9, Financial Instruments*

IFRS 9, Financial instruments ("IFRS 9") was issued by the IASB on July 24, 2014 and will replace IAS 39, Financial instruments: recognition and measurement ("IAS 39"). IFRS 9 utilizes a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Final amendments released on July 24, 2014 also introduce a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

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

3. Cash

The components of cash are as follows:

	November 30, 2015	May 31, 2015
Cash in bank	$ 59,133	$ 259,159
Cash held in trust	1,521	1,521
	$ 60,654	$ 260,680

4. Receivables

The receivables consist of sales taxes recoverable of $13,360 (May 31, 2015 - $19,598).

5. Trade and other payables

	November 30, 2015	May 31, 2015
Accrued liabilities	$ 14,175	$ 14,700
Exploration payables	56,272	205,493
Trade payables	83,695	82,582
	$ 154,142	$ 302,775

During the six months ended November 30, 2015, the Company negotiated an agreement with one of its contractors to settle exploration payables of $31,050 by issuing 207,000 common shares of the Company to the vendor. The debt settlement was approved by the Exchange on November 17, 2015.

6. Exploration and evaluation assets

Margaret Lake Diamond Property

Pursuant to the Assignment Agreement (Note 1), the Company was assigned the sole and exclusive option to acquire up to a seventy percent (70%) undivided interest in the Margaret Lake Property in exchange for the issue of 6,000,000 common shares of the Company with a fair value of $600,000 and 500,000 finders' fees shares with a fair value of $50,000.

The Margaret Lake Property is located east-northeast of Yellowknife, Northwest Territories in the District of MacKenzie and comprises nineteen (19) mineral claims.

Pursuant to the terms of the underlying option agreement between Harsbo and MLDL, the Company can earn a 70% interest in the Margaret Lake Property by:

a) making cash payments in lieu of filing assessment work (*$102,312 paid by Harsbo*);
b) incurring $1,000,000 in qualifying expenditures by October 13, 2014 to earn an undivided 60% interest (*incurred*); and
c) incurring $1,000,000 in exploration expenditures by October 13, 2015 to earn an additional 10% interest (amended as per below).

During the year ended May 31, 2015, the Company earned its 60% interest in the Margaret Lake Property.

On July 6, 2015, the Company signed the agreement with MLDL to acquire the remaining 40% interest in the Margaret Lake Property through the issuance 6,000,000 common shares of the Company. As a result, the Company will own 100% of Margaret Lake Property with no ongoing obligation and no royalties payable.

Kirk Lake

During the year ended May 31, 2015, the Company expanded its project to the north of the Margaret Lake Property by staking 4 additional claims ("Kirk Lake") and completed an airborne geophysical survey on these claims.

Marlin Property

Pursuant to the Marlin Property Option Agreement (Note 1), the Company has been granted the right to acquire a 49% right, title and interest in and to the Marlin Property. The Company may exercise two options under the agreement, the first allows the Company to earn a 30% interest and the second is to earn a further 19% interest.

The Company can exercise the first option to earn 30% right, title and interest in and to the Marlin property for the following consideration:

(a) Cash payments totalling $80,000 as follows:

   i) $20,000 upon signing the agreement (*paid*);
   ii) $20,000 on or before September 15, 2014 ("Payment Date") (*paid*);
   iii) $20,000 one year from the Payment Date (*paid*); and
   iv) $20,000 two years from the Payment Date.

(b) Share issuances totalling 300,000 shares as follows:

   i) 100,000 common shares on or before September 15, 2014 (*issued*); and
   ii) 200,000 additional common shares on or before September 15, 2015 (*issued*).

(Expressed in Canadian dollars - unaudited)

6. Exploration and evaluation assets (continued)

Marlin Property (continued)

(c) Incurring $1,000,000 in exploration expenditures as follows:

i) $500,000 (*incurred*) on or before September 15, 2015, of which $100,000 must be advanced to Canterra by September 20, 2014 (*paid and applied against exploration expenditures incurred by Canterra*); and

ii) $500,000 on or before September 15, 2016.

