
MITCHELL RESOURCES LTD.

(formerly Kola Mining Corp.)

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2015 AND 2014

(Expressed in Canadian Dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Mitchell Resources Ltd.

We have audited the accompanying consolidated financial statements of Mitchell Resources Ltd., which comprise the consolidated statements of financial position as at May 31, 2015 and 2014 and the consolidated statements of comprehensive income (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 consolidated Financial Statements

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of Mitchell Resources Ltd. as at May 31, 2015 and 2014 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated 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”

Chartered Professional Accountants

Vancouver, Canada

September 15, 2015

MITCHELL RESOURCES LTD. (formerly Kola Mining Corp.)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	Note	May 31, 2015 \$	May 31, 2014 \$
ASSETS			
Current assets			
Cash		75,410	54,670
GST receivable		428	134
Prepaid expenses		<u>8,900</u>	<u>3,900</u>
Total current assets		84,738	58,704
Non-current assets			
Unproven mineral property interest	4	<u>-</u>	<u>1</u>
TOTAL ASSETS		<u>84,738</u>	<u>58,705</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	8	103,524	56,967
Current portion of loans and advances	5	<u>-</u>	<u>911,806</u>
Total current assets		103,524	968,773
Non-current liabilities			
Loans and advances	5	<u>512,593</u>	<u>-</u>
TOTAL LIABILITIES		<u>616,117</u>	<u>968,773</u>
SHAREHOLDERS' DEFICIENCY			
Share capital	6	44,841,169	44,262,369
Share-based payments reserve		3,285,241	3,285,241
Deficit		<u>(48,657,789)</u>	<u>(48,457,678)</u>
TOTAL SHAREHOLDERS' DEFICIENCY		<u>(531,379)</u>	<u>(910,068)</u>
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY		<u>84,738</u>	<u>58,705</u>

Nature of Operations and Going Concern - Note 1

These consolidated financial statements were approved for issue by the Board of Directors on September 15, 2015 and are signed on its behalf by:

/s/ Nick DeMare
Nick DeMare
Director

/s/ Harvey Lim
Harvey Lim
Director

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

MITCHELL RESOURCES LTD. (formerly Kola Mining Corp.)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Expressed in Canadian Dollars)

	Note	Year Ended May 31,	
		2015 \$	2014 \$
Expenses			
Accounting and administration	8(b)(ii)	18,250	18,700
Audit		15,300	15,000
Legal		982	1,209
Office		794	1,391
Professional fees	8	54,600	57,473
Regulatory fees		8,482	11,173
Shareholder costs		1,868	2,683
Transfer agent		5,531	11,528
Travel		153	4,537
		<u>105,960</u>	<u>123,694</u>
Loss before other items		<u>(105,960)</u>	<u>(123,694)</u>
Other items			
Interest and other income		774	1,811
Foreign exchange loss		(63,149)	(19,886)
Financing expenses	5(b)	(38,045)	(11,505)
Gain on settlement of debt	5(a) & 7(a)	6,270	2,518,964
Forgiveness of interest	7(b)	-	247,241
Gain on forgiveness of payables		-	331,874
Write-off of unproven mineral property interest	4	(1)	-
		<u>(94,151)</u>	<u>3,068,499</u>
Net and comprehensive income (loss) for the year		<u>(200,111)</u>	<u>2,944,805</u>
Basic and diluted income (loss) per common share		<u>\$(0.02)</u>	<u>\$0.37</u>
Weighted average number of common shares outstanding - basic and diluted		<u>11,504,747</u>	<u>7,977,810</u>

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

MITCHELL RESOURCES LTD. (formerly Kola Mining Corp.)
CONSOLIDATED STATEMENTS OF CHANGES IN DEFICIENCY
(Expressed in Canadian Dollars)

Year Ended May 31, 2015					
	Share Capital		Share-Based Payments Reserve \$	Deficit \$	Total Deficiency \$
	Number of Shares	Amount \$			
Balance at May 31, 2014	9,095,998	44,262,369	3,285,241	(48,457,678)	(910,068)
Common shares issued for					
cash - private placement	6(b) 9,000,000	450,000	-	-	450,000
cash - exercise of warrants	2,636,000	131,800	-	-	131,800
Share issue costs	6(b) -	(3,000)	-	-	(3,000)
Net loss for the year	-	-	-	(200,111)	(200,111)
Balance at May 31, 2015	<u>20,731,998</u>	<u>44,841,169</u>	<u>3,285,241</u>	<u>(48,657,789)</u>	<u>(531,379)</u>

