MITCHELL RESOURCES LTD.

FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2016 AND 2015

(Expressed in Canadian Dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Mitchell Resources Ltd.

We have audited the accompanying financial statements of Mitchell Resources Ltd., which comprise the statements of financial position as at May 31, 2016 and 2015, and the statements of comprehensive loss, changes in deficiency, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Mitchell Resources Ltd. as at May 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

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

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Professional Accountants

September 12, 2016

MITCHELL RESOURCES LTD.
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	Note	May 31, 2016 $	May 31, 2015 $
ASSETS			
Current assets			
Cash		39,752	75,410
GST receivable		121	428
Prepaid expenses		3,900	8,900
TOTAL ASSETS		43,773	84,738
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	6	154,300	103,524
Non-current liabilities			
Loans	4	528,970	512,593
TOTAL LIABILITIES		683,270	616,117
SHAREHOLDERS' DEFICIENCY			
Share capital	5	44,856,869	44,841,169
Share-based payments reserve	5	3,311,839	3,285,241
Deficit		(48,808,205)	(48,657,789)
TOTAL SHAREHOLDERS' DEFICIENCY		(639,497)	(531,379)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY		43,773	84,738

Nature of Operations and Going Concern - Note 1

These financial statements were approved for issue by the Board of Directors on September 12, 2016 and are signed on its behalf by:

/s/ ***Nick DeMare***	/s/ ***Harvey Lim***
Nick DeMare	Harvey Lim
Director	Director

MITCHELL RESOURCES LTD.
STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

	Note	Year Ended May 31, 2016 $	2015 $
Expenses			
Accounting and administration	6(b)(ii)	14,600	18,250
Audit		10,710	15,300
Legal		267	982
Office		794	794
Professional fees	6	54,600	54,600
Regulatory fees		8,119	8,482
Share-based compensation	5(e)	26,598	-
Shareholder costs		1,629	1,868
Transfer agent		5,649	5,531
Travel		-	153
		122,966	105,960
Loss before other items		(122,966)	(105,960)
Other items			
Interest income		609	774
Foreign exchange gain (loss)		18	(63,149)
Financing expenses	4	(28,077)	(38,045)
Gain on settlement of debt		-	6,270
Write-off of unproven mineral property interest		-	(1)
		(27,450)	(94,151)
Net loss and comprehensive loss for the year		(150,416)	(200,111)
Basic and diluted loss per common share		$(0.01)	$(0.03)
Weighted average number of common shares outstanding - basic and diluted		10,464,221	5,752,364

The accompanying notes are an integral part of these financial statements.

MITCHELL RESOURCES LTD.
STATEMENTS OF CHANGES IN DEFICIENCY
(Expressed in Canadian Dollars)

Year Ended May 31, 2016

	Share Capital				
	Number of Shares	Amount $	Share-Based Payments Reserve $	Deficit $	Total Deficiency $
Balance at May 31, 2015	10,365,989	44,841,169	3,285,241	(48,657,789)	(531,379)
Common shares issued for cash					
- exercise of warrants	157,000	15,700	-	-	15,700
Share-based compensation	-	-	26,598	-	26,598
Net loss for the year	-	-	-	(150,416)	(150,416)
Balance at May 31, 2016	10,522,989	44,856,869	3,311,839	(48,808,205)	(639,497)

Year Ended May 31, 2015

	Share Capital				
	Number of Shares	Amount $	Share-Based Payments Reserve $	Deficit $	Total Deficiency $
Balance at May 31, 2014	4,547,989	44,262,369	3,285,241	(48,457,678)	(910,068)
Common shares issued for cash					
- private placement	4,500,000	450,000	-	-	450,000
- exercise of warrants	1,318,000	131,800	-	-	131,800
Share issue costs	-	(3,000)	-	-	(3,000)
Net loss for the year	-	-	-	(200,111)	(200,111)
Balance at May 31, 2015	10,365,989	44,841,169	3,285,241	(48,657,789)	(531,379)

The accompanying notes are an integral part of these financial statements.

