Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in Canadian dollars)

San Angelo Oil Limited

For the nine months period ended March 31, 2016

San Angelo Oil Limited

NOTICE OF NO AUDITOR REVIEW OF INTERIM

FINANCIAL STATEMENTS

Under National Instrument 51-102. Part 4. Subsection 4.3(3)(a), if auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements for the nine month period ended March 31, 2016 have not been reviewed by an auditor.

The accompanying unaudited interim condensed consolidated financial statements of the Company have been prepared by, and are the responsibility of, the Company's management.

The Company's independent auditor has not performed a review of these interim financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada, for review of interim financial statements by an auditor.

SAN ANGELO OIL LIMITED
Unaudited Condensed Consolidated Interim Statements of Financial Position
(Expressed in Canadian dollars)

	As at March 31, 2016	As at June 30, 2015
	$	$
ASSETS		
Current		
Cash	**81,553**	190,955
Short-term investments	**-**	250,000
Other receivables and prepaid expenses	**66,122**	39,610
Total current assets	**147,675**	480,565
Equipment, net *(Note 3)*	**16,515**	72,406
Exploration and evaluation assets *(Note 4)*	**-**	1,335,158
Operator's bond *(Note 5)*	**-**	30,919
	164,190	1,919,048
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	**89,506**	194,907
Total current liabilities	**89,506**	194,907
Convertible debentures *(Note 6)*	**-**	893,890
Total liabilities	**89,506**	1,088,797
Shareholders' equity		
Share capital *(Note 7)*	**2,779,869**	1,838,322
Share premium *(Note 6)*	**215,070**	-
Treasury shares *(Note 7)*	**(80,000)**	-
Warrants *(Note 7)*	**120,754**	120,754
Convertible debentures – equity component *(Note 6)*	**-**	215,070
Contributed surplus	**105,092**	25,092
Accumulated other comprehensive income	**183,562**	83,150
Deficit	**(3,249,663)**	(1,452,137)
Total shareholders' equity	**74,684**	830,251
	164,190	1,919,048

Commitments *(Note 9)*
Subsequent events *(Note 13)*

On behalf of the Board:

"Eileen Au"
Director

"Danny Lee"
Director

See accompanying notes

SAN ANGELO OIL LIMITED
Unaudited Condensed Consolidated Interim Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

	Three months ended March 31, 2016	Three months ended March 31, 2015	**Nine months ended March 31, 2016**	Nine months ended March 31, 2015
Expenses				
Accretion *(Note 6)*	**$ -**	$ 37,953	**$ 75,383**	$ 110,378
Amortizaton *(Note 3)*	**3,478**	3,279	**10,267**	8,913
Consulting fees	**-**	23,973	**-**	301,225
Insurance	**2,198**	6,358	**29,594**	23,907
Legal	**15,951**	9,615	**47,842**	95,261
Office and miscellaneous	**4,344**	42,371	**30,234**	94,265
Professional fees	**21,991**	7,914	**57,234**	43,743
Regulatory fees	**4,883**	23,230	**10,850**	34,084
Salaries and benefits	**5,082**	76,268	**54,594**	359,140
Site investigation costs	-	(306)	-	49,618
Share-based payments	-	3,297	-	3,297
Transfer agent	**5,856**	-	**10,068**	8,174
Travel	-	5,103	**395**	37,717
Loss before other items	**63,783**	239,055	**326,461**	1,169,722
Other expense (income)				
Foreign exchange expense	**2,003**		**2,081**	-
Interest income	**(674)**	-	**(794)**	-
Write down of equipment *(Note 3)*	**50,958**		**50,958**	
Exploration property write-off (recovery) *(Note 4)*	**(113,384)**	-	**1,418,820**	-
	(61,097)	-	**1,471,065**	-
Net loss for the period before taxes	**$ 2,686**	$ 239,055	**$ 1,797,526**	$ 1,169,722
Recovery of income taxes	-	(66,098)	-	(133,285)
Net loss for the period	**$ 2,686**	$ 172,957	**$ 1,797,526**	$ 1,036,437
Exchange differences from translation of foreign operations	**817**	(58,204)	**(100,412)**	(100,927)
Comprehensive loss for the period	**$ 3,503**	$ 114,753	**$ 1,697,114**	$ 935,510
Basic and diluted loss per share	**$ (0.00)**	$ (0.01)	**$ (0.07)**	$ (0.07)
Weighted average number of shares outstanding	**34,927,500**	17,065,417	**25,679,325**	14,056,189