Year Ended May 31, 2014						
Note	Share Capital		Share-Based Payments Reserve \$	Convertible Debentures \$	Deficit \$	Total Deficiency \$
	Number of Shares	Amount \$				
Balance at May 31, 2013	4,400,198	44,036,006	3,285,241	25,000	(51,427,483)	(4,081,236)
Common shares issued for						
cash - private placements	6(b) 3,808,800	140,616	-	-	-	140,616
cash - exercise of warrants	887,000	88,700	-	-	-	88,700
Share issue costs	6(b) -	(2,953)	-	-	-	(2,953)
Extinguishment of						
convertible debentures	-	-	-	(25,000)	25,000	-
Net income for the year	-	-	-	-	2,944,805	2,944,805
Balance at May 31, 2014	<u>9,095,998</u>	<u>44,262,369</u>	<u>3,285,241</u>	<u>-</u>	<u>(48,457,678)</u>	<u>(910,068)</u>

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

MITCHELL RESOURCES LTD. (formerly Kola Mining Corp.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	Note	Year Ended May 31,	
		2015 \$	2014 \$
Operating activities			
Net income (loss) for the year		(200,111)	2,944,805
Adjustments for:			
Financing expenses	5(b)	38,045	11,505
Gain on settlement of debt	5(a) & 7(a)	(6,270)	(2,518,964)
Forgiveness of interest		-	(247,241)
Gain on forgiveness of payables		-	(331,874)
Foreign exchange loss		63,172	19,152
Write-off of unproven mineral property interest	4	1	-
Changes in non-cash working capital items:			
GST receivable		(294)	8,713
Prepaid expenses		(5,000)	(867)
Accounts payable and accrued liabilities		46,557	(20,124)
Net cash used in operating activities		(63,900)	(134,895)
Financing activities			
Issuance of common shares	6(b)	581,800	229,316
Share issue costs	6(b)	(3,000)	(2,953)
Loans and advances received	5(b)	110,000	523,000
Repayment of loans and advances	5	(604,160)	(60,352)
Repayment of convertible debentures		-	(500,000)
Net cash provided by financing activities		84,640	189,011
Net change in cash during the year		20,740	54,116
Cash at beginning of year		54,670	554
Cash at end of year		75,410	54,670

Supplemental cash flow information - Note 13

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

MITCHELL RESOURCES LTD. (formerly Kola Mining Corp.)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2015 AND 2014
(Expressed in Canadian Dollars)

1. Nature of Operations and Going Concern

The Company was incorporated under the provisions of the Company Act (British Columbia). On May 26, 2015 the Company changed its name from Kola Mining Corp. to Mitchell Resources Ltd. The Company is listed and trades on the TSX Venture Exchange ("TSXV") under the symbol "MI". The Company's principal office is located at #1305 - 1090 West Georgia Street, Vancouver, British Columbia V6E 3V7.

The Company is a junior mineral exploration company which had been 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. See also Note 4.

As at May 31, 2015 the Company has a working capital deficiency of \$18,786 and non-current liabilities of \$512,593. 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 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 consolidated 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 consolidated 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 consolidated financial statements are presented in Canadian dollars unless otherwise noted.

Details of the Group

In addition to the Company, the consolidated financial statements include all subsidiaries. Subsidiaries are all corporations over which the Company is able, directly or indirectly, to control financial and operating policies, which is the authority usually connected with holding majority voting rights. Subsidiaries are fully consolidated from the date on which control is acquired by the Company. Inter-company transactions and balances are eliminated upon consolidation. They are de-consolidated from the date that control by the Company ceases.