MITCHELL RESOURCES LTD.
STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	Note	Year Ended May 31, 2016 $	2015 $
Operating activities			
Net loss for the year		(150,416)	(200,111)
Adjustments for:			
Financing expenses	4	28,077	38,045
Gain on settlement of debt		-	(6,270)
Foreign exchange loss		-	63,172
Write-off of unproven mineral property interest		-	1
Share-based compensation	5(e)	26,598	-
Changes in non-cash working capital items:			
GST receivable		307	(294)
Prepaid expenses		5,000	(5,000)
Accounts payable and accrued liabilities		50,776	46,557
Net cash used in operating activities		(39,658)	(63,900)
Financing activities			
Issuance of common shares		15,700	581,800
Share issue costs		-	(3,000)
Loans received		-	110,000
Repayment of loans	4	(11,700)	(604,160)
Net cash provided by financing activities		4,000	84,640
Net change in cash during the year		(35,658)	20,740
Cash at beginning of year		75,410	54,670
Cash at end of year		39,752	75,410

1. Nature of Operations and Going Concern

The Company was incorporated under the provisions of the Company Act (British Columbia). The Company's common shares are listed on the TSX Venture Exchange ("TSXV") and trade under the symbol "MI". The Company's principal, registered and records office is located at #1305 - 1090 West Georgia Street, Vancouver, British Columbia V6E 3V7.

The Company was previously engaged in the sourcing, exploration and development of unproven mineral interests in Russia. The Company was in default of the performance criteria called for by the Souker License and, effective March 6, 2015, the Company was advised by governmental authorities that the Souker License had been terminated and, during fiscal 2015, management recorded a write-off of the remaining $1.

As at May 31, 2016 the Company had a working capital deficiency of $110,527, non-current liabilities of $528,970, and shareholders' deficiency of $639,497. The Company's ability to continue as a going concern is dependent upon the continued financial support from its management and other shareholders, the Company's ability to acquire mineral property interests, to obtain the necessary financing to explore and develop properties and to establish future profitable production. The Company's operations are funded from equity financings which are dependent upon many external factors and may be difficult to impossible to secure or raise when required. As a result of this uncertainty, there is significant doubt as to the Company's ability to continue as a going concern. While the Company has been successful in securing financings in the past, there can be no assurance that it will be able to do so in the future.

These circumstances create a material uncertainty that leads to significant doubt to the ability of the Company to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

2. Basis of Preparation

Statement of Compliance

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

Basis of Measurement

The financial statements of the Company have been prepared on an accrual basis except for cash flow information, and are based on historical costs except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at fair value. The financial statements are presented in Canadian dollars unless otherwise noted.

3. Summary of Significant Accounting Policies

Critical Judgments and Sources of Estimation Uncertainty

The preparation of these financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these judgments, estimates and assumptions could result in outcomes that could require a material adjustment to the carrying amount of the assets or liabilities in future years.

3. Summary of Significant Accounting Policies (continued)

Estimation Uncertainty

The information about significant areas of estimation uncertainty considered by management in preparing the financial statements is as follows:

(i) Income taxes

The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialization of mineral reserves. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and deferred income tax provisions or recoveries could be affected.

Critical Judgments

The preparation of these financial statements requires management to make judgments regarding the going concern of the Company as discussed in Note 1.

Share Capital

Proceeds from the exercise of stock options and warrants are recorded as share capital in the amount for which the option or warrant enabled the holder to purchase a share in the Company. Shares issued for non-monetary consideration are valued at the closing market price at the date of issuance.

Share-based Payments

The Company grants share options to acquire common shares of the Company to directors, officers, consultants and employees. The fair value of the options to employees is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the vesting period for employees using the graded method. Fair value of share-based payments for non-employees is recognized and measured at the date the goods or services are received, at either the fair value of the goods or services received or the fair value of the equity instruments issued using the Black-Scholes option pricing model.

The fair value is recognized as an expense with a corresponding increase in share-based payment reserve. The amount recognized as expense is adjusted to reflect the number of share options expected to vest.

Unproven Mineral Property Interests

The Company capitalizes all costs related to investments in mineral property interests on a property-by-property basis. Such costs include mineral property acquisition costs and exploration and development expenditures, net of any recoveries, and are monitored for indications of impairment. Where there are indications of a potential impairment, an assessment is performed for recoverability. Capitalized costs are charged to profit or loss to the extent that they are not expected to be recovered. Exploration expenditures relate to the initial search for deposits with economic potential and to detailed assessment of deposits or other projects that have been identified as having economic potential.

Once an economically viable reserve has been determined for an area and the decision to proceed with development has been approved, exploration and evaluation assets attributable to that area are first tested for impairment and then reclassified to construction in progress within property, plant and equipment.

3. Summary of Significant Accounting Policies (continued)

Subsequent recovery of the resulting carrying value depends on successful development or sale of the undeveloped project. If a project does not prove viable, all irrecoverable costs associated with the project net of any impairment provisions are written off.

Although the Company has taken steps to verify title to mineral interests in which it has an interest, according to the usual industry standards for the stage of exploration of such interests, these procedures do not guarantee the Company's title. Such interests may be subject to prior agreements or transfers and title may be affected by undetected defects.