SAN ANGELO OIL LIMITED
Unaudited Condensed Consolidated Interim Statements of Changes in Equity
(Expressed in Canadian dollars)

	Number of issued and outstanding shares #	Share capital $	Number of issued and outstanding warrants #	Treasury Shares $	Warrants $	Share premium $	Convertible debentures equity component $	Contributed surplus $	Deficit $	Accumulated other comprehensive income (loss) $	Total equity $
Balance, June 30, 2014	**8,500,000**	**81,068**	**-**	**-**	**-**	**-**	**154,660**	**-**	**(147,399)**	**(8,449)**	**79,880**
Units, issued at $0.20 *(Note 7)*	7,390,000	1,478,000	3,695,000	-	-	-	-	-	-	-	1,478,000
Units, issued at $0.20 *(Note 7)*	5,037,500	806,000	5,037,500	-	201,500	-	-	-	-	-	1,007,500
Unit issuance expenses	-	(537,443)	-	-	(77,013)	-	-	16,120	-	-	(598,336)
Unit issuance expenses – deferred tax	-	9,502	-	-	-	-	-	-	-	-	9,502
Convertible debentures – equity component	-	-	-	-	-	-	14,844	-	-	-	14,844
Convertible debentures – deferred tax	-	-	-	-	-	-	(3,934)	-	-	-	(3,934)
Other comprehensive income (loss) for the period	-	-	-	-	-	-	-	-	-	100,927	100,927
Share-based payments	-	-	-	-	-	-	-	3,297	-	-	3,297
Net loss for the period	-	-	-	-	-	-	-	-	(1,036,437)	-	(1,036,437)
Balance, March 31, 2015	**20,927,500**	**1,837,127**	**8,732,500**	**-**	**124,487**	**-**	**165,570**	**19,417**	**(1,183,836)**	**92,478**	**1,055,243**
Balance, June 30, 2015	**20,927,500**	**1,838,322**	**8,732,500**	**-**	**120,754**	**-**	**215,070**	**25,092**	**(1,452,137)**	**83,150**	**830,251**
Shares issued for debt conversion *(Note 7)*	22,000,000	941,547	-	-	-	-	-	-	-	-	941,547
Seed shares cancelled	(8,000,000)	-	-	(80,000)	-	-	-	80,000	-	-	-
Equity component – convertible debenture	-	-	-	-	-	215,070	(215,070)	-	-	-	-
Other comprehensive income for the period	-	-	-	-	-	-	-	-	-	100,412	100,412
Net loss for the period	-	-	-	-	-	-	-	-	(1,797,526)	-	(1,797,526)
Balance, March 31, 2016	**34,927,500**	**2,752,746**	**8,732,500**	**(80,000)**	**120,754**	**215,070**	**-**	**105,092**	**(3,249,663)**	**183,562**	**74,684**

SAN ANGELO OIL LIMITED
Unaudited Condensed Consolidated Interim Statements of Cash Flows
(Expressed in Canadian dollars)

For the nine months ended	**March 31, 2016**	March 31, 2015
OPERATING ACTIVITIES		
Net loss for the period	$ (1,797,526)	$ (1,036,437)
Items not affecting cash:		
Accretion	75,383	110,378
Amortization	10,267	8,913
Recovery of deferred income tax	-	(133,285)
Write down of equipment	50,958	
Impairment of exploration and evaluation assets	1,418,820	3,297
Foreign exchange gain	103	-
Changes in non-cash working capital items:		
Other receivables and prepaid expenses	(26,079)	(42,683)
Accounts payable, accrued liabilities and other long-term liabilities	(95,997)	(307,084)
Net cash used in operating activities	(364,071)	(1,396,901)
INVESTING ACTIVITIES		
Acquisition of equipment	-	(20,898)
Redemption of short term investment	250,000	(425,000)
Redemption of operator's bond	34,600	-
Investment in exploration and evaluation assets	(12,447)	(500,945)
Net cash used in investing activities	272,153	(946,843)
FINANCING ACTIVITIES		
Funds received on issuance of convertible debentures	-	69,750
Interest expense paid on convertible debentures	(27,726)	-
Funds received on issuance of share capital	-	2,485,500
Share issuance expenses	-	(588,834)
Net cash from financing activities	(27,726)	1,966,416
Effect of exchange rate changes on cash	10,242	27,515
Change in cash during the period	**(109,402)**	**(349,813)**
Cash, beginning of the period	190,955	630,496
Cash, end of the period	**$ 81,553**	**$ 280,683**