MITCHELL RESOURCES LTD. (formerly Kola Mining Corp.)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2015 AND 2014
(Expressed in Canadian Dollars)

2. Basis of Preparation (continued)

During the year ended May 31, 2015 the Company abandoned all of its wholly owned subsidiaries that were based in the British Virgin Islands, Cyprus, and Russia as these entities were inactive, had no balances, and no corporate filings for the subsidiaries were prepared or maintained. The Company no longer controls these entities. The formerly owned subsidiaries were as follows:

<u>Company</u>	<u>Location of Incorporation</u>	<u>Ownership Interest</u>
Magellan Holdings (BVI) Corp.	British Virgin Islands	100%
Magellan Gold (BVI) Corp.	British Virgin Islands	100%
R.P.I.M. Minerals Ltd.	Cyprus	100%
Zao Rudprominvest	Russian Federation	100%

The Company formerly held an exploration license as disclosed in Note 4 through Zao Rudprominvest and effective March 6, 2015, this license was revoked due to defaults in certain performance criteria as disclosed therewith.

Accordingly, the financial statements as at and for the year ended May 31, 2015, represent the accounts of Mitchell as a single entity.

3. Summary of Significant Accounting Policies

Critical Judgments and Sources of Estimation Uncertainty

The preparation of these consolidated 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 consolidated 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.

Estimation Uncertainty

The information about significant areas of estimation uncertainty considered by management in preparing the consolidated 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 consolidated financial statements requires management to make judgments regarding the going concern of the Company as discussed in Note 1, as well as the determination of functional currency.

MITCHELL RESOURCES LTD. (formerly Kola Mining Corp.)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2015 AND 2014
(Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies (continued)

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.

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.

MITCHELL RESOURCES LTD. (formerly Kola Mining Corp.)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2015 AND 2014
(Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies (continued)

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.

Earnings (Loss) per share

Basic earnings (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 earnings (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.

(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.

MITCHELL RESOURCES LTD. (formerly Kola Mining Corp.)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2015 AND 2014
(Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies (continued)

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) *Derecognition of Financial Liabilities*

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

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, 2015 and 2014 the Company does not have any decommissioning obligations.

MITCHELL RESOURCES LTD. (formerly Kola Mining Corp.)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2015 AND 2014
(Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies (continued)

New Accounting Standards Adopted During the Year

Effective June 1, 2014 the following standards were adopted but did not have a material impact on the Company's financial statements:

- (i) IAS 32 (Amendment): Standard amended to clarify requirements for offsetting financial assets and financial liabilities.
- (ii) IFRS 10 Investment Entities - Amendment.

New Accounting Standards and Interpretations Issued but Not Yet Adopted

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for future accounting periods. The following have not yet been adopted by the Company and are being evaluated to determine their impact:

- (i) IFRS 7: Amended to require additional disclosures on transition from IAS 39 and IFRS 9, effective for annual periods beginning on or after January 1, 2015.
- (ii) IFRS 15: New standard to establish principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers, effective for annual periods beginning on or after January 1, 2017.
- (iii) IFRS 9: New standard that replaced IAS 39 for classification and measurement, tentatively effective for annual periods beginning on or after January 1, 2018.

4. Unproven Mineral Property Interest

Souker Property

On July 24, 2007 the Company acquired a 100% interest in a nickel-copper sulphide property in Russia (the "Souker Property"). The Souker Property consisted of a license (the "Souker License") located in the Pechanga District of Murmansk Oblast, Russia.

The Company was granted the right to explore, develop and produce the deposit on the Souker Property, subject to certain performance obligations set forth by the Russian government. The Company made a submission to the government which showed that the Souker Property was uneconomic at current metal prices. During fiscal 2010 management determined to record an impairment charge of \$30,084,726 to reduce the carrying value of the Souker Property to a nominal amount of \$1. 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.

MITCHELL RESOURCES LTD. (formerly Kola Mining Corp.)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2015 AND 2014
(Expressed in Canadian Dollars)

5. Loans and Advances

	May 31, 2015 \$	May 31, 2014 \$
Principal amounts		
Advances (a)	-	398,258
Loans (b)	<u>474,548</u>	<u>513,548</u>
	474,548	911,806
Accrued interest and financing fee (b)	<u>38,045</u>	<u>-</u>
	512,593	911,806
Less: current portion	<u>-</u>	<u>(911,806)</u>
	<u>512,593</u>	<u>-</u>

(a) The Company had previously received US \$366,484 on account of a proposed private placement by the Company which was not completed. The amounts were considered to be non-interest bearing advances. During fiscal 2015 the Company paid \$455,160 to retire the advances and recognized a gain of \$6,270.