From time to time the Company may acquire or dispose of a mineral property pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as property costs or recoveries when the payments are made or received.

Income Taxes

Income tax expense consisting of current and deferred tax expense is recognized in profit or loss. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax assets and liabilities and the related deferred income tax expense or recovery are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases.

Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled.

The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss in the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable income will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced.

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

Loss per Share

Basic loss per share is calculated by dividing profit or loss available to common shareholders by the weighted average number of common shares outstanding during the year. The computation of diluted earnings per share assumes the exercise of outstanding options, warrants and similar instruments, and that the proceeds of such exercise would be used to repurchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

Shares held in escrow, other than where their release is subject to the passage of time, are not included in the calculation of the weighted average number of common shares outstanding.

Financial Instruments

Financial assets are classified into one of four categories: fair value through profit or loss ("FVTPL"); held-to-maturity ("HTM"); available-for-sale ("AFS"); and loans and receivables.

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

3. Summary of Significant Accounting Policies (continued)

(i) *FVTPL Financial Assets*

Financial assets classified as FVTPL are stated at fair value with any resultant change in fair value recognized in profit or loss. The net gain or loss recognized incorporates any dividend or interest earned on the financial asset.

(ii) *HTM Investments*

HTM investments are recognized on a trade-date basis and are initially measured at fair value using the effective interest rate method. The Company does not have any assets classified as HTM investments.

(iii) *AFS Financial Assets*

Short-term investments and other assets not otherwise designated are classified as AFS and stated at fair value on the date of acquisition and each subsequent reporting date. Any change in fair value is recognized as other comprehensive income.

(iv) *Loans and Receivables*

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Loans and receivables are initially recognized at the transaction value and subsequently carried at amortized cost less impairment losses. The impairment loss on receivables is based on a review of all outstanding amounts at period end. Bad debts are written off during the year in which they are identified. Interest income is recognized by applying the effective interest rate method.

(v) *Effective Interest Method*

The effective interest method calculates the amortized cost of a financial asset and allocates interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

(vi) *Financial Liabilities and Equity*

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs. Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

(vii) *Other Financial Liabilities*

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

(viii) *De-recognition of Financial Liabilities*

The Company de-recognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

(Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies (continued)

Translation of Foreign Currencies

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency of the Company is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the period end exchange rate while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in comprehensive loss.

Decommissioning Provision

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral interest by or on behalf of the Company. Costs for restoration of site damage which is created on an ongoing basis during exploration and evaluation are provided for at their net present values and charged against profits in the period such exploration and evaluation occurs. Discount rates using a risk-free rate that reflects the time value of money are used to calculate the net present value. The related liability is adjusted each period for the unwinding of the discount rate and for changes to the current market-based discount rate and amount or timing of the underlying cash flows needed to settle the obligation. As at May 31, 2016 and 2015 the Company does not have any decommissioning obligations.

Accounting Standards and Interpretations Issued but Not Yet Effective

As at the date of these financial statements, the following standards have not been applied in these financial statements:

(i) The completed version of IFRS 9, *Financial Instruments*, was issued in July 2014. The completed standard provides for revised guidance on the classification and measurement of financial assets. It also introduces a new expected credit loss model for calculating impairment for financial assets. The new hedging guidance that was issued in November 2013 is incorporated into this new final standard. This final version of IFRS 9 will be effective for periods beginning on or after January 1, 2018, with early adoption permitted.

(ii) IFRS 15 outlines the principles for recognizing revenue from contracts with customers. The new standard establishes a new five-step model for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new standard is effective for annual periods beginning on or after January 1, 2018, and is applicable to all entities and will supersede all current revenue recognition requirements under IFRS.

Management is currently assessing the impact of these new standards on the Company's accounting policies and financial statement presentation.

4. Loans

	May 31, 2016 $	May 31, 2015 $
Principal amounts	462,848	474,548
Accrued interest and financing fee	66,122	38,045
	528,970	512,593

(Expressed in Canadian Dollars)

4. Loans (continued)

The Company has received ongoing loans from DNG Capital Corp. ("DNG") a private company owned by the President of the Company. During fiscal 2016 the Company repaid $11,700 of principal.

Commencing November 1, 2014 the Company agreed to pay DNG a financing fee of $20,000 and to pay interest at a rate of 6% per annum on all outstanding principal amounts. During fiscal 2016 the Company recorded $28,077 (2015 - $38,045) of financing expenses.

