Bonterra Resources Inc.

Consolidated Financial Statements

May 31, 2016 and 2015

(Expressed in Canadian Dollars)

Bonterra Resources Inc.

May 31, 2016 and 2015

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Consolidated Financial Statements

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Independent Auditor's Report

To the Shareholders of
BonTerra Resources Inc.

We have audited the accompanying consolidated financial statements of BonTerra Resources Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at May 31, 2016 and May 31, 2015, and the consolidated statements of comprehensive loss, changes in equity 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.

Auditor's 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 audits 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 auditor's 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, the consolidated financial statements present fairly, in all material respects, the financial position of BonTerra Resources Inc. and its subsidiaries as at May 31, 2016 and May 31, 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 modifying our opinion, we draw attention to Note 2 to the consolidated financial statements which describes the material uncertainty that may cast significant doubt about the ability of BonTerra Resources Inc. to continue as a going concern.

"Crowe MacKay LLP"

Chartered Professional Accountants
Vancouver, British Columbia
September 21, 2016

Bonterra Resources Inc.
Consolidated Statements of Financial Position
May 31,
(Expressed in Canadian Dollars)

		2016		2015
Assets				
Current				
Cash	$	**351,029**	$	98,606
Receivables		**216,183**		76,582
Prepaid expenses (note 12)		**42,705**		25,105
		609,917		200,293
Prepaid Expenses (notes 10 and 12)		**65,985**		100,000
Equipment (note 9)		**8,818**		11,702
Exploration and Evaluation Assets (note 10)		**16,376,551**		5,969,976
	$	**17,061,271**	$	6,281,971
Liabilities				
Current				
Accounts payable and accrued liabilities (notes 11 and 12)	$	**749,144**	$	618,573
Other liabilities (note 11)		**55,572**		-
Due to related parties (note 12)		**35,730**		7,350
		840,446		625,923
Shareholders' Equity				
Share Capital (note 13)		**35,314,325**		23,485,669
Share-based Payments Reserve (note 13)		**4,421,229**		2,346,061
Deficit		**(23,514,729)**		(20,175,682)
		16,220,825		5,656,048
	$	**17,061,271**	$	6,281,971

Going Concern (note 2)
Commitments (note 17)
Subsequent Events (note 18)

Approved on behalf of the Board:

"Robert Gagnon"	*"Nav Dhaliwal"*
……………………………… Director	……………………………… Director
Robert Gagnon	Nav Dhaliwal

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

Bonterra Resources Inc.
Consolidated Statements of Comprehensive Loss
For the years ended May 31
(Expressed in Canadian Dollars)

	2016	2015
Expenses		
Amortization (note 9)	$ **2,884**	$ 3,897
Consulting fees	**832,890**	370,105
Management and director fees (note 12)	**204,500**	213,194
Office and general	**114,711**	23,831
Professional fees (note 12)	**121,846**	54,626
Rent (note 12)	**29,876**	29,480
Share-based payments (note 13)	**1,782,024**	299,869
Shareholder communications and investor relations	**610,390**	223,845
Transfer agent and filings fees	**67,076**	36,792
Travel	**92,335**	7,024
Write-down of reclamation deposit (note 8)	**-**	3,500
Net Loss Before Other Items	**(3,858,532)**	(1,266,163)
Other Items		
Other income (note 11)	**523,125**	89,336
Part XII.6 tax and penalties (note 11)	**(3,640)**	(295,423)
Loss on settlement of payables (note 13)	**-**	(2,053,201)
Realized loss on marketable securities (note 7)	**-**	(35,857)
Net Loss for the Year	**(3,339,047)**	(3,561,308)
Items That May Be Reclassified Subsequently to Profit or Loss		
Reclassification of realized loss on marketable securities (note 7)	-	35,857
Unrealized loss on marketable securities (note 7)	-	(8,612)
	-	27,245
Comprehensive Loss for the Year	$ **(3,339,047)**	$ (3,534,063)
Basic and Diluted Loss Per Share	$ **(0.08)**	$ (0.35)
Weighted Average Number of Common Shares Outstanding – Basic and Diluted	**43,642,066**	10,197,534