Supplemental cash flow information (Note 12)

See accompanying notes

1. NATURE OF OPERATIONS AND GOING CONCERN

San Angelo Oil Limited (the "Company") was incorporated under the *British Columbia Business Corporations Act* on February 11, 2014. The Company is a junior resource company engaged in the identification, and the exploration and development, of both proven and unproven reserves via drilling and/or acquisition with a focus on central Texas.

To date the Company has not earned significant revenues and is considered to be in the exploration stage. The recoverability of the costs incurred for exploration and evaluation assets is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the projects and upon future profitable production or from the proceeds of disposition. The Company will require additional capital to fund its future property acquisitions and exploration programs as well as for administrative purposes. If management is unable to obtain additional funding, the Company may be unable to continue its operations, and amounts realized for assets may be less than amounts reflected in these consolidated financial statements.

These condensed consolidated interim financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will realize its assets and discharges its liabilities in the normal course of business. The Company incurred a loss of $1,797,526 during the period ended March 31, 2016, and as of that date, the Company had an accumulated deficit of $3,249,663 and net working capital of $58,169. Management has carried out an assessment of the going concern assumption and has concluded that the working capital position of the Company is insufficient to finance continued operations for the 12-month period subsequent to March 31, 2016.

These factors indicate the existence of material uncertainties that may cast significant doubt as to the Company's ability to continue as a going concern.

The continuity of the Company's operations is dependent on raising future financings for working capital, the continued exploration and development of its properties and for the acquisition of development costs of new projects. The Company's failure to raise additional funds could result in a delay in the work to be performed on the Company's existing exploration and evaluation assets and may lead to an additional impairment charge on the Company's exploration and evaluation asset. Management believes that it will be able to secure the necessary financing through a combination of the issuance of new equity or debt instruments. However, there is no assurance that the Company will be successful in these actions. There can be no assurance that adequate financing will be available, or available at terms favorable to the Company. Should it be determined that the Company is no longer a going concern, adjustments which could be significant, could be required to the carrying value of the assets and liabilities. These consolidated financial statements do not reflect any adjustments to the carrying value of the assets or liabilities or any impact on the consolidated statements of loss and comprehensive loss, and consolidated statement of financial position classifications that would be necessary should the going concern assumption not be appropriate.

These condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), on a going concern basis, which presume the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period.

The address of the Company's head office is located at Suite 3123 – 595 Burrard Street, Vancouver, British Columbia, V7X 1J1.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") using accounting policies consistent with IFRS as issued by the IASB and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). They do not include all of the information required for full annual financial statements and should be read in conjunction with the audited annual consolidated financial statements for the year ended June 30, 2015 ("2015 Annual Financial Statements"), which have been prepared in accordance with IFRS.

The policies applied in these condensed consolidated interim financial statements are based on IFRS issued and effective as at the date the Board of Directors approved these financial statements for issue.

These condensed consolidated interim financial statements have been prepared using accounting policies consistent with those used in the 2015 Annual Consolidated Financial Statement and were authorized for issue by the Board of Directors (the "Board") on May 19, 2016.

Basis of measurement

The condensed consolidated interim financial statements have been prepared on the historical cost convention, except for financial assets classified as fair value through profit and loss ("FVTPL") which are measured at fair value. These condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information, and are presented in Canadian dollars.

Basis of consolidation

The condensed consolidated interim financial statements include the financial statements of the Company and its wholly owned controlled U.S. subsidiary, San Angelo Operating Corp. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All inter-company balances have been eliminated upon consolidation. The financial statements of the subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases.

