

---

---

**MITCHELL RESOURCES LTD.**

CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED AUGUST 31, 2016

*(Unaudited - Expressed in Canadian Dollars)*

---

---

**NOTICE OF NO AUDITOR REVIEW OF  
CONDENSED INTERIM FINANCIAL STATEMENTS**

In accordance with National Instrument 51-102 Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of these condensed interim financial statements they must be accompanied by a notice indicating that the condensed interim financial statements have not been reviewed by an auditor.

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

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

**MITCHELL RESOURCES LTD.**  
**CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION**  
*(Unaudited - Expressed in Canadian Dollars)*

	Note	August 31, 2016 \$	May 31, 2016 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		33,445	39,752
GST receivable		881	121
Prepaid expenses		<u>2,600</u>	<u>3,900</u>
<b>TOTAL ASSETS</b>		<u>36,926</u>	<u>43,773</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	5	179,708	154,300
<b>Non-current liabilities</b>			
Loans	3	<u>535,970</u>	<u>528,970</u>
<b>TOTAL LIABILITIES</b>		<u>715,678</u>	<u>683,270</u>
<b>SHAREHOLDERS' DEFICIENCY</b>			
Share capital		44,856,869	44,856,869
Share-based payments reserve		3,311,839	3,311,839
Deficit		<u>(48,847,460)</u>	<u>(48,808,205)</u>
<b>TOTAL SHAREHOLDERS' DEFICIENCY</b>		<u>(678,752)</u>	<u>(639,497)</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY</b>		<u>36,926</u>	<u>43,773</u>

**Nature of Operations and Going Concern - Note 1**

These condensed interim financial statements were approved for issue by the Board of Directors on October 24, 2016 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 condensed interim financial statements.*

**MITCHELL RESOURCES LTD.**  
**CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE LOSS**  
*(Unaudited - Expressed in Canadian Dollars)*

	Note	Three Months Ended August 31	
		2016 \$	2015 \$
<b>Expenses</b>			
Accounting and administration	5(b)(ii)	2,700	4,200
Audit		9,500	10,710
Office		124	491
Professional fees	5	13,650	13,650
Regulatory fees		4,315	1,300
Shareholder costs		425	-
Transfer agent		1,632	2,242
		<u>32,346</u>	<u>32,593</u>
<b>Loss before other items</b>		<u>(32,346)</u>	<u>(32,593)</u>
<b>Other items</b>			
Interest income		91	209
Foreign exchange gain		-	24
Financing expense	3	<u>(7,000)</u>	<u>(7,177)</u>
		<u>(6,909)</u>	<u>(6,944)</u>
<b>Net and comprehensive income (loss) for the period</b>		<u>(39,255)</u>	<u>(39,537)</u>
<b>Basic and diluted income (loss) per common share</b>		<u>\$(0.00)</u>	<u>\$(0.00)</u>
<b>Weighted average number of common shares outstanding</b>		<u>10,522,989</u>	<u>10,365,989</u>

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

**MITCHELL RESOURCES LTD.**  
**CONDENSED INTERIM STATEMENTS OF CHANGES IN DEFICIENCY**  
*(Unaudited - Expressed in Canadian Dollars)*

<b>Three Months Ended August 31, 2016</b>					
<b>Share Capital</b>		<b>Share-Based Payments Reserve</b>	<b>Deficit</b>	<b>Total Deficiency</b>	
<b>Number of Shares</b>	<b>Amount \$</b>				
<b>Balance at May 31, 2016</b>	10,522,989	44,856,869	3,311,839	(48,808,205)	(639,497)
Net loss for the period	-	-	-	(39,255)	(39,255)
<b>Balance at August 31, 2016</b>	<u>10,522,989</u>	<u>44,856,869</u>	<u>3,311,839</u>	<u>(48,847,460)</u>	<u>(678,752)</u>

<b>Three Months Ended August 31, 2015</b>					
<b>Share Capital</b>		<b>Share-Based Payments Reserve</b>	<b>Deficit</b>	<b>Total Deficiency</b>	
<b>Number of Shares</b>	<b>Amount \$</b>				
<b>Balance at May 31, 2015</b>	10,365,989	44,841,169	3,285,241	(48,657,789)	(531,379)
Net loss for the period	-	-	-	(39,537)	(39,537)
<b>Balance at August 31, 2015</b>	<u>10,365,989</u>	<u>44,841,169</u>	<u>3,285,241</u>	<u>(48,697,326)</u>	<u>(570,916)</u>

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

**MITCHELL RESOURCES LTD.**  
**CONDENSED INTERIM STATEMENTS OF CASH FLOWS**  
*(Unaudited - Expressed in Canadian Dollars)*