The Company may earn an additional 19% interest in the Marlin Property by paying Canterra an additional $20,000 and incurring an additional $750,000 in exploration expenditures on or before September 15, 2017, the end of the third year.

The following table summarizes the Company's exploration and evaluation asset expenditures to date:

		Margaret Lake		Marlin Property		Kirk Lake		Total
Acquisition Costs:								
Balance, May 31, 2014	$	727,872	$	–	$	–	$	727,872
Additions:								
Cash payments		–		40,000		16,000		56,000
100,000 common shares		–		28,000		–		28,000
Legal and regulatory costs		23,431		11,153		–		34,584
Balance, May 31, 2015		751,303		79,153		16,000		**846,456**
Additions:								
Cash payments		–		20,100		–		20,100
100,000 common shares		–		16,000		–		16,000
Balance, November 30, 2015	$	751,303	$	115,253	$	16,000	**$**	**882,556**
Deferred exploration costs:								
Balance, May 31, 2014	$	38,465	$	–	$	–	$	38,465
Additions:								
Airborne survey		787,695		355,247		137,370		1,280,312
Bathymetry		48,586		38,553		7,473		94,612
Community consultations		8,343		–		–		8,343
Exploration consulting		66,500		–		–		66,500
Technical reports		6,746		–		–		6,746
Till sampling		101,447		130,533		–		231,980
Balance, May 31, 2015		1,057,782		524,333		144,843		**1,726,958**
Additions:								
Airborne survey		600		–		–		600
Community consultations		575		–		–		575
Exploration consulting		30,000		–		–		30,000
Balance, November 30, 2015	$	1,088,957	$	524,333	$	144,843	**$**	**1,758,133**
Exploration and evaluation assets:								
Balance, May 31, 2015	$	1,809,085	$	603,486	$	160,843	**$**	**2,573,414**
Balance, November 30, 2015	**$**	**1,840,260**	**$**	**639,586**	**$**	**160,843**	**$**	**2,640,689**

7. Share capital

a. Authorized

Unlimited number of common shares without par value.

b. Issued and outstanding

During the six months ended November 30, 2015:

(i) pursuant to the Marlin Property Option Agreement, the Company issued 200,000 common shares of the Company valued at $16,000 and also paid a regulatory fee of $100 in connection with the share issuance. The amounts were recorded as acquisition costs for Marlin Property (Note 6);

(ii) 190,000 of previously granted share options were exercised by the CEO and President of the Company at a price of $0.10 per share, and 190,000 common shares were issued for total proceeds of $19,000. In addition, a reallocation of $15,055 from reserves to share capital was recorded on the exercise of these options. This amount constitutes the fair value of share options recorded at the original grant date.

During the year ended May 31, 2015:

(iii) the Company issued 100,000 common shares of the Company valued at $28,000 to Canterra recorded as acquisition costs for Marlin Property (Notes 1 and 6);

(iv) the Company completed a flow-through private placement of 1,160,000 flow-through shares at a price of $0.28 per share for gross proceeds of $324,800. The amount recorded to share capital was reduced by the flow-through premium liability of $46,400 based on an estimated premium of approximately $0.04 per flow-through share issued;

(v) the Company completed a private placement of 1,070,000 units at a price of $0.25 per unit for gross proceeds of $267,500. Each unit consisted of one common share and one-half share purchase warrant; each warrant entitles the holder to purchase one common share at a price of $0.30 per share for a one year period;

(vi) in connection with the above private placements, the Company paid Jordan Capital Markets Inc. (the "Agent") cash based finder's fee of $22,744 and issued 113,000 non-transferable share purchase warrants ("agent's warrant"). Each agent's warrant entitles the Agent to purchase one common share of the Company at a price of $0.30 per share for a one year period. The agent's warrants were recorded at a fair value of $10,520 (Note 7(f)). The Company also paid $16,325 in regulatory filing fees in connection with the private placements;