New standards, amendments and interpretations issued

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or IFRIC that are mandatory for accounting periods beginning after July 1, 2015, or later periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

The standards and interpretations that are issued, but not yet effective, up to the date of authorization of these consolidated financial statements are disclosed below. Management anticipates that all of the pronouncements will be adopted in the accounting policy for the first period beginning after the effective date of the pronouncement.

The Company continues to evaluate the impact the implementation of these standards will have on these condensed consolidated interim financial statements.

(Expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting standards anticipated to be effective in future periods:

- IFRS 9 - Financial Instruments. This IFRS introduces new requirements for classifying and measuring financial assets and liabilities and carries over from the requirements of IAS 39 - Financial Instruments: Recognition and measurement, derecognition of financial assets and financial liabilities. The required adoption date for IFRS 9 is January 1, 2018.

- IFRS 15 - Revenue from Contracts with Customers. This IFRS establishes principles to address the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. IFRS 15 will be effective for annual periods beginning on or after January 1, 2017, with early adoption permitted.

- IFRS 16 – Leases. This IFRS, which supersedes IAS 17 – Leases, specifies how to recognize, present and disclose leases. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. IFRS 16 is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted if IFRS 15, has also been applied.

3. EQUIPMENT

	Computer $	Equipment $	Well Equipment $	Total $
Cost				
Balance, July 1, 2014	**1,544**	**11,890**	**-**	**13,434**
Additions	1,299	21,357	47,573	70,229
Effect of changes to foreign exchange rate	-	1,896	(491)	1,405
Balance, June 30, 2015	**2,843**	**35,143**	**47,082**	**85,068**
Write off	-	-	(50,958)	(50,958)
Effect of changes to foreign exchange rate	-	1,760	3,876	5,636
Balance, March 31, 2016	**2,843**	**36,903**	**-**	**39,746**
Accumulated amortization				
Balance, July 1, 2014	-	-	-	-
Amortization for the period	948	11,113	-	12,061
Effect of changes to foreign exchange rate	-	601	-	601
Balance, June 30, 2015	**948**	**11,714**	**-**	**12,662**
Amortization for the period	714	9,553	-	10,267
Effect of changes to foreign exchange rate	-	302	-	302
Balance, March 31, 2016	**1,662**	**21,569**	**-**	**23,231**
Net carrying value				
Balance, June 30, 2015	**1,895**	**23,429**	**47,082**	**72,406**
Balance, March 31, 2016	**1,181**	**15,334**	**-**	**16,515**

(Expressed in Canadian dollars)

4. EXPLORATION AND EVALUATION ASSETS

Runnels County, State of Texas, U.S.A.

The Company acquired an undivided 55% working interest in 35 claims covering approximately 2,952 net acres located in Runnels County in the State of Texas.

Cumulative expenditures related to the Runnels County interest consists of the following:

	$
Balance, July 1, 2014	578,617
Additions	633,910
Translation adjustments	122,631
Balance, June 30, 2015	1,335,158
Additions	53,748
Translation adjustments	29,914
Impairment in exploration property	(1,418,820)
Balance, March 31, 2016	**-**

	March 31, 2016	**June 30, 2015**
	$	$
Acquisition costs	**586,130**	586,130
Consulting	**16,634**	12,056
Drilling	**226,585**	226,585
Lease	**123,464**	123,464
Mapping	**2,274**	2,274
Permitting	**1,578**	1,578
Reporting	**72,217**	72,217
Staking	**5,010**	5,010
Site preparation	**183,064**	141,066
Site supplies	**62,020**	54,848
Translation adjustment	**139,844**	109,930
Impairment in exploration property	**(1,418,820)**	-
	-	1,335,158

A review is carried out at each reporting date to assess whether or not indicators of impairment are present and whether or not an adjustment to the carrying value of the asset is required. As at March 31, 2016, management has concluded that indicators of impairment were present. Accordingly, management performed an impairment test and concluded that an impairment existed as at March 31, 2016 because the fair value less costs of disposal of the cash generating unit containing the property exceeded its carrying value. As a result, an impairment charge of $1,418,820 was recognized in the unaudited condensed consolidated interim statements of loss and comprehensive loss.

On October 1, 2014, the Company was appointed as operator for the 35 claims in which it has a 55% working interest located in Runnels County, in the State of Taxes. Effective July 22, 2015, the Company agreed to transfer the operations of the Orb Prospect to LoIn Energy Corporation or its' designee.

