PORTOFINO RESOURCES INC.

FINANCIAL STATEMENTS

AS AT

MAY 31, 2016 AND 2015

MANNING ELLIOTT
ACCOUNTANTS & BUSINESS ADVISORS

11th floor, 1050 West Pender Street, Vancouver, BC, Canada V6E 3S7
Tel: 604. 714. 3600 Fax: 604. 714. 3669 Web: manningelliott.com

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Portofino Resources Inc.

We have audited the accompanying financial statements of Portofino Resources Inc. which comprise the statements of financial position as at May 31, 2016 and 2015, and the statements of comprehensive loss, changes in equity and cash flows for the years ended May 31, 2016 and 2015, and the related notes comprising 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 as issued by the International Accounting Standards Board, 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 audits 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 our 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, we consider 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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Portofino Resources Inc. as at May 31, 2016 and 2015, and its financial performance and its cash flows for the years ended May 31, 2016 and 2015, in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which indicates the existence of a material uncertainty that may cast significant doubt on the ability of Portofino Resources Inc. to continue as a going concern.

/s/ Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, British Columbia
September 13, 2016

PORTOFINO RESOURCES INC.
STATEMENTS OF FINANCIAL POSITION
AS AT MAY 31, 2016 AND 2015
(Expressed in Canadian dollars)

	Note	2016	2015
		$	$
ASSETS			
CURRENT			
Cash and cash equivalents	6	12,715	139,374
Amounts receivables		1,985	9,136
Prepaid expenses	9	5,200	6,500
		19,900	155,010
EXPLORATION AND EVALUATION ASSET	7	251,034	283,267
		270,934	438,277
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities	9	37,482	12,525
EQUITY			
SHARE CAPITAL	8	845,465	845,465
CONTRIBUTED SURPLUS	8	395,382	395,382
DEFICIT		(1,007,395)	(815,095)
		233,452	425,752
		270,934	438,277

NATURE OF BUSINESS AND CONTINUING OPERATIONS (Note 1)
SUBSEQUENT EVENTS (Note 13)

Approved and authorized for issue on behalf of the Board on September 13, 2016.

/s/ “Robert Coltura” Director */s/ “*David Tafel*”* Director

The accompanying notes are an integral part of these financial statements

PORTOFINO RESOURCES INC.
STATEMENTS OF COMPREHENSIVE LOSS
FOR THE YEARS ENDED MAY 31, 2016 AND 2015
(Expressed in Canadian dollars)

	Note	2016	2015
		$	$
EXPENSES			
Advertising and promotion		8,850	10,649
Consulting fees		17,500	16,500
Investor communications		-	32,500
Management fees	9	69,000	69,000
Office		26,227	14,573
Professional fees	9	42,171	42,416
Rent	9	18,356	15,607
Transfer agent and filing fees		10,196	38,135
NET LOSS AND COMPREHENSIVE LOSS		(192,300)	(239,380)
LOSS PER SHARE – Basic and diluted		(0.02)	(0.02)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING		12,550,000	10,969,466

The accompanying notes are an integral part of these financial statements

PORTOFINO RESOURCES INC.
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED MAY 31, 2016 AND 2015
(Expressed in Canadian dollars)

	Common Shares				
	Number of Shares	**Amount**	**Contributed Surplus**	**Deficit**	**Total**
		$	$	$	$
Balance, May 31, 2014	9,465,000	396,400	367,133	(575,715)	187,818
Shares issued for cash	3,000,000	600,000	-	-	600,000
Shares issued for mineral property	85,000	17,000	-	-	17,000
Share-based compensation for stock options granted	-	(28,249)	28,249	-	-
Share issuance costs	-	(139,686)	-	-	(139,686)
Net loss and comprehensive loss	-	-	-	(239,380)	(239,380)
Balance, May 31, 2015	**12,550,000**	**845,465**	**395,382**	**(815,095)**	**425,752**
Net loss and comprehensive loss	-	-	-	(192,300)	(192,300)
Balance, May 31, 2016	**12,550,000**	**845,465**	**395,382**	**(1,007,395)**	**233,452**