(vii) the Company completed a flow-through private placement of 559,000 flow-through shares at a price of $0.18 per share for gross proceeds of $100,620. There was no flow-through premium liability associated with this offering. The Company paid $3,113 in regulatory filing and legal fees in connection with this private placement;

(viii) an aggregate of 360,800 agent's options were exercised at a price of $0.10 per share and 360,800 units were issued for total proceeds of $36,080. Each unit consists of one common share of the Company and one-half share purchase warrant, which entitles the agent to purchase one additional common share of the Company at a price of $0.25 per share for a two year period. In addition, a reallocation of $20,964 from reserves to share capital was recorded on the exercise of these options. This amount constitutes the fair value of agent's options recorded at the original grant date of the options; and

(Expressed in Canadian dollars - unaudited)

7. Share capital (continued)

b. Issued and outstanding (continued)

(ix) the Company issued 2,252,271 units at a price of $0.10 per unit on the conversion of the convertible debt, which consisted of the principal amount of $204,000 and accumulated interest of $21,227. Each unit is comprised of one common share of the Company and one half share purchase warrant, with each such whole warrant being exercisable into one common share of the Company for a period of two years at an exercise price of $0.25. In addition, the equity component of the convertible debt of $10,644 has been re-allocated to share capital upon the conversion.

c. Escrow

Under the escrow agreements dated June 20, 2011 and April 16, 2014, 10% of the escrowed common shares are to be released from escrow on the date of the issuance of the final Exchange bulletin (the "Initial Release") upon completion of the QT and an additional 15% will be released every six months following the Initial Release over a period of thirty six months. As at November 30, 2015, a total of 3,273,750 common shares were held in escrow.

	November 30, 2015		May 31, 2015	
	Number of shares in escrow	Weighted average price	Number of shares in escrow	Weighted average price
Balance, beginning of period	4,365,000	$ 0.10	6,547,500	$ 0.10
Released	(1,091,250)	0.10	(2,182,500)	0.10
Outstanding, end of period	3,273,750	$ 0.10	4,365,000	$ 0.10

d. Share options

The Company adopted an incentive stock option plan (the "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, employees and technical consultants to the Company, non-transferable options to purchase common shares. The Company follows the policies of the Exchange where the number of common shares which may be issued pursuant to options granted under the Plan may not exceed 10% of the issued and outstanding shares of the Company from time to time at the date of granting of options and have a maximum life of 10 years. Each option agreement with the grantee sets forth, among other things, the number of options granted, the exercise price and the vesting conditions of the options.

A summary of the Company's share option transactions is presented below:

	November 30, 2015		May 31, 2015	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of period	950,000	$ 0.10	980,000	$ 0.10
Expired	–	–	(30,000)	0.20
Exercised (Note 7(b)(ii))	(190,000)	0.10	–	–
Outstanding, end of period	760,000	$ 0.10	950,000	$ 0.10

(Expressed in Canadian dollars - unaudited)

7. Share capital (continued)

d. Share options (continued)

The share options outstanding and exercisable as at November 30, 2015:

Expiry Date	Exercise Price	Number of options outstanding	Options exercisable
April 22, 2019	$0.10	760,000	760,000

The weighted average life of options outstanding is 3.40 years.

e. Agent's options

In connection with the April 2014 private placements, the Company granted non-transferable options to the Agent to acquire up to 848,000 agent's units at an exercise price of $0.10 per unit expiring April 22, 2016. The agent's unit entitles the Agent to one common share of the Company and one-half share purchase warrant, which entitles the Agent to purchase one additional common share of the company at a price of $0.25 per share for a two year period.