4. EXPLORATION AND EVALUATION ASSETS (continued)

The Company and the remaining 45% interest holders have agreed to bear their proportionate share of costs associated with all future drilling and should he Company fail to participate, its proportionate interest in the project will be reassigned to the operator free of charge.

5. OPERATOR'S BOND

The Company is required to provide an operator's bond in respect of its exploration activities in the State of Texas. The bond represents collateral for possible reclamation activities necessary in connection with the permits required for exploration activities.

The bond, in the amount of US$25,000 or $33,503 (June 30, 2015 – US$25,000 or $30,919), is fully refundable on discontinuing exploration activities or alternatively putting in place an alternative form of collateral acceptable to the governing authorities as a substitute. During the period ended March 31, 2016, the bond was redeemed for cash.

6. CONVERTIBLE DEBENTURES

During the period ended June 30, 2014, the Company undertook a non-brokered private placement of 10% secured subordinated convertible debentures in the aggregate principal amount of $1,100,000. The first tranche of the offering closed on June 30, 2014, resulting in the receipt of $1,030,250 in gross proceeds. The second tranche of the offering closed on July 22, 2014, resulting in the receipt of $69,750 in gross proceeds. The convertible debentures (the "Debentures") are due five years from their date of issuance, pay interest at the rate of 10% per annum and are convertible into 5,500,000 units of the Company. The debenture holders have the right, at their option, to convert all or part of the principal amount, excluding interest thereon, into units of the Company at a price of $0.20 per unit for a period of five years after the closing date. Each unit consists of one common share and one-half of a share purchase warrant entitling the holder to purchase one additional common share for each full warrant tendered at a purchase price of $0.50 per share for a period of five years from the closing date of the offering. On January 21, 2015, the Company repriced the warrants entitling the holder to purchase one additional common share at a reduced price of $0.30 per common share. As a result of repricing the warrants, a loss on modification of the convertible debentures of $49,500 was recorded.

On December 29, 2015, the Company and its debenture holders have amended the convertible debenture agreements whereby both parties have agreed to eliminate the warrants underlying the Debentures and reduce the conversion price of the Debenture from $0.20 to $0.05 per common share. Also as part of the amendment, these Debentures have also been converted into common shares of the Company. As at March 3, 2016, the Company does not have any amounts outstanding owed to convertible debenture holders.

Pursuant to a pooling agreement between the holders of the debentures, the Company and the Pooling Agent, the units, which include the unit shares and unit warrants, issuable upon conversion of the debentures and the unit share warrant shares issuable upon exercise of any unit warrants may not be sold or transferred for three years from the date of closing. The unit pooling period may be altered to allow for an earlier release if the original debenture holders who hold two-thirds or greater of the total Canadian dollar value of the Debenture Offering agree to do so in writing.

(Expressed in Canadian dollars)

6. CONVERTIBLE DEBENTURES (continued)

The following table reconciles the recorded value of the convertible debentures:

	Liability $	Equity $	Total $
Balance, July 1, 2014	798,167	154,660	952,827
Subscription proceeds	54,908	14,844	69,752
Loss on modification of convertible debentures	-	49,500	49,500
Accretion	150,394	-	150,394
Deferred income tax on equity component	-	(3,934)	(3,934)
Interest paid	(109,579)	-	(109,579)
Balance, June 30, 2015	893,890	215,070	1,108,960
Accretion	75,383	-	75,383
Interest paid	(27,726)	-	(27,726)
Converted to equity	**(941,547)**	**(215,070)**	**(1,156,617)**
Balance, March 31, 2016	**-**	**-**	**-**

7. SHARE CAPITAL

The Company has an unlimited number of common shares without par value authorized for issuance.