DNG has agreed not to demand payment of the principal amounts and accrued interest and financing fee and the Company has classified these amounts as non-current liabilities.

5. Share Capital

(a) *Authorized Share Capital*

The Company's authorized share capital consists of an unlimited number of common shares without par value. All issued common shares are fully paid.

(b) *Share Consolidation*

On July 6, 2016 the Company completed a consolidation of its share capital on a one new for two old basis. The shares and per share amounts have been adjusted within these financial statements to reflect the share consolidation.

(c) *Equity Financings*

No equity financings were conducted by the Company during fiscal 2016.

During fiscal 2015 the Company completed a non-brokered private placement of 4,500,000 units at $0.10 per unit, for gross proceeds of $450,000. Each unit comprised one common share and one-half of a share purchase warrant, with each whole warrant entitling the holder to purchase an additional common share, at $0.10 per share, on or before March 5, 2020. The Company paid $3,000 for filing fees incurred on this private placement classified as share issue costs.

Directors and/or officers of the Company and close family members, and private companies owned or jointly owned by a director of the Company purchased 2,377,500 units for $237,750 of the private placement.

(d) *Warrants*

A summary of the number of common shares reserved pursuant to the Company's outstanding warrants at May 31, 2016 and 2015 and the changes for the years ended on those dates, is as follows:

	2016		2015	
	Number	Weighted Average Exercise Price $	Number	Weighted Average Exercise Price $
Balance, beginning of year	1,440,700	0.19	508,700	0.20
Issued	-	-	2,250,000	0.10
Exercised	(157,000)	0.10	(1,318,000)	0.10
Balance, end of year	1,283,700	0.20	1,440,700	0.19

(Expressed in Canadian Dollars)

5. Share Capital (continued)

The following table summarizes information about the number of common shares reserved pursuant to the Company's warrants outstanding and exercisable at May 31, 2016:

Number	Exercise Price $	Expiry Date
277,250	0.40	August 2, 2018
112,500	0.40	August 12, 2018
118,950	0.20	November 12, 2018
775,000	0.10	March 5, 2020
1,283,700		

The weighted average remaining life of the warrants outstanding is 3.16 years.

(e) *Share Option Plan*

The Company has established a rolling share option plan (the "Plan") in which the maximum number of common shares which can be reserved for issuance under the Plan is 10% of the issued and outstanding shares of the Company. The minimum exercise price of the options is set at the Company's closing share price on the day before the grant date, less allowable discounts. Options granted may be subject to vesting provisions as determined by the Board of Directors and have a maximum term of ten years.

During fiscal 2016 the Company granted share options to purchase 642,500 (2015 - nil) common shares and recorded compensation expense of $26,598 (2015 - $nil).

The fair value of share options granted during fiscal 2016 have been estimated using the Black-Scholes option pricing model. The assumptions used were: a risk-free interest rate of 0.53%; expected volatility of 134.17%; an expected life of 3 years; a dividend yield of 0%; and an expected forfeiture rate of 0%.

The weighted average fair value of all share options granted during fiscal 2016 was $0.04 (2015 - $nil) per option.

Option-pricing models require the use of estimates and assumptions including the expected volatility. Changes in the underlying assumptions can materially affect the fair value estimates and, therefore, existing models do not necessarily provide a reliable measure of the fair value of the Company's share options.

A summary of the Company's share options at May 31, 2016 and 2015 and the changes for the years ended on those dates, is as follows:

	2016		2015	
	Number of Options Outstanding	Weighted Average Exercise Price $	Number of Options Outstanding	Weighted Average Exercise Price $
Balance, beginning of year	-	-	-	-
Granted	642,500	0.10	-	-
Balance, end of year	642,500	0.10	-	-

As at May 31, 2016 options to purchase 642,500 common shares at an exercise price of $0.10 per share expiring December 3, 2018 remained outstanding.

The weighted average remaining contractual life of the above options as of May 31, 2016 was 2.51 years.

(Expressed in Canadian Dollars)

6. Related Party Disclosures

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. Certain of these entities transacted with the Company during the reporting period.

(a) *Transactions with Key Management Personnel*

Management personnel include those persons having authority or responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that the management personnel consists of the executive members of the Company. During fiscal 2016 and 2015 the following amounts were incurred with respect to the President and Chief Executive Officer ("President/CEO") and the Chief Financial Officer ("CFO") of the Company:

	2016 $	2015 $
Professional fees	32,400	32,400
Share-based compensation	9,832	-
	42,232	32,400

As at May 31, 2016, $97,200 (2015 - $64,800) remained unpaid and has been included in accounts payable and accrued liabilities.