The number of Agent's options outstanding is summarized as follows:

	November 30, 2015		May 31, 2015	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of period	487,200	$ 0.10	848,000	$ 0.10
Exercised	–	–	(360,800)	0.10
Outstanding, end of period	487,200	$ 0.10	487,200	$ 0.10

The weighted average life of options outstanding is 0.40 years.

The agent's options outstanding and exercisable as at November 30, 2015:

Expiry Date	Exercise Price	Number of options outstanding	Options exercisable
April 22, 2016	$ 0.10	487,200	487,200

(Expressed in Canadian dollars - unaudited)

7. **Share capital** (continued)

f. ***Warrants***

The number of share purchase warrants outstanding is summarized as follows:

	November 30, 2015		May 31, 2015	
	Number of Warrants	Weighted average exercise price	Number of Warrants	Weighted average exercise price
Outstanding, beginning of period	6,454,535	$ 0.26	4,500,000	$ 0.25
Issued :				
Private placement	–	–	535,000	0.30
Agent's warrants	–	–	113,000	0.30
Debt conversion	–	–	1,126,135	0.25
Exercise of agent's options	–	–	180,400	0.25
Expired	(648,000)	0.30	–	–
Outstanding, end of period	5,806,535	$ 0.25	6,454,535	$ 0.26

The weighted average life of warrants outstanding is 0.62 years.

The share purchase warrants outstanding and exercisable as at November 30, 2015:

Expiry Date	Exercise Price	Number of warrants Outstanding and exercisable
April 22, 2016	$ 0.25	4,500,000
April 22, 2017	$ 0.25	1,126,135
May 1, 2017	$ 0.25	176,800
May 26, 2017	$ 0.25	3,600

g. ***Reserves***

Reserves consist of options reserve items recognized as stock-based compensation and share based payments until such time that the options are exercised, at which time the corresponding amount will be reallocated to share capital.

	Stock options	Agent's options	Total
Balance, May 31, 2014	$ 53,245	$ 65,603	$ 118,848
Exercise of agent's options	–	(20,964)	(20,964)
Share-based compensation	25,563	–	25,563
Fair value of agent's warrants	–	10,520	10,520
Balance, May 31, 2015	78,808	55,159	133,967
Exercise of share options (Note 7(b)(ii))	(15,055)	–	(15,055)
Balance, November 30, 2015	$ 63,753	$ 55,159	$ 118,912

(Expressed in Canadian dollars - unaudited)

8. Related party transactions

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

Six months ended November 30,		2015		2014
Exploration consulting (b)	$	30,000	$	30,000
Share-based payments (c)		–		25,025
	$	30,000	$	55,025

a. On May 1, 2014, the Company entered into a rent and administrative services contract with Varshney Capital Corp. ("VCC"), a company partially controlled by a director of the Company, pursuant to which the Company is obligated to pay $3,000 per month plus taxes for administrative services and $1,000 per month plus taxes for office premises. The agreement can be terminated with 1 month notice after a term of 3 years.

   During the six months ended November 30, 2015, the Company paid $18,000 (2014 - $18,000) for administrative services and $6,000 (2014 - $6,000) for office rent to VCC.

b. The Company accrued consulting fees of $30,000 (2014 - $30,000), recorded in exploration and evaluation assets, to a company controlled by the VP of Exploration of the Company. At November 30, 2015, $94,500 (May 31, 2015 - $63,000) was due to this company and included in due to related parties balance in the statement of financial position.

c. Share-based payments are the fair value of options that have been granted to directors and executive officers. During the year ended May 31, 2014, 930,000 share options were granted to directors and officers of the Company. The related compensation expense was recognized over the vesting periods.

d. The Assignment Agreement dated March 14, 2014, pursuant to which the Company was granted the option to acquire up to a 70% percent interest in the Margaret Lake Property (Notes 1 and 6), involves two companies with common directors and officers.

e. At November 30, 2015, $13,209 (May 31, 2015 - $12,948) was due to the CEO and President of the Company for expense reimbursements.

f. During the six months ended November 30, 2015, 190,000 of previously granted share options were exercised by the CEO and President of the Company at a price of $0.10 per share, and 190,000 common shares were issued for total proceeds of $19,000.