---

	<b>Three Months Ended</b>	
	<b>August 31,</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>Operating activities</b>		
Net income (loss) for the period	(39,255)	(39,537)
Adjustments for:		
Financing expense	7,000	7,177
Changes in non-cash working capital items:		
GST receivable	(760)	(486)
Prepaid expenses	1,300	6,300
Accounts payable and accrued liabilities	<u>25,408</u>	<u>19,572</u>
<b>Net cash used in operating activities</b>	<u>(6,307)</u>	<u>(6,974)</u>
<b>Net change in cash during the period</b>	(6,307)	(6,974)
<b>Cash at beginning of period</b>	<u>39,752</u>	<u>75,410</u>
<b>Cash at end of period</b>	<u><u>33,445</u></u>	<u><u>68,436</u></u>

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

**MITCHELL RESOURCES LTD.**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED AUGUST 31, 2016**  
*(Unaudited - Expressed in Canadian Dollars)*

---

**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 is engaged in the sourcing, exploration and development of unproven mineral interests. The Company currently does not have any mineral property interests.

As at August 31, 2016 the Company had a working capital deficiency of \$142,782, non-current liabilities of \$535,970, and shareholders' deficiency of \$678,752. 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 condensed interim financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS"), and in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). These condensed interim financial statements should be read in conjunction with the audited financial statements for the year ended May 31, 2016, which have been prepared in accordance with IFRS as issued by the IASB. The accounting policies followed in these condensed interim financial statements are consistent with those applied in the Company's audited financial statements for the year ended May 31, 2016.

*Basis of Measurement*

The condensed interim 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. Loans**

	August 31, 2016 \$	May 31, 2016 \$
Principal amounts	462,848	462,848
Accrued interest and financing fee	<u>73,122</u>	<u>66,122</u>
	<u>535,970</u>	<u>528,970</u>

The Company has received ongoing loans from DNG Capital Corp. ("DNG") a private company owned by the President of the Company. The loans bear interest at a rate of 6% per annum on all outstanding principal amounts. During the three months ended August 31, 2016 the Company recorded \$7,000 (2015 - \$7,177) of financing expenses.

**MITCHELL RESOURCES LTD.**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED AUGUST 31, 2016**  
*(Unaudited - Expressed in Canadian Dollars)*

**3. Loans (continued)**

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.

**4. 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 the three months ended August 31, 2016 or during fiscal 2016.

(d) *Warrants*

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

	2016		2015	
	Number	Weighted Average Exercise Price \$	Number	Weighted Average Exercise Price \$
Balance beginning and end of period	1,283,700	0.20	1,440,700	0.19

The following table summarizes information about the number of common shares reserved pursuant to the Company's warrants outstanding and exercisable at August 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 2.91 years.



**MITCHELL RESOURCES LTD.**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED AUGUST 31, 2016**  
*(Unaudited - Expressed in Canadian Dollars)*

**4. Share Capital (continued)**

(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.

No share options were granted during the three months ended August 31, 2016 and 2015.

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 August 31, 2016 and 2015 and the changes for the three months 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 and end of period	642,500	0.10	-	-

As at August 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 August 31, 2016 was 2.26 years.

**5. 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 the three months ended August 31, 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	8,100	8,100

As at August 31, 2016, \$105,300 (May 31, 2016 - \$97,200) remained unpaid and has been included in accounts payable and accrued liabilities.

**MITCHELL RESOURCES LTD.**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED AUGUST 31, 2016**  
*(Unaudited - Expressed in Canadian Dollars)*

**5. Related Party Disclosures** (continued)

(b) *Transactions with Other Related Parties*

(i) During the three months ended August 31, 2016 and 2015 the following amounts were incurred with respect to non-management directors of the Company:

	2016 \$	2015 \$
Professional fees	<u>5,550</u>	<u>5,550</u>

As at August 31, 2016, \$62,150 (May 31, 2016 - \$56,600) remained unpaid and has been included in accounts payable and accrued liabilities.

(ii) During the three months ended August 31, 2016 the Company incurred a total of \$2,700 (2015 - \$4,200) for accounting and administration services provided by Chase Management Ltd., a private corporation owned by the current President/CEO of the Company. As at August 31, 2016, \$1,100 (May 31, 2016 - \$300 ) remained unpaid and has been included in accounts payable and accrued liabilities.

(c) See also Note 3.

**6. 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	August 31, 2016 \$	May 31, 2016 \$
Cash	FVTPL	33,445	39,752
GST receivable	Loans and receivables	881	121
Accounts payable and accrued liabilities	Other financial liabilities	(179,708)	(154,300)
Loans	Other financial liabilities	(535,970)	(528,970)

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.

**MITCHELL RESOURCES LTD.**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED AUGUST 31, 2016**  
*(Unaudited - Expressed in Canadian Dollars)*

---

**6. 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 August 31, 2016.

**7. 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 period.

**MITCHELL RESOURCES LTD.**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED AUGUST 31, 2016**  
*(Unaudited - Expressed in Canadian Dollars)*

---

**7. 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.

**8. Segmented Information**

The Company has previously operated in one segment - the acquisition, exploration and development of unproven mineral property interests. As at August 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.