(b) The Company has received ongoing loans from DNG Capital Corp. ("DNG") a private company owned by the President. During fiscal 2015 the Company received a further loan of \$110,000 and repaid \$149,000.

During fiscal 2015 the Company agreed to pay DNG a financing fee of \$20,000 and, commencing November 1, 2014, to pay interest at a rate of 6% per annum on all outstanding principal amounts. During fiscal 2015 the Company recognized \$18,045 (2014 - \$11,505) of interest expense. As at May 31, 2015 the financing fee and interest expense remained unpaid and is included in loans and advances.

DNG has agreed not to demand payment of the principal amounts and accrued interest and financing fee until after September 30, 2016 and the Company has classified these amounts as non-current liabilities as at May 31, 2015.

6. 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) *Reconciliation of Changes in Share Capital*

During fiscal 2015 the Company completed a non-brokered private placement of 9,000,000 units at \$0.05 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 \$0.05 per share, on or before March 5, 2020. The Company paid \$3,000 for filing fees incurred on this private placement classified as share issued 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 4,755,000 units for \$237,750 of the private placement.

MITCHELL RESOURCES LTD. (formerly Kola Mining Corp.)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2015 AND 2014
(Expressed in Canadian Dollars)

6. Share Capital (continued)

During fiscal 2014 the Company completed the following non-brokered private placement financings:

- (i) 2,400,000 units at a price of \$0.03 per unit, for gross proceeds of \$72,000. Each unit consisted of one common share of the Company and one-half of a warrant. Each whole warrant entitled the holder to purchase one additional common share at a price of \$0.10 per share on or before August 2, 2014 and, thereafter, at \$0.20 per share on or before August 2, 2018. The Company paid \$1,110 for filing fees incurred on this private placement classified as share issued costs.

Directors and/or officers of the Company and family members purchased 1,600,000 units of the private placement;

- (ii) 750,000 units, at a price of \$0.03 per unit, for gross proceeds of \$22,500. Each unit consisted of one common share of the Company and one-half of a warrant. Each whole warrant entitled the holder to purchase one additional common share at a price of \$0.10 per share on or before August 12, 2014 and, thereafter, at \$0.20 per share on or before August 12, 2018. The Company paid \$863 for filing fees incurred on this private placement classified as share issued costs; and

- (iii) 658,800 units, at a price of \$0.07 per unit, for gross proceeds of \$46,116. Each unit consisted of one common share of the Company and one-half of a warrant. Each whole warrant entitled the holder to purchase one additional common share at a price of \$0.10 per share on or before November 12, 2018. The Company paid \$980 for filing fees incurred on this private placement classified as share issued costs.

Directors and/or officers of the Company and family members purchased 366,000 units of the private placement.

(c) *Warrants*

A summary of the number of common shares reserved pursuant to the Company's outstanding warrants at May 31, 2015 and 2014 and the changes for the years ended on those dates, is as follows:

	2015		2014	
	Number	Weighted Average Exercise Price \$	Number	Weighted Average Exercise Price \$
Balance, beginning of year	1,017,400	0.10	-	-
Issued	4,500,000	0.05	1,904,400	0.10
Exercised	<u>(2,636,000)</u>	0.05	<u>(887,000)</u>	0.10
Balance, end of year	<u>2,881,400</u>	0.09	<u>1,017,400</u>	0.10

The following table summarizes information about the number of common shares reserved pursuant to the Company's warrants outstanding and exercisable at May 31, 2015:

Number	Exercise Price \$	Expiry Date
554,500	0.20	August 2, 2018
225,000	0.20	August 12, 2018
237,900	0.10	November 12, 2018
<u>1,864,000</u>	0.05	March 5, 2020
<u>2,881,400</u>		

MITCHELL RESOURCES LTD. (formerly Kola Mining Corp.)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2015 AND 2014
(Expressed in Canadian Dollars)

6. Share Capital (continued)

The weighted average remaining life of the warrants outstanding is 4.23 years.

(d) *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.

No share options were granted during fiscal 2015 and 2014.