The accompanying notes are an integral part of these financial statements

PORTOFINO RESOURCES INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MAY 31, 2016 AND 2015
(Expressed in Canadian dollars)

	2016	2015
	$	$
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net loss	(192,300)	(239,380)
Changes in non-cash working capital balances:		
Amounts receivables	7,151	5,867
Prepaid expenses	1,300	3,500
Accounts payable and accrued liabilities	24,957	(21,795)
Cash used in operating activities	(158,892)	(251,808)
INVESTING ACTIVITY		
Exploration and evaluation asset	32,233	(140,947)
Cash provided (used) in investing activity	32,233	(140,947)
FINANCING ACTIVITIES		
Shares issued for cash	-	600,000
Share issuance costs	-	(139,686)
Cash provided by financing activities	-	460,314
CHANGE IN CASH AND CASH EQUIVALENTS	(126,659)	67,559
CASH AND CASH EQUIVALENTS, BEGINNING	139,374	71,815
CASH AND CASH EQUIVALENTS, END	12,715	139,374

SUPPLEMENTAL CASH DISCLOSURES:		
Interest paid	-	-
Income taxes paid	-	-

SIGNIFICANT NON-CASH INVESTING AND FINANCING TRANSACTIONS:		
Fair value of shares issued for exploration and evaluation assets	-	17,000
Fair value of agent warrants issued	-	28,249

The accompanying notes are an integral part of these financial statements

1. NATURE OF OPERATIONS

Portofino Resources Inc. ("the Company") was incorporated on June 14, 2011 under the laws of British Columbia. The address of the Company's corporate office and its principal place of business is 200-551 Howe Street, Vancouver, British Columbia, Canada. The Company's shares are listed for trading on the TSX Venture Exchange under the symbol "POR".

The Company's principal business activities include the acquisition and exploration of mineral property assets. As at May 31, 2016, the Company had not yet determined whether the Company's mineral property asset contains ore reserves that are economically recoverable. The recoverability of amounts shown for exploration and evaluation assets 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 the future profitable production from the properties or realizing proceeds from their disposition. The outcome of these matters cannot be predicted at this time and the uncertainties cast significant doubt upon the Company's ability to continue as a going concern.

The Company had a deficit of $1,007,395 as at May 31, 2016 (2015 - $815,095), which has been funded by the issuance of equity. 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. These financial statements do not give affect 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 these financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

These financial statements were authorized for issue in accordance with a resolution from the Board of Directors on September 13, 2016.

b) Basis of presentation

The financial statements have been prepared on the historical cost basis, with the exception of financial instruments which are measured at fair value, as explained in the accounting policies set out below. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

c) Cash and cash equivalents

Cash and cash equivalents in the statements of financial position is comprised of cash in banks and on hand, and highly liquid investments which are readily convertible into known amounts of cash.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Exploration and evaluation assets

All costs related to the acquisition, exploration and development of mineral properties are capitalized. Upon commencement of commercial production, the related accumulated costs are amortized against projected income using the units-of-production method over estimated recoverable reserves.

Management annually assesses carrying values of non-producing properties and properties for which events and circumstances may indicate possible impairment. Impairment of a property is generally considered to have occurred if the property has been abandoned, there are unfavourable changes in the property economics, there are restrictions on development, or when there has been an undue delay in development, which exceeds three years. In the event that estimated discounted cash flows expected from its use or eventual disposition is determined by management to be insufficient to recover the carrying value of the property, the carrying value is written-down to the estimated recoverable amount.

The recoverability of mineral properties and exploration and development costs is dependent on the existence of economically recoverable reserves, the ability to obtain the necessary financing to complete the development of the reserves, and the profitability of future operations. The Company has not yet determined whether or not any of its future mineral properties contain economically recoverable reserves. Amounts capitalized to mineral properties as exploration and development costs do not necessarily reflect present or future values.

When options are granted on mineral properties or properties are sold, proceeds are credited to the cost of the property. If no future capital expenditure is required and proceeds exceed costs, the excess proceeds are reported as a gain.

e) Share-based compensation

Share-based payments to employees and others providing similar services are measured at the estimated fair value of the instruments issued on the grant date and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The amount recognized as an expense is adjusted to reflect the number of awards expected to vest. The offset to the recorded cost is to Contributed Surplus.