	Number of issued and outstanding shares		Share Capital
Balance, July 1, 2014	8,500,000	$	81,068
Shares issued for cash pursuant to a brokered private placement	7,390,000		1,478,000
Shares issued for cash pursuant to an initial public offering	5,037,500		806,000
Less share issuance expenses, net of taxes	-		(526,746)
Balance, June 30, 2015	20,927,500	$	1,838,322
Shares issued upon convertible debt conversion	22,000,000		914,424
Shares cancelled	(8,000,000)		-
Balance, March 31, 2016	34,927,500	$	2,752,746

On August 28, 2014, the Company completed a brokered private placement issuing 7,390,000 units at a price of $0.20 per unit for gross proceeds of $1,478,000. Each unit consists of one common share and one-half of a share purchase warrant. Each whole share warrant will entitle the holder to purchase one additional common share at a price of $0.50 per common share. The warrants expire on March 10, 2017. On January 21, 2015, the Company repriced the warrants entitling the holder to purchase one additional common share at a reduced price of $0.30 per common share.

The Company also granted 591,200 Agents options entitling the holder to subscribe for and purchase 591,200 common shares at a price of $0.20 per share. These options expire on March 10, 2017.

7. SHARE CAPITAL (continued)

The common shares and warrants will be subject to seed share resale restrictions with releases of 20% on the Listing Date and 20% on each of months one through four after the Listing Date. In addition, 165,000 common shares and 82,500 share purchase warrants have been placed into a voluntary pooling arrangement pursuant to which these securities will be restricted for a period of six months following the Listing Date.

On March 10, 2015, the Company completed its initial public offering by issuing 5,037,500 units at a price of $0.20 per unit for gross proceeds of $1,007,500. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share at a price of $0.30. The warrants expire on March 10, 2017.The Company also granted 403,000 Agents options entitling the holder to subscribe for and purchase 403,000 common shares at a price of $0.20 per share. These options expire on March 10, 2017.

On December 29, 2015, the Company cancelled and returned to treasury 8,000,000 of the 8,500,000 seed shares that were issued at $0.01 per common share prior to San Angelo's initial public offering.

On December 29, 2015, the Company issued 22,000,000 common shares for the conversion of $1,100,000 in total aggregate amount of convertible debentures outstanding at an amended price of $0.05 per common share (previously convertible at $0.20 per common share). The Company has also eliminated the warrants underlying these Debentures. Out of the 22,000,000 common shares issued to the debenture holders, 5,362,500 common shares underlying the Debentures will remain subject to an escrow agreement while the remaining 16,637,500 common shares underlying the Debentures will be free trading.

(a) Stock options

The Company has a stock option plan for the purchase of common shares for its directors, officers and employees [the "2014 Plan"]. The maximum number of shares which may be issuable pursuant to options granted under the plan shall be the number equal to 10% of the Company's issued share capital from time to time or such additional amount as may be approved from time to time by the shareholders of the Company. The options are non-assignable and non-transferable. There is no cash settlement alternative provision for the options. The exercise price of the options is fixed by the Board of Directors of the Company at the time of the grant, subject to all applicable regulatory requirements. During the period ended March 31, 2016, the Company cancelled stock option previously issued due to the recent changes to Management and the Board of Directors.

On October 8, 2014 and November 14, 2014, the Company granted 2,050,000 options to directors, employees and consultants. The grant of 1,850,000 of the options will be effective on the Listing Date and the options will be exercisable at the Offering Price for a period of six years from the Listing Date. The options will vest over a 36-month period, with one-third of the options vesting every 12 months after the Listing Date. The grant of 200,000 of the options was to be effective on the earlier of the Listing Date and January 27, 2015 with the options to be exercisable at the Offering Price for a period of six years from the effective date of the grant. The options vest over an 18-month period, with 10% of the options vesting on the effective date of the grant, and a further 15% vesting every 3 months following that date.

On January 21, 2015, the number of options granted effective on the Listing Date was reduced to 1,125,000, and the number of options granted effective on the earlier of the Listing Date and January 27, 2015 was reduced to 128,600, with the exercise price of all the options decreased to $0.20. All other terms and conditions remained unchanged.

On January 27, 2015, the grant of the 128,600 options became effective. The unvested options were forfeited with no expense recognition in the consolidated statement of loss and comprehensive loss.

As at March 31, 2016, there were no stock options issued and outstanding.

(Expressed in Canadian dollars)

7. SHARE CAPITAL (continued)

(a) Stock options (continued)

	Number of stock options #	Weighted average exercise price $
Balance, July 1, 2014	-	-
Granted	1,253,600	0.20
Forfeited	(115,740)	0.20
Balance, June 30, 2015	1,137,860	0.20
Cancelled	(1,137,860)	0.20
Balance, March 31, 2016	-	-

For the purposes of estimating the fair value of options using the Black-Scholes option pricing model, certain assumptions are made such as expected dividend yield, forfeiture rates, volatility of the market price of the Company's shares, risk free interest rates and expected average life of the options.