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

Bonterra Resources Inc.
Consolidated Statements of Changes in Equity
(Expressed in Canadian Dollars)

	Share Capital					
	Number of Shares	Share Capital	Share-based Payments Reserve	Accumulated Other Comprehensive Income (Loss)	Deficit	Total
Balance, May 31, 2014	**4,873,399**	**$ 19,600,100**	**$ 2,029,686**	**$ (27,245)**	**$ (16,614,374)**	**$ 4,988,167**
Private placements	6,175,000	389,144	228,356	-	-	617,500
Share issue costs	-	(8,687)	-	-	-	(8,687)
Fair value of finder's warrants	-	(1,639)	1,639	-	-	-
Shares issued on exercise of options	2,534,000	478,425	-	-	-	478,425
Transfer of stock options fair value on exercise	-	213,489	(213,489)	-	-	-
Stock options granted	-	-	299,869	-	-	299,869
Shares issued on settlement of payables	7,607,668	2,814,837	-	-	-	2,814,837
Net loss and comprehensive income for the year	-	-	-	27,245	(3,561,308)	(3,534,063)
Balance, May 31, 2015	**21,190,067**	**23,485,669**	**2,346,061**	**-**	**(20,175,682)**	**5,656,048**
Private placements	28,518,188	5,098,600	500,099	-	-	5,598,699
Share issue costs	-	(402,238)	-	-	-	(402,238)
Fair value of finder's warrants	-	(181,832)	181,832	-	-	-
Shares issued on exercise of options	2,230,000	392,400	-	-	-	392,400
Transfer of stock options fair value on exercise	-	173,884	(173,884)	-	-	-
Stock options granted	-	-	1,782,024	-	-	1,782,024
Shares issued on exercise of warrants	4,104,407	868,382	-	-	-	868,382
Transfer of warrant fair value on exercise	-	214,903	(214,903)	-	-	-
Shares issued for exploration and evaluation assets	14,730,620	5,664,557	-	-	-	5,664,557
Net loss and comprehensive loss for the year	-	-	-	-	(3,339,047)	(3,339,047)
Balance, May 31, 2016	**70,773,282**	**$ 35,314,325**	**$ 4,421,229**	**$ -**	**$ (23,514,729)**	**$ 16,220,825**

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

Bonterra Resources Inc.
Consolidated Statements of Cash Flows
For the years ended May 31
(Expressed in Canadian Dollars)

	2016	2015
Operating Activities		
Net loss for the year	$ **(3,339,047)**	$ (3,561,308)
Items not involving cash		
Amortization	**2,884**	3,897
Share-based payments	**1,782,024**	299,869
Other income	**(523,125)**	(89,336)
Loss on settlement of payables	**-**	2,053,201
Write-down of reclamation deposit	**-**	3,500
Realized loss on sale of marketable securities	**-**	35,857
Changes in non-cash working capital		
Receivables	**(139,601)**	(63,220)
Prepaid expenses	**(17,600)**	(25,105)
Accounts payable and accrued liabilities	**(211,172)**	380,707
Due to related parties	**28,380**	3,672
Cash Used in Operating Activities	**(2,417,257)**	(958,266)
Investing Activities		
Exploration and evaluation asset expenditures	**(4,366,260)**	(152,229)
Proceeds from sale of marketable securities	**-**	119,813
Cash Used in Investing Activities	**(4,366,260)**	(32,416)
Financing Activities		
Units issued for cash	**7,438,178**	1,095,925
Share issuance costs	**(402,238)**	(8,687)
Cash Provided by Financing Activities	**7,035,940**	1,087,238
Inflow of Cash	**252,423**	96,556
Cash, Beginning of Year	**98,606**	2,050
Cash, End of Year	$ **351,029**	$ 98,606

Supplemental Disclosure with Respect to Cash Flows (note 15)

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

1. NATURE OF OPERATIONS AND CONTINUANCE OF OPERATIONS

Bonterra Resources Inc. (the "Company") is an exploration stage company incorporated on May 1, 2007, under the laws of the Province of British Columbia, Canada. Its principal business activity is the acquisition, exploration and evaluation of mineral properties located in the Provinces of Ontario and Quebec, Canada. The Company's common shares are traded on the TSX Venture Exchange ("TSX-V") under the symbol "BTR". The Company's head office and principal business address is 510-744 West Hasting Street, Vancouver, British Columbia, Canada, V6C 1A1. The Company's registered and records office is 1000-840 Howe Street, Vancouver, British Columbia, Canada, V6Z 2M1.