A summary of the Company's share options at May 31, 2015 and 2014 and the changes for the fiscal years ended on that date, is as follows:

	2015		2014	
	Number of Options Outstanding	Weighted Average Exercise Price \$	Number of Options Outstanding	Weighted Average Exercise Price \$
Balance, beginning of year	-	-	210,500	2.26
Expired	-	-	<u>(210,500)</u>	2.26
Balance, end of year	<u>-</u>	-	<u>-</u>	2.26

7. Gains on Settlement of Debt

- (a) In June 2013 the Company concluded an agreement with Petesteri Enterprises Limited ("Petesteri") which resulted in the elimination of all amounts owing to Petesteri. In addition, the amount owing to DBM Capital Partners Ltd. was also eliminated as this represented a finder's fee which would have been paid when the debt to Petesteri would have been paid. Accordingly, during fiscal 2014 the Company recorded a reversal of the debts and accrued interest, recognizing a gain of \$2,518,964.
- (b) The Company had previously issued \$500,000 of convertible debentures. On July 31, 2013 the Company repaid the \$500,000 principal owing and the debenture holders waived all accrued interest owing. Accordingly, during fiscal 2014 the Company recorded a gain of \$247,241 on the reversal of the accrued interest.

8. 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*

During fiscal 2015 and 2014 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:

	2015 \$	2014 \$
Professional fees	<u>32,400</u>	<u>32,400</u>

MITCHELL RESOURCES LTD. (formerly Kola Mining Corp.)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2015 AND 2014
(Expressed in Canadian Dollars)

8. Related Party Disclosures (continued)

As at May 31, 2015, \$64,800 (2014 - \$32,400) remained unpaid and has been included in accounts payable and accrued liabilities.

(b) *Transactions with Other Related Parties*

(i) During fiscal 2015 and 2014 the following amounts were incurred with respect to non-management directors of the Company:

	2015 \$	2014 \$
Professional fees	<u>22,200</u>	<u>22,200</u>

As at May 31, 2015, \$34,400 (2014 - \$22,200) remained unpaid and has been included in accounts payable and accrued liabilities.

(ii) During fiscal 2015 the Company incurred a total of \$18,250 (2014 - \$18,700) 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, 2015, \$3,648 (2014 - \$2,149) remained unpaid and has been included in accounts payable and accrued liabilities.

(c) See also Notes 5(b) and 6(b).

9. Income Tax

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

	2015 \$	2014 \$
Income (loss) before income taxes	<u>(200,111)</u>	<u>2,944,805</u>
Expected income tax expense (recovery)	(52,000)	744,000
Impact of disposal of subsidiary	-	97,000
Effect of change in tax rates, foreign exchange and other	630,000	(1,950,000)
Change in deductible temporary differences	<u>(578,000)</u>	<u>1,109,000</u>
	<u>-</u>	<u>-</u>

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:

	2015		2014	
	\$	Expiry Dates	\$	Expiry Dates
Non-capital losses	7,172,000	2028 to 2035	9,533,000	2028 to 2034
Allowable capital losses	462,000	N/A	462,000	N/A
Share issue costs	20,000	2036 to 2039	2,000	2035 to 2038

MITCHELL RESOURCES LTD. (formerly Kola Mining Corp.)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2015 AND 2014
(Expressed in Canadian Dollars)

10. 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, 2015 \$	May 31, 2014 \$
Cash	FVTPL	75,410	54,670
GST receivable	Loans and receivables	428	134
Accounts payable and accrued liabilities	Other financial liabilities	(103,524)	(56,967)
Loans and advances	Other financial liabilities	(512,593)	(911,806)

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.

The recorded amounts for GST receivable, accounts payable and accrued liabilities and loans and advances 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.

MITCHELL RESOURCES LTD. (formerly Kola Mining Corp.)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2015 AND 2014
(Expressed in Canadian Dollars)

10. Financial Instruments and Risk Management (continued)

(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 and advances payable.

(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, 2015.

11. 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.

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.

12. Segmented Information

The Company has operated in one segment - the acquisition, exploration and development of unproven mineral property interests. As at May 31, 2015 the Company does not have any mineral property interest. Its corporate assets, comprising mainly of cash, are located in Canada. The Company is in the exploration stage and has no reportable segment revenues or operating results.

13. Supplemental Cash Flow Information

During fiscal 2015 and 2014 non-cash activities were conducted by the Company as follows:

	2015 \$	2014 \$
Financing activities		
Equity component of convertible debentures	-	25,000
Deficit	-	(25,000)
	<u>-</u>	<u>-</u>