The fair value of options granted during the period ended June 30, 2015 was $0.04 per option. The fair value of each option granted was determined using the Black-Scholes option pricing model and used the weighted average assumptions provided in the table below.

	June 30, 2015
Risk free interest rate	2.00%
Expected life	3 years
Estimated forfeiture rates	0%
Expected volatility	26.70%
Expected dividend yield	0%

For the period ended March 31, 2016 and 2015, the Company did not record any share-based payment expense.

(b) Agent's options

The following table summarizes the continuity of agent's options outstanding at March 31, 2016:

	Number of options	Weighted average exercise price
Balance, July 1, 2014	-	-
Granted	994,200	0.20
Balance, June 30, 2015 and March 31, 2016	994,200	0.20

(Expressed in Canadian dollars)

7. SHARE CAPITAL (continued)

(b) Agent's options (continued)

Options outstanding

Number of options #	**Expiry date**	**Weighted average remaining life** (in years)	**Exercise price** $
591,200	March 10, 2017	1.44	0.20
403,000	March 10, 2017	1.44	0.20
994,200		1.44	

(c) Warrants

The following table summarizes the continuity of warrants outstanding at March 31, 2016:

	Number of warrants #	**Weighted average exercise price** $
Balance, July 1, 2014	-	-
Granted	8,732,500	0.30
Balance, June 30, 2015 and March 31, 2016	**8,732,500**	**0.30**

Warrants outstanding

Number of warrants #	**Expiry date**	**Weighted average remaining life** (in years)	**Exercise price** $
8,732,500	March 10, 2017	1.44	0.30

(Expressed in Canadian dollars)

8. RELATED PARTY TRANSACTIONS

Transactions with related parties were in the normal course of operations and are measured at the exchange amount established and agreed to by the related parties.

In addition to the related party transactions noted below, the Company has reimbursed these related parties for out of pocket costs incurred on behalf of the Company. Such costs include travel, telephone charges and other office related charges.

Key management personnel compensation, including senior officers and directors of the Company:

	March 31, 2016 $	March 31, 2015 $
Salary paid to key management and included in salary and benefits	**48,364**	129,595
Total remuneration	**48,364**	129,595

(a) As at March 31, 2016, convertible debentures held by key management personnel and their close family members totaled $Nil (June 30, 2015 – $362,500).

(b) For the period ended March 31, 2016, the Company incurred consulting fees charged by the CEO and a director of the Company of $18,000. Of this amount, $16,000 were paid to him during the period ended March 31, 2016 (March 31, 2015 –$48,999).

9. COMMITMENTS

The Company has a commitment to make monthly rental payments pursuant to an office rental agreement in Austin, Texas. The agreement expires on June 1, 2016 and will require annual payments of approximately US$22,152 or $23,628 until the expiry date. During the period ended March 31, 2016, the lease was assigned to a third party with the Company's net obligation reduced to US$500 monthly. However, the Company remains the primary obligor on the agreement.

10. FINANCIAL INSTRUMENTS

The Company is exposed in varying degrees to a variety of financial instrument related risks. The main types of risks are credit risk, liquidity risk and market risk. These risks arise from the normal course of operations and all transactions are undertaken as a going concern. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company is exposed to credit risk primarily associated to cash, short-term investments, and other receivables. The carrying amounts of assets included on the consolidated statements of financial position represent the maximum credit exposure. The Company limits exposure to credit risk and liquid financial assets through maintaining its cash and short-term investments with institutions of high creditworthiness.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company manages its capital in order to meet short-term business requirements, after taking into account cash flows from operations, expected capital expenditures and its holdings of cash. In the long term, the Company may have to issue additional shares to ensure there is cash available on demand for its programs. All short-term financial liabilities, being accounts payable and accrued liabilities, are payable within a 90-day period and are to be funded from cash on hand.