(b) *Transactions with Other Related Parties*

(i) During fiscal 2016 and 2015 the following amounts were incurred with respect to non-management directors of the Company:

	2016 $	2015 $
Professional fees	22,200	22,200
Share-based compensation	10,557	-
	32,757	22,200

As at May 31, 2016, $56,600 (2015 - $34,400) remained unpaid and has been included in accounts payable and accrued liabilities.

(ii) During fiscal 2016 the Company incurred a total of $14,600 (2015 - $18,250) for accounting and administration services provided by Chase Management Ltd., a private corporation owned by the current President/CEO of the Company. As at May 31, 2016, $300 (2015 - $3,648) remained unpaid and has been included in accounts payable and accrued liabilities.

(c) See also Notes 4 and 5(c).

(Expressed in Canadian Dollars)

7. Income Tax

A reconciliation of taxes at statutory rates to the Company's effective tax expense is as follows:

	2016 $	2015 $
Loss before income taxes	(150,416)	(200,111)
Expected income tax recovery	(39,000)	(52,000)
Effect of change in tax rates and other	(1,400)	630,000
Change in deductible temporary differences	40,400	(578,000)
	-	-

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

The significant components of the Company's unrecognized temporary differences and unused tax losses are as follows:

	2016		2015	
	$	Expiry Dates	$	Expiry Dates
Non-capital losses	7,328,000	2028 to 2036	7,172,000	2028 to 2035
Allowable capital losses	462,000	N/A	462,000	N/A
Share issue costs	15,000	2036 to 2039	20,000	2036 to 2039

8. Financial Instruments and Risk Management

Categories of Financial Assets and Financial Liabilities

Financial instruments are classified into one of the following categories: fair value through profit or loss ("FVTPL"); held-to-maturity investments; loans and receivables; available-for-sale; and other financial liabilities. The carrying values of the Company's financial instruments are classified into the following categories:

Financial Instrument	Category	May 31, 2016 $	May 31, 2015 $
Cash	FVTPL	39,752	75,410
GST receivable	Loans and receivables	121	428
Accounts payable and accrued liabilities	Other financial liabilities	(154,300)	(103,524)
Loans	Other financial liabilities	(528,970)	(512,593)

The Company's financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.

Level 2 - Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the market place.

Level 3 - Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

8. Financial Instruments and Risk Management (continued)

The recorded amounts for GST receivable, accounts payable and accrued liabilities and loans approximate their fair value. The Company's cash under the fair value hierarchy is measured using Level 1 inputs.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and GST receivable. Management believes that the credit risk concentration with respect to cash and GST receivable is remote as cash is held with a high quality financial institution and GST receivable represents amounts due from the Government of Canada.

Liquidity Risk

Liquidity risk is the risk that the Company will not have the resources to meet its obligations as they fall due. The Company manages this risk by closely monitoring cash forecasts and managing resources to ensure that it will have sufficient liquidity to meet its obligations. The Company has financial liabilities classified as current that are due within the next fiscal period. The Company will need to obtain additional financing to meet the obligations as they come due. See Note 1.

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. These fluctuations may be significant.

(a) Interest Rate Risk

The Company is exposed to interest rate risk to the extent that the cash bears floating rates of interest. The interest rate risk on cash is not considered significant. The Company has interest bearing debt at fixed rates and is therefore not subject to fluctuating interest rate risk on its non-current loans.

(b) Foreign Currency Risk

The Company's functional currency is the Canadian dollar and major transactions are transacted in Canadian Dollars and US Dollars. The Company maintains minimal cash deposits in US Dollars with its Canadian bank. As such, the fluctuation of the Canadian Dollar in relation to the US Dollar will have an impact upon the profitability of the Company and may also affect the value of the Company's assets and the amount of shareholders' deficiency. However, as the Company does not maintain significant cash balances in US Dollars and settles any transactions in US Dollars quickly, its exposure to currency risk is considered insignificant as at May 31, 2016.

9. Capital Risk Management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and exploration of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain development of the business. The Company defines capital that it manages as components of shareholders' deficiency. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes to the approach to capital management during the year.

9. Capital Risk Management (continued)

The Company does not expect its current capital resources will be sufficient to meet all of its operating requirements and debt retirement obligations and is dependent upon future equity or debt transactions to meet these obligations. See also Note 1.

10. Segmented Information

The Company has previously operated in one segment - the acquisition, exploration and development of unproven mineral property interests. As at May 31, 2016 the Company does not have any mineral property interests. Its corporate assets, comprising mainly of cash, are located in Canada. The Company has no reportable segment revenues or operating results.