Consideration received on the exercise of stock options is recorded as share capital and the related Contributed Surplus is transferred to share capital. Charges for options that are forfeited before vesting are reversed from equity settled share-based payment reserve.

Share-based compensation expense relating to deferred share units is accrued over the vesting period of the units based on the quoted market price. As these awards can be settled in cash, the expense and liability are adjusted each reporting period for changes in the underlying share price.

The fair value of the stock options and agent warrants is determined using the Black-Scholes option pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on historical experience), expected dividends, expected forfeitures, and risk-free interest rate (based on government bonds).

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Flow-through shares

The resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with Canadian tax legislation. On issuance, the premium recorded on the flow-through share, being the difference in price over a common share with no tax attributes, is recognized as a liability. As expenditures are incurred, the liability associated with the renounced tax deductions is recognized through profit and loss based on the pro-rata portion of the deferred premium. To the extent that the Company has deferred tax assets in the form of tax loss carry-forwards and other unused tax credits as at the reporting date, the Company may use them to reduce its deferred tax liability relating to tax benefits transferred through flow-through shares.

g) Foreign currency

The Company's functional currency is the Canadian dollar. Transactions and balances in currencies other than the Canadian dollar, the currency of the primary economic environment in which the Company operates ("the functional currency"), are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at exchange prevailing on the statement of financial position date are recognized in the statement of comprehensive loss.

h) Decommissioning, restoration and similar liabilities

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 arising 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 units-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

Decommissioning costs are also adjusted for changes in estimates. Those adjustments are accounted for as a change in the corresponding capitalized cost, except where a reduction in costs is greater than the unamortized capitalized cost of the related assets, in which case the capitalized cost is reduced to nil and the remaining adjustment is recognized in profit or loss.

The operations of the Company have been, and may in the future be, affected from time to time in varying degree by changes in environmental regulations, including those for site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company are not predictable.

The Company has no material restoration, rehabilitation and environmental obligations as the disturbance to date is immaterial.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) 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 period. 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.

j) Income taxes

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and includes any adjustments to tax payable or receivable in respect of previous years.

Deferred income taxes are recorded using the liability method whereby deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the statement of financial position date. Deferred tax is not recognized for temporary differences which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

k) Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss (“FVTPL”).

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through earnings. The Company’s cash and cash equivalents are classified as FVTPL.

Financial assets classified as loans and receivables and held to maturity assets are measured at amortized cost. At May 31, 2016, the Company has not classified any financial assets as loans and receivables.

Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income and loss except for losses in value that are considered other than temporary which are recognized in earnings. At May 31, 2016, the Company has not classified any financial assets as available for sale.

Transactions costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized costs using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable are classified as other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held for trading and recognized at fair value with changes in fair value recognized in earnings unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in earnings. At May 31, 2016, the Company has not classified any financial liabilities as FVTPL.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Significant accounting estimates

i. the assessment of indications of impairment of the mineral property and related determination of the net realizable value and write-down of the mineral property where applicable;

ii. the measurement of deferred income tax assets and liabilities; and

Significant accounting judgments

i. the evaluation of the Company's ability to continue as a going concern.

4. ADOPTION OF NEW OR AMENDED ACCOUNTING STANDARDS

The mandatory adoption of the following new and revised accounting standards and interpretations on June 1, 2016 had no significant impact on the Company's financial statements for the years presented:

IAS 1 – *Presentation of Financial Statements*

In December 2014, the IASB issued an amendment to address perceived impediments to preparers exercising their judgment in presenting their financial reports. The changes clarify that materiality considerations apply to all parts of the financial statements and the aggregation and disaggregation of line items within the financial statements.

IAS 16 – *Property, Plant and Equipment* and IAS 36 – *Intangible Assets*

In May 2014, the IASB issued amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets. The amendments clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The amendments also clarifies that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances

5. NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued, but not yet effective, up to the date of issuance of the Company's financial statements are listed below. This listing of standards and interpretations issued are those that the Company reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Company intends to adopt these standards when they become effective.