Market risk

Interest rate risk

The Company is exposed to interest rate risk on its outstanding cash reserves. The Company's policy is to invest cash at fixed and floating interest rates in order to maintain liquidity, while achieving a satisfactory return for shareholders. The Company monitors this exposure and does not enter into any derivative contracts to manage this risk. The Company's interest rate risk mainly arises from the interest rate impact on its cash and short-term investments. Short-term investments receive interest based on market interest rates. Based on short-term investments outstanding at March 31, 2016, with other variables unchanged, a 1% change in the interest rate would decrease (increase) its net loss by approximately $Nil the Company's financial liabilities are not exposed to interest rate risk.

Foreign currency risk

The Company operates in the U.S. and is exposed to foreign currency risk relating to U.S. dollars, from purchases and loans that are denominated in currencies other than the respective functional currencies of the Company's foreign operations. The Company's subsidiary has a U.S. dollar functional currency, whose net assets are exposed to foreign currency translation risk. The Company has elected not to actively manage this exposure at this time. For the period March 31, 2016, with other variables unchanged, a 1.00% strengthening of the U.S. dollar against the Canadian dollar would impact the Company's financial statements as follows:

- increase net loss by approximately $1,470 (2015 - $Nil) due to the translation of the foreign operations' statements of operations into the Company's presentation currency, the Canadian dollar; and
- increase other comprehensive income by approximately $1,470 (2015 - $Nil).

(Expressed in Canadian dollars)

10. FINANCIAL INSTRUMENTS (continued)

Fair value

The Company classifies its fair value measurements within a fair value hierarchy, which reflects the significance of the inputs used in making the measurements as defined in IFRS 13 - *Financial Instruments: Fair Value Measurement* ("IFRS 13").

Level 1 – Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets.

Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Unobservable inputs which are supported by little or no market activity. As required by IFRS 13, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

The significance of the inputs used in determining fair value measurements of the Company's financial instruments is provided below:

		March 31, 2016			
	Category	Carrying value $	Level 1 $	Level 2 $	Level 3 $
Cash	FVTPL	81,553	81,553	-	-

		June 30, 2015			
	Category	Carrying value $	Level 1 $	Level 2 $	Level 3 $
Cash	FVTPL	190,955	190,955	-	-
Funds held in trust	FVTPL	250,000	250,000	-	-

Funds held in trust were a result of legal counsel receiving on the Company's behalf the proceeds from the convertible debenture offering. The fair value of short-term investment approximates its carrying value.

(Expressed in Canadian dollars)

11. CAPITAL MANAGEMENT

The Company manages its cash, short-term investments, share capital and share purchase warrants as capital. It is management's objective to safeguard its capital in order that it will be able to continue as a going concern in the best interests of all stakeholders.

The Company's investment policy is to hold cash with institutions of high creditworthiness, in interest bearing bank accounts and highly liquid short-term interest bearing investments with maturities of one year or less which can be liquidated at any time without penalties.

The Company currently has no source of revenues. As such, the Company is dependent upon external financings to fund activities. In order to carry future projects and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

12. SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental disclosure of non-cash financing activities:

	March 31 2016 $	**June 30 2015** $
Exploration and evaluation expenditures included in accounts payable and accrued liabilities	**-**	152,062
Interest paid	**27,726**	109,579
Interest received	**(794)**	(425)

13. SUBSEQUENT EVENTS

On February 3, 2016, the Company announced that it intends to consolidate its common shares on a ten (10) for one (1) basis. The Company currently has 34,927,500 common shares issued and outstanding. Following the consolidation, the Company will have approximately 3,492,750 common shares issued and outstanding prior to rounding for fractional shares. Completion of the share consolidation is subject to approval by the TSX Venture Exchange. The exercise price of outstanding options and warrants, and the number of common shares that may be acquired pursuant to such options and warrants, will be adjusted to account for the consolidation in accordance with the terms and conditions of such options and warrants.

The Company announced a non-brokered private placement of up to 5,000,000 units (the "Units") at a market price ($0.05 per Unit), post consolidation, for gross proceeds of up to $250,000 (the "Offering"). Each Unit will be comprised of one post-consolidated common share and one transferrable share purchase warrant (a "Warrant") of the Company. Each Warrant will entitle the holder to acquire one additional post-consolidation common share of the Company at a price of $0.05 for a period of 5 years following closing of the Offering.