On September 2, 2014, the Company consolidated its common shares on a one new share for twenty old shares basis. All share and per share amounts have been revised to reflect the consolidation.

2. GOING CONCERN

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

The Company incurred a comprehensive loss of $3,339,047 for the year ended May 31, 2016 (2015 - $3,534,063), and has an accumulated deficit of $23,514,729 and working capital deficiency of $230,529 at May 31, 2016 (2015 - deficit of $20,175,682 and working capital deficiency of $425,630). These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon its ability to fund its existing acquisition and exploration commitments on its exploration and evaluation assets when they come due, which would cease to exist if the Company decides to terminate its commitments, and to cover its operating costs. The Company may be able to generate working capital to fund its operations by the sale of its exploration and evaluation assets or raising additional capital through equity markets. However, there is no assurance it will be able to raise funds in the future. These consolidated financial statements do not give effect to any adjustments required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying consolidated financial statements.

3. BASIS OF PREPARATION

a) Statement of compliance

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on September 21, 2016.

b) Basis of measurement

These consolidated financial statements have been prepared under the historical cost basis, except for financial instruments classified as available-for-sale ("AFS"), and fair value through profit or loss ("FVTPL"). These consolidated financial statements have been prepared under the accrual basis of accounting, except for cash flow information.

3. BASIS OF PRESENTATION (Continued)

c) Subsidiaries

These consolidated financial statements include the accounts of the Company and the following subsidiaries. All intercompany transactions and balances have been eliminated.

	Country of Incorporation	Percentage of Ownership at May 31, 2016	Percentage of Ownership at May 31, 2015	Principal Activity
Symphony Resources Ltd. ("Symphony")	USA	100%	100%	Inactive
0819904 B.C. Ltd.	Canada	100%	100%	Inactive

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies have been applied consistently throughout to the Company for purposes of these consolidated financial statements.

a) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, demand deposits with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value.

b) Exploration and evaluation assets

i) Pre-exploration Costs

Pre-exploration costs are expensed in the year in which they are incurred.

ii) Exploration and evaluation expenditures

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors and amortization on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the year in which they occur.

Mining exploration tax credits for certain exploration expenditures incurred in Quebec and Ontario are treated as a reduction of the exploration and development costs of the respective resource property. The amounts are recorded in the year they are received.

Mineral property acquisition costs and exploration and evaluation expenditures are recorded at cost. When shares are issued as part of mineral property acquisition costs, they are valued at the closing share price on the date of issuance. Payments related to a property acquired under an option or joint venture agreement, where payments are made at the sole discretion of the Company, are recorded upon payment.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Exploration and evaluation assets (continued)

ii) Exploration and evaluation expenditures (continued)

The Company may occasionally enter into farm-out arrangements, whereby the Company will transfer part of a mineral interest, as consideration, for an agreement by the transferee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess cash accounted for as a gain on disposal.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as 'mines under construction'. Exploration and evaluation assets are tested for impairment before the assets are transferred to development properties.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration and evaluation assets.

Exploration and evaluation assets are classified as intangible.

iii) Decommissioning liabilities

An obligation to incur decommissioning and site rehabilitation costs occurs when environmental disturbance is caused by exploration, evaluation, development or ongoing production.

Decommissioning and site rehabilitation costs arising from the installation of plant and other site preparation work, discounted to their net present value, are provided when the obligation to incur such costs arises and are capitalized into the cost of the related asset. These costs are charged against operations through amortization of the asset and unwinding of the discount on the provision.

Amortization is included in operating costs while the unwinding of the discount is included as a financing cost. Changes in the measurement of a liability relating to the decommissioning or site rehabilitation of plant and other site preparation work are added to, or deducted from, the cost of the related asset and charged against operating profit or loss. The discount rate used to measure the net present value of the obligations is the pre-tax rate that reflects the current market assessment of the time value of money and the risks specific to the obligation.