New accounting standards effective for annual periods on or after June 1, 2018:

IFRS 9 - *Financial Instruments*

In November 2009, as part of the IASB project to replace IAS 39 Financial Instruments: Recognition and Measurement, the IASB issued the first phase of IFRS 9 Financial Instruments, that introduces new requirements for the classification and measurement of financial assets. The standard was revised in May 2010 to include requirements regarding classification and measurement of financial liabilities. In July 2014, the final version of IFRS 9 was issued and adds a new expected loss impairment model and amends the classification and measurement model for financial assets by adding a new fair value through other comprehensive income category for certain debt instruments and additional guidance on how to apply the business model and contractual cash flow characteristics.

IFRS 15 - *Revenue from Contracts with Customers*
In May 2014, the IASB issued IFRS 15 – Revenue from Contracts with Customers ("IFRS 15") which supersedes IAS 11 – Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers, and SIC 31 – Revenue – Barter Transactions Involving Advertising Services. IFRS 15 establishes a comprehensive five-step framework for the timing and measurement of revenue recognition.

The extent of the impact of adoption of these standards and interpretations on the financial statements of the Company has not been determined.

6. CASH AND CASH EQUIVALENTS

	2016	2015
	$	$
Cash	12,715	14,374
Guaranteed investment certificates ("GIC")	-	125,000
	12,715	139,374

The Company's guaranteed investment certificate of $125,000 was interest bearing at the prime rate minus 1.95% per annum and matured on December 4, 2015.

7. EXPLORATION AND EVALUATION ASSET

	Acquisition Costs	Exploration Costs	Total
	$	$	$
Balance, May 31, 2014	**10,000**	**115,320**	**125,320**
Acquisition costs	32,000	-	32,000
Exploration costs	-	125,947	125,947
Balance, May 31, 2015	**42,000**	**241,267**	**283,267**
Mining exploration tax credit	-	(32,233)	(32,233)
Balance, May 31, 2016	**42,000**	**209,034**	**251,034**

During the year, the Company received $32,233 (2015 - $nil) in mining exploration tax credit.

Iron Horse-Bolivar Mineral Property

Pursuant to an option agreement dated February 28, 2012, with Rich River Exploration Ltd. ("Rich River") and Craig Alvin Lynes, collectively, the "Optionors", the Company was granted an option to acquire a 100% undivided interest in the Iron Horse-Bolivar Mineral Property (the "Property") comprised of seven mineral claims located in the Peachland region of British Columbia.

To earn the 100% interest, the Company agreed to issue 175,000 common shares of the Company to Rich River, make cash payments totaling $100,000, and incur a total of $1,000,000 in exploration expenditures as follows:

	Common Shares	Cash	Exploration Expenditures
	#	$	$
Upon execution of the agreement (paid)	-	10,000	-
On or before February 28, 2013 (incurred)	-	-	100,000
Upon listing of the Company's common shares on the TSX Venture Exchange (issued and paid)	85,000	15,000	-
On or before the December 5, 2015[1]	90,000	-	-
On or before the December 5, 2016	-	15,000	200,000
On or before the December 5, 2017	-	25,000	300,000
On or before the December 5, 2018	-	35,000	400,000

Total	175,000	100,000	1,000,000

7. EXPLORATION AND EVALUATION ASSET (continued)

[1] These shares were issued to the Optionors subsequent to year end.

The Optionors will retain a 3% Net Smelter Returns royalty on the Property. The first 2% of the royalty may be purchased by the Company at $500,000 for each 1%. The purchase of the remaining 1% is negotiable after commercial production commences.

8. SHARE CAPITAL

a) Authorized:

The Company is authorized to issue an unlimited number of common shares without par value.

b) Escrow Shares:

There were 3,354,000 common shares held in escrow as at May 31, 2016 (2015 – 5,031,000). 10% of the escrowed common shares were released from escrow upon the Company being listed on the TSX Venture Exchange on December 5, 2014 and the remainder will be released in six equal tranches of 15% on each of the 6, 12, 18, 24, 30 and 36 months subsequent to the listing date.

c) Issued and Outstanding as at May 31, 2016: 12,550,000 common shares.