9. Financial instruments

Fair Values

The Company's financial instruments are as follows. Unless otherwise disclosed their carrying values approximate their fair values due to the short term nature of these instruments.

(Expressed in Canadian dollars - unaudited)

9. Financial instruments (continued)

	Loans & receivables	*Available for sale*	*Fair Value through Profit or Loss*	*Other financial liabilities*
Financial assets				
Cash	$ –	$ –	$ 60,654	$ –
Financial liabilities				
Trade payables	–	–	–	154,142
Due to related parties	–	–	–	107,709
	$ –	$ –	$ 60,654	$ 261,851

The Company uses the following hierarchy for determining and disclosing fair value of financial instruments:

Level 1 — quoted prices in active markets for identical assets and liabilities.

Level 2 — observable inputs other than quoted prices in active markets for identical assets and liabilities.

Level 3 — unobservable inputs in which there is little or no market data available, which require the reporting entity to develop its own assumptions.

The Company has classified its cash as held-for-trading. Receivables are classified as loans and receivables except for refundable sales taxes. Trade and other payables and due to related parties are classified as other liabilities, which are measured at amortized cost.

At November 30, 2015, the Company's asset measured at fair value was cash. There were no transfers between levels during the six months ended November 30, 2015.

Financial risk management

The Company is exposed in varying degrees to a variety of financial instrument related risks.

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. As a majority of the Company's cash is held by a Canadian bank, there is a concentration of credit risk with one bank in Canada. While there is concentration of risk holding all funds with one institution, this risk is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies. As at November 30, 2015, the Company has cash on hand of $59,133 and cash held in trust of $1,521. Management assesses credit risk of cash deposits as low.

The Company's secondary exposure to risk is on its receivables. This risk is minimal as receivables consist of sales taxes recoverable.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company operates only in Canada and is therefore not exposed to foreign exchange risk arising from transactions denominated in a foreign currency.

9. Financial instruments (continued)

Interest rate risk

Interest rate risk is the risk that an investment's value will change due to a change in the level of interest rates. The Company is exposed to interest rate risk as its bank account and short-term investments earn interest income at variable rates. The income earned on the bank account and short-term investments is subject to the movements in interest rates. Due to the short-term maturity, the fair value of its short-term investments is relatively unaffected by changes in short term interest rates. A 1% change in interest rates will not have a material effect to the Company.

Liquidity and funding risk

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash and seeking equity financing when needed.

As at November 30, 2015, the Company had cash of $60,654 (May 31, 2015 -$260,680), of which $24,973 is committed to its exploration expenditures, and current liabilities of $261,851 (May 31, 2015 - $378,723). As at November 30, 2015, the Company had working capital deficiency of $182,073 (May 31, 2015 – $95,412) - new funding will be required to settle its current obligations and to continue operations.

Funding risk is the risk that market conditions will impact the Company's ability to raise capital through equity markets under acceptable terms and conditions. Under current market conditions, both liquidity and funding risk are assessed as high.

Other price risk

The Company is not exposed to other price risk.

10. Capital management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support its operations. Management's objective is to manage its capital to ensure that there are adequate capital resources to safeguard the Company's ability to continue as a going concern through the optimization of its capital structure. The capital structure consists of share capital and working capital.

In order to achieve this objective, management makes adjustments to it in light of changes in economic conditions and risk characteristics of the underlying assets. To maintain or adjust capital structure, management may invest its excess cash in interest bearing accounts of Canadian chartered banks and/or raise additional funds externally as needed. There were no changes in the Company's approach to capital management during the six months ended November 30, 2015. The Company is not subject to any externally imposed capital requirements.