The costs for the restoration of site damage, which arises during production, are provided at their net present values and charged against operations as extraction progresses.

c) Equipment

Equipment is stated at cost less accumulated amortization and impairment losses. The residual value, useful life and amortization method are evaluated every reporting period and changes to the residual value, estimated useful life or amortization method resulting from such review are accounted for prospectively. Amortization is provided for using the declining-balance method at the following rates per annum:

Computer equipment	30%
Furniture and equipment	20%

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Impairment of non-financial assets

Impairment tests on intangible assets with indefinite useful economic lives are undertaken annually at every reporting period. Other non-financial assets, including exploration and evaluation assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable and at least annually. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets. The Company has one cash-generating unit for which impairment testing is performed.

An impairment loss is charged to profit or loss, except to the extent they reverse gains previously recognized in accumulated other comprehensive loss/income.

e) Financial instruments

i) Financial assets

The Company classifies its financial assets in the following categories: Fair value through profit or loss, held-to-maturity investments, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of assets at recognition.

- Financial assets at fair value through profit or loss ("FVTPL")
  Financial assets at FVTPL are initially recognized at fair value with changes in fair value recorded through profit or loss.

- Held-to-maturity investments (“HTM”)
  HTM investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs. HTM investments are carried at amortized cost, using the effective interest method, less any impairment.

- Loans and receivables
  Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, or non-current assets based on their maturity date. Loans and receivables are carried at amortized cost, using the effective interest method, less any impairment.

- Available-for-sale financial assets ("AFS")
  AFS financial assets are non-derivatives that are either designated as available-for-sale or not classified in any of the other financial asset categories. Changes in the fair value of AFS financial assets are recognized as other comprehensive income/loss and classified as a component of equity.

  Management assesses the carrying value of AFS financial assets at least annually and any impairment charges are recognized in profit or loss. When financial assets classified as AFS are sold, the accumulated fair value adjustments recognized in other comprehensive income/loss are reclassified to profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Financial instruments (continued)

i) Financial assets (continued)

- 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.

  Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as FVTPL.

- Impairment of financial assets
  Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each period end. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include the following:

- Significant financial difficulty of the issuer or counterparty;
- Default or delinquency in interest or principal payments; or
- It has become probable that the borrower will enter bankruptcy or financial reorganization.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of all financial assets, excluding trade receivables, is directly reduced by the impairment loss. The carrying amount of trade receivables is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease relates to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss. On the date of impairment reversal, the carrying amount of the financial asset cannot exceed its amortized cost had impairment not been recognized.

ii) Financial liabilities

The Company classifies its financial liabilities in the following categories: Borrowings and other financial liabilities, and derivative financial liabilities.

4. **SIGNIFICANT ACCOUNTING POLICIES** (Continued)

e) Financial instruments (continued)

ii) Financial liabilities (continued)

- Borrowings and other financial liabilities
  Borrowings and other financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs incurred and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit or loss over the period to maturity using the effective interest method. Borrowings and other financial liabilities are classified as current or non-current based on their maturity date.

- Derivative financial liabilities
  Derivative financial liabilities are initially recognized at their fair value on the date the derivative contract is entered into and are subsequently re-measured at their fair value at each reporting period with changes in the fair value recognized in profit and loss. Derivative financial liabilities include warrants issued by the Company denominated in a currency other than the Company's functional currency.

iii) Fair value hierarchy

Fair value measurements of financial instruments are required to be classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The levels of the fair value hierarchy are defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: Inputs for assets or liabilities that are not based on observable market data.

f) Income taxes

Income tax expense consisting of current and deferred tax expense is recognized in the consolidated statement of comprehensive 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 regard 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 basis. 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) Share capital

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, stock options, share purchase warrants and flow-through shares are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

The Company has adopted a pro rata method with respect to the measurement of shares and warrants issued as private placement units. The pro rata method required each component to be valued at fair value and an allocation of the total proceeds received based on the pro rata relative values of the components.

The fair value of the common shares is based on the closing quoted bid price on the announcement date and the fair value of the common share purchase warrants is determined at the announcement date using the Black-Scholes pricing model. The fair value attributed to the warrants is recorded in equity reserves.

h) Flow-through shares

The Company will from time to time, issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenditures being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period. The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with the Government of Canada flow-through regulations. When applicable, this tax is accrued as an expense until paid.

i) Earnings (loss) per share

The Company presents basic earnings (loss) per share data for its common shares, calculated by dividing the income (loss) attributable to common shareholders of the Company by the weighted average number of shares outstanding during the period. The Company uses the treasury stock method for calculating diluted earnings (loss) per share. Under this method the dilutive effect on earnings per share is calculated on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to purchase 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) Share-based payments

The Company grants share options to acquire common shares of the Company to directors, officers, employees and consultants. The fair value of share-based payments 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 based on the fair value of the goods or services received. If it is determined that the fair value of goods and services received cannot be reliably measured, the share-based payment is measured at the fair value of the equity instruments issued using the Black-Scholes option pricing model.

For both employees and non-employees, the fair value of share-based payments is recognized as either an expense or as mineral property interests with a corresponding increase in share-based payments reserve. The amount recognized as expense is adjusted to reflect the number of share options expected to vest. Consideration received on the exercise of stock options is recorded in share capital and the related share-based payment in share-based payments reserve is transferred to share capital.

k) Foreign currency translation

These consolidated financial statements are presented in Canadian dollar, which is the parent company's functional currency. The function currency for Symphony Resources Inc. and 0819904 B.C. Ltd. is also the Canadian dollar.

Translation to functional currency

Foreign currency transactions are translated into the entity's functional currency using exchange rates in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the exchange rate in effect at the measurement date. Non-monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the historical exchange rate or the exchange rate in effect at the measurement date for items recognized at FVTPL. Gains and losses arising from foreign exchange are included in the Consolidated Statements of Comprehensive Loss.

Translation to presentation currency

The results and financial position of those entities with a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate at the date of the Statements of Financial Position;
- income and expenses are translated at average exchange rates; and
- all resulting exchange differences are recognized in accumulated other comprehensive income/loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

l) New accounting standards adopted during the year

IFRS 2 Share-based Payment

The amendment clarifies vesting conditions by separately defining a performance condition and a service condition, both of which were previously incorporated within the definition of a vesting condition.

IAS 24 Related Party Disclosures

The amendments to IAS 24 clarify that a management entity, or any member of a group of which it is a part, that provides key management services to a reporting entity, or its parent, is a related party of the reporting entity. The amendments also require an entity to disclose amounts incurred for key management personnel services provided by a separate management entity. This replaces the more detailed disclosure by category required for other key management personnel compensation.

The Company adopted the amendments to IFRS 2 and IAS 24 during the year ended May 31, 2016 with no significant impact on its consolidated financial statements.

m) New accounting standards issued but not yet effective

The Company is currently evaluating the impact that these new accounting standards is expected to have on its consolidated financial statements.

IFRS 11 Joint Arrangements

These amendments require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3) to: (a) apply all of the business combinations accounting principles in IFRS 3 and other IFRS standards, except for those principles that conflict with the guidance in IFRS 11; and (b) disclose the information required by IFRS 3 and other IFRS standards for business combinations. The amendments apply both to the initial acquisition of an interest in joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not re-measured). These amendments are effective for reporting periods beginning on or after January 1, 2016.

IAS 34 Interim Financial Reporting

The amendment clarifies the meaning of disclosure of information 'elsewhere in the interim financial report' and requires a cross reference. This amendment is effective for reporting periods beginning on or after January 1, 2016.

IFRS 7 Financial Instruments

The amendment clarifies the applicability of the amendments to IFRS 7 Disclosure–Offsetting Financial Assets and Financial Liabilities to condensed interim financial statements. This amendment is effective for reporting periods beginning on or after January 1, 2016.

IAS 27 Separate Financial Statements

This amendment permits investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements. This amendment is effective for reporting periods beginning on or after January 1, 2016.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

m) New accounting standards issued but not yet effective (continued)

Disclosure Initiative (Amendments to IAS 7 Statement of Cash Flows)

These amendments require that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes. One way to fulfil the new disclosure requirement is to provide a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. Finally, the amendments state that changes in liabilities arising from financing activities must be disclosed separately from changes in other assets and liabilities. These amendments are effective for reporting periods beginning on or after January 1, 2017.

IFRS 9 Financial Instruments (2009)

IFRS 9 introduces new requirements for classifying and measuring financial assets, as follows:

- Debt instruments meeting both a "business model" test and a "cash flow characteristics" test are measured at amortized cost (the use of fair value is optional in some limited circumstances)
- Investments in equity instruments can be designated as "fair value through other comprehensive income" with only dividends being recognized in profit or loss
- All other instruments (including all derivatives) are measured at fair value with changes recognized in profit or loss
- The concept of "embedded derivatives" does not apply to financial assets within the scope of the standard and the entire instrument must be classified and measured in accordance with the above guidelines.

This standard is effective for annual periods beginning on or after January 1, 2018.

IFRS 9 Financial Instruments (2010)

This is a revised version incorporating revised requirements for the classification and measurement of financial liabilities, and carrying over the existing de-recognition requirements from IAS 39 *Financial Instruments: Recognition and Measurement*.

The revised financial liability provisions maintain the existing amortized cost measurement basis for most liabilities. New requirements apply where an entity chooses to measure a liability at fair value through profit or loss – in these cases, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss.

This standard is effective for annual periods beginning on or after January 1, 2018.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. This standard is effective for reporting periods beginning on or after January 1, 2019.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income/loss in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

Critical judgments in applying accounting policies

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the consolidated financial statements within the next financial year are discussed below:

a) Impairment of exploration and evaluation assets

The application of the Company's accounting policy for exploration and evaluation expenditure and impairment of the capitalized expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the profit or loss in the year the new information becomes available.

b) Title to mineral property interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

c) Income taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent that it is probable that taxable profit will be available against which a deductible temporary difference can be utilized. This is deemed to be the case when there are sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity which are expected to reverse in the same year as the expected reversal of the deductible temporary difference, or in years into which a tax loss arising from the deferred tax asset can be carried back or forward. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

d) Going concern risk assessment

The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon its ability to fund its existing acquisition and exploration commitments on its exploration and evaluation assets when they come due, which would cease to exist if the Company decides to terminate its commitments, and to cover its operating costs. The Company may be able to generate working capital to fund its operations by the sale of its exploration and evaluation assets or raising additional capital through equity markets. However, there is no assurance it will be able to raise funds in the future. These consolidated financial statements do not give effect to any adjustments required to realize it assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying consolidated financial statements.

Key sources of estimation uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in material adjustments to the consolidated financial statements.

a) Decommissioning liabilities

Rehabilitation provisions have been created based on the Company's internal estimates. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates take into account any material changes to the assumptions that occur when reviewed regularly by management. Estimates are reviewed annually and are based on current regulatory requirements. Significant changes in estimates of contamination, restoration standards and techniques will result in changes to provisions from year to year. Actual rehabilitation costs will ultimately depend on future market prices for the rehabilitation costs which will reflect the market condition at the time the rehabilitation costs are actually incurred.

The final cost of the currently recognized rehabilitation provisions may be higher or lower than currently provided for. As at May 31, 2016, the Company has no known rehabilitation requirements and accordingly, no provision has been made.

b) Share purchase warrant valuation

The Company measures the value of share purchase warrants issued as part of private placement units using a pro rata method. The pro rata method requires each component to be valued at fair value and an allocation of the total proceeds received based on the pro rata relative values of the components. The fair value of the common share purchase warrants is determined at the announcement date using the Black-Scholes pricing model. Estimating fair value for share purchase warrants requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share purchase warrant, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share purchase warrants are disclosed in note 13.

c) Valuation of flow-through premium

The determination of the valuation of flow-through premium in equity units is subject to significant judgment and estimates. The flow-through premium is valued as the estimated premium that investors pay for the flow-through feature, being the portion in excess of the market value of shares without the flow-through feature issued in concurrent private placement financing. In the case that the Company did not issue non flow-through shares together with the flow-through shares, the market value of shares without the flow-through feature will be determined using their closing quoted bid price.

6. FINANCIAL INSTRUMENTS

Financial instruments are agreements between two parties that result in promises to pay or receive cash or equity instruments. The Company classifies its financial instruments as follows: cash is classified as financial assets at FVTPL; receivables as loans and receivables; and accounts payable and accrued liabilities and due to related parties as other financial liabilities. The carrying value of these instruments approximates their fair values due to their short term to maturity.

The following table sets forth the Company's financial assets measured at fair value by levels within the fair value hierarchy:

May 31, 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash	$ 351,029	$ -	$ -	$ 351,029

May 31, 2015	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash	$ 98,606	$ -	$ -	$ 98,606

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk.

a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company manages credit risk, in respect of cash, by placing it at major Canadian financial institutions. Included in receivables is $214,893 (2015 - $67,333) of GST receivable, which was collected subsequent to the year-end. Accordingly, the Company has minimal credit risk.

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquid funds to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The contractual financial liabilities of the Company as of May 31, 2016 equal $840,446 (2015 - $625,923). All of the liabilities presented as accounts payable are due within 30 days of the reporting date.

The Company intends to address its working capital deficiency through a combination of debt settlement agreements and private placement financings.

c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on capital.

6. FINANCIAL INSTRUMENTS (Continued)

c) Market risk (continued)

i) *Currency risk* - The Company has no funds held in a foreign currency and as a result is not exposed to significant currency risk on its financial instruments at year-end.

ii) *Interest rate risk* - Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. Interest earned on cash is at nominal interest rates and, therefore, the Company does not consider interest rate risk to be significant. The Company has no interest-bearing financial liabilities.

iii) *Other price risk* - Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk. The Company does not have significant exposure to this risk.

d) Capital management

The Company considers its capital to be comprised of shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares. Although the Company has been successful at raising funds in the past through the issuance of capital stock, it is uncertain whether it will continue this method of financing due to the current difficult market conditions.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

Management reviews the capital structure on a regular basis to ensure that the above objectives are met. There have been no changes to the Company's approach to capital management during the year ended May 31, 2016 or 2015. The Company is not subject to externally imposed capital requirements.

7. MARKETABLE SECURITIES

On October 25, 2013, the Company entered into an agreement to sell a 1% net smelter return interest in the West Arena property (note 10(a)(ii)) to Gold Royalties Corporation (TSX-V: GRO). The Company received 1,000,000 common shares of GRO on November 7, 2013. During the year ended May 31, 2014 the Company sold 413,000 common shares. During the year ended May 31, 2015, the Company sold the remaining 587,000 common shares for proceeds of $119,813. The Company recorded an unrealized loss of $8,612 in accumulated other comprehensive loss and reclassified a realized loss from other comprehensive loss to net loss of $35,857.

8. RECLAMATION DEPOSIT

At May 31, 2014, the Company held a guaranteed investment certificate ("GIC") with an interest rate of 0.20% per annum and a fair value of $3,500. The GIC was held as a resource reclamation deposit and was restricted from other uses. During the year ended May 31, 2015, the reclamation deposit was surrendered to the government and it was written-off to net loss.

9. EQUIPMENT

		Furniture and Equipment		Computer Equipment		Total
Cost						
Balance, May 31, 2014, 2015 and 2016	$	18,130	$	21,576	$	39,706
Amortization						
Balance, May 31, 2014	$	10,301	$	13,806	$	24,107
Amortization		1,566		2,331		3,897
Balance, May 31, 2015		11,867		16,137		28,004
Amortization		1,252		1,632		2,884
Balance, May 31, 2016	$	13,119	$	17,769	$	30,888
Net Book Value, May 31, 2015	$	6,263	$	5,439	$	11,702
Net Book Value, May 31, 2016	$	5,011	$	3,807	$	8,818

10. EXPLORATION AND EVALUATION ASSETS

a) Gladiator Project

(i) Coliseum Property

During the year ended May 31, 2010, the Company acquired a 100% interest in 95 claim blocks in Quebec near Windfall Lake at a cost of $20,000 (paid), the issuance of 50,000 common shares to the vendors and 5,440 common shares to a finder (issued) and incurring $140,000 of exploration expenditures (incurred). The shares were valued at $155,232 based on the market value of the shares on share issue date. The property is subject to a 2% net smelter returns royalty of which 0.5% can be purchased by the Company for $1,000,000.

(ii) West Arena Property

The Company entered into an option agreement on September 15, 2010, as amended on February 8, 2011 and March 19, 2012 to acquire a 100% interest in 23 additional mineral claims adjacent to the Coliseum claims in Quebec for aggregate consideration of $10,000 cash (paid), 87,500 common shares (issued) and $750,000 in exploration expenditures (incurred). The Company has completed the acquisition and owns 100% subject to the NSR below.

The agreement is subject to a 2% NSR of which 1% can be purchased for $500,000. A finder's fee of 2,845 shares was paid in connection with this acquisition.

On November 7, 2013 the Company sold an additional 1% NSR to GRO in exchange for 1,000,000 common shares of GRO, valued at $325,000 (note 7).

(iii) East Arena Property

On December 30, 2010, the Company closed and received approval from the TSX Venture Exchange for a property purchase agreement entered into on December 10, 2010 to acquire a 100% interest in 57 mineral claims east of the Urban-Barry Township in Quebec. Consideration paid was 100,000 common shares valued at $860,000 based on the market price of the shares on the share issue date, and cash payments of $35,000. The agreement is subject to a 2% NSR of which 1% may be purchased for $1,000,000.

(iv) St-Cyr Property

On February 23, 2016, the Company entered into an agreement to acquire a 100% interest in the St-Cyr Property, located in Quebec. In consideration, the Company issued 700,000 common shares of the Company (issued on March 2, 2016 and valued at $224,000). The vendor retains a 2% NSR, of which 1% can be purchased by the Company for $1,000,000.

(v) West Lacroix Lake Property

On February 23, 2016, the Company entered into an agreement with to acquire a 100% interest in the St-Cyr Property, located in Quebec. In consideration, the Company issued 500,000 common shares of the Company (issued on March 2, 2016 and valued at $160,000). The vendor retains a 2% NSR, of which 1% can be purchased by the Company for $1,000,000.

10. EXPLORATION AND EVALUATION ASSETS (Continued)

a) Gladiator Project (continued)

(vi) Lac Barry Property

On March 10, 2016, the Company entered into an option agreement with Golden Valley Mines Ltd. (“Golden Valley”) to acquire an 85% interest in Golden Valley’s Lac Barry Property, located in Quebec.

In consideration, the Company issued 519,480 common shares of the Company (issued on March 16, 2016 and valued at $225,973). In order to maintain the option, the Company must incur expenditures of $2,000,000 as follows:

- $250,000 before March 10, 2017;
- an additional $750,000 on or before March 10, 2018; and
- an additional $1,000,000 on or before March 10, 2019.

Golden Valley retains a 15% interest in the property and a 3% NSR, of which 1% can be purchased by the Company for $1,000,000.

(vii) Macho South Property

On March 11, 2016, the Company entered into an agreement to acquire a 100% interest in the Macho South Property, located in Quebec. In consideration, the Company issued 1,200,000 common shares of the Company (issued on March 21, 2016 and valued at $510,000). The vendor retains a 2% NSR, of which 1% can be purchased by the Company for $1,000,000.

(viii) Barry Property

On March 11, 2016, the Company entered into an agreement to acquire a 100% interest in the Barry Property, located in Quebec. In consideration, the Company issued 800,000 common shares of the Company (issued on March 21, 2016 and valued at $340,000). The vendor retains a 2% NSR, of which 1% can be purchased by the Company for $1,000,000.

(ix) Bailly Property

On March 11, 2016, the Company entered into an agreement to acquire a 100% interest in the Bailly Property, located in Quebec. In consideration, the Company issued 250,000 common shares of the Company (issued on March 21, 2016 and valued at $106,250). The vendor retains a 2% NSR, of which 1% can be purchased by the Company for $1,000,000.

On March 21, 2016, the Company issued 202,232 common shares of the Company (valued at $85,949) as finder’s fees on the acquisitions of the Macho South, Barry and Bailly properties.