(i) No common shares were issued for the year ended May 31, 2016.

(ii) On December 5, 2014, the Company completed its Initial Public Offering and issued 3,000,000 common shares at a price of $0.20 per share, raising gross proceeds of $600,000. The Company incurred share issuance costs of $167,935 and issued 240,000 agent warrants in connection with the financing. Each agent warrant is exercisable until December 5, 2016 to acquire one common share of the Company at a price of $0.20. The agent's warrants were valued at $28,249 (Note 8(g)).

d) Stock Options:

On January 9, 2014, the Company adopted an incentive share option plan for granting options to directors, employees and consultants, under which the total outstanding options are limited to 10% of the outstanding common shares of the Company at any one time.

The Company did not grant any stock options during the year ended May 31, 2016 and 2015.

The continuity of stock options is as follows:

	Number of Options	Weighted Average Exercise Price
		$
Outstanding and exercisable, May 31, 2015 and 2014	800,000	0.20
Expired	(200,000)	0.20
Outstanding and exercisable, May 31, 2016	600,000	0.20

8. SHARE CAPITAL (continued)

d) Stock Options (continued):

The following options were outstanding and exercisable at May 31, 2016:

Number of options	Exercise price	Expiry date	Remaining life
	$		
600,000	$ 0.20	December 5, 2019	3.52 years

e) Warrants

The Company uses the residual value approach when allocating the fair value of the share purchase warrants issued in conjunction with the offering of units through a private placement. The Company determines the fair value of the common share and the residual value is allocated to the share purchase warrant for unit offerings that contain a common share and a share purchase warrant. Agents' warrants are measured at fair value on the date of the grant as determined using a Black-Scholes option pricing model.

During the year ended May 31, 2015, the Company issued 240,000 agent warrants in connection with the Initial Public Offering disclosed in Note 8(c)(ii). The fair value of 240,000 agent warrants was estimated to be $28,249 and was determined using the Black-Scholes pricing model and the following assumptions: estimated volatility of 115%, expected dividends of 0%, expected life of 2.00 year and risk free interest rate of 1.04%. The stock price of the Company's common shares on the date the stock options were granted was $0.20. The fair value per agent warrant at the grant date was $0.12.

No warrants were issued during the year ended May 31, 2016.

The continuity of warrants is as follows:

	Number of Warrants	Weighted Average Exercise Price
		$
Outstanding, May 31, 2014	-	-
Agent warrants issued	240,000	0.20
Outstanding and exercisable, May 31, 2016 and 2015	240,000	0.20

The following warrants were outstanding and exercisable at May 31, 2016:

Number of warrants	Exercise price	Expiry date	Remaining life
	$		
240,000	0.20	December 4, 2016	0.52 years

9. RELATED PARTY BALANCES AND TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

The following related parties' amounts have been included in accounts payable and accrued liabilities and prepaid expenses:

	2016	2015
	$	$
Accounts payable and accrued liabilities	36,841	11,583
Prepaid expenses	-	6,500

The amounts are due to or prepaid to companies controlled by directors of the Company. The accounts payable and accrued liabilities are non-interest bearing, unsecured and are due upon demand.

The Company had the following related party transactions:

	2016	2015
	$	$
Rent	9,000	9,000
Professional fees	21,950	21,525
Total	30,950	30,525

Rent and professional fees are paid to companies controlled by directors of the Company.

Key management personnel receive compensation in the form of short-term employee benefits. Key management personnel include the officers and directors of the Company. The remuneration of key management is as follows:

	2016	2015
	$	$
Management fees	69,000	69,000

Management services were provided by companies owned by two directors of the Company.

10. INCOME TAXES

The Company has losses carried forward of $710,000 available to reduce income taxes in future years which expire between 2032 and 2036.

The Company has not recognized any deferred income tax assets. The Company recognizes deferred income tax assets based on the extent to which it is probable that sufficient taxable income will be realized during the carry forward periods to utilize all deferred tax assets.

The following table reconciles the amount of income tax recoverable on application of the statutory Canadian federal and provincial income tax rates:

	2016	**2015**
Canadian statutory income tax rate	26%	25%
Income tax recovery at statutory rate	$ 50,000	$ 62,500
Effect of income taxes of:		
Permanent differences and others	3,000	36,000
Renouncement of flow through shares	-	(12,000)
Change in deferred tax assets not recognized	(53,000)	(86,500)
Deferred income tax recoverable	$ -	$ -

The temporary differences that give rise to significant portions of the deferred tax assets not recognized are presented below:

	2016	**2015**
	$	$
Non-capital loss carry forwards	184,500	124,000
Mineral properties	(23,000)	(23,500)
Share issuance costs	22,000	30,000
Deferred tax assets not recognized	(183,500)	(130,500)
	-	-

11. 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 its resource property. The Company does not have any externally imposed capital requirements to which it is subject.

The Company considers the aggregate of its share capital, contributed surplus and deficit as capital. 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. To maintain or adjust the capital structure, the Company may attempt to issue new shares or dispose of assets or adjust the amount of cash.

12. FINANCIAL INSTRUMENTS AND FINANCIAL RISK

International Financial Reporting Standards 7, *Financial Instruments: Disclosures*, establishes a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair Value of Financial Instruments

The Company's financial assets include cash and cash equivalents and are classified as Level 1. The carrying value of these instruments approximates their fair values due to the relatively short periods of maturity of these instruments.

Assets measured at fair value on a recurring basis were presented on the Company's statements of financial position as at May 31, 2016 are as follows:

	Fair Value Measurements Using			
	Quoted Prices in Active Markets For Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
	$	$	$	$
Cash and cash equivalents	12,715	-	-	12,715

Fair value

The fair value of the Company's financial instruments approximates their carrying value as at May 31, 2016 because of the demand nature or short-term maturity of these instruments.

12. FINANCIAL INSTRUMENTS AND FINANCIAL RISK (continued)

Fair value (continued)
The following table summarizes the carrying value of the Company's financial instruments:

	2016	**2015**
	$	$
FVTPL (i)	12,715	139,374
Other financial liabilities (ii)	37,482	12,525

(i) Cash and cash equivalents
(ii) Accounts payable

Financial risk management objectives and policies

The Company's financial instruments include cash and cash equivalents and accounts payable. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) *Currency risk*

The Company's expenses are denominated in Canadian dollars. The Company's corporate office is based in Canada and current exposure to exchange rate fluctuations is minimal.

The Company does not have any significant foreign currency denominated monetary liabilities. The principal business of the Company is the identification and evaluation of assets or a business and once identified or evaluated, to negotiate an acquisition or participation in a business subject to receipt of shareholder approval and acceptance by regulatory authorities.

(ii) *Interest rate risk*

The Company is exposed to interest rate risk to the extent that the cash and cash equivalents maintained at the financial institution. The fair value interest rate risk on cash and cash equivalents is insignificant due to their short-term nature.

The Company has not entered into any derivative instruments to manage interest rate fluctuations.

(iii) *Credit risk*

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash and cash equivalents. To minimize the credit risk the Company places these instruments with a high quality financial institution.

(iv) *Liquidity risk*

In the management of liquidity risk of the Company, the Company maintains a balance between continuity of funding and the flexibility through the use of borrowings. Management closely monitors the liquidity position and expects to have adequate sources of funding to finance the Company's projects and operations.

13. SUBSEQUENT EVENTS

a) The Company closed a non-brokered private placement (the “Private Placement”) for gross proceeds of $405,000 through the issuance of 8,100,000 units at a price of $0.05 per unit (“the unit”). Each Unit will be comprised of one common share of the Company and one common share purchase warrant (“Warrant”). Each Warrant will be exercisable to purchase an additional common share of the Company at an exercise price of $0.075 per Warrant Share for a period of two years from the closing date of the Private Placement.

b) The Company has issued 90,000 shares to the Optionors in accordance with the Option agreement as disclosed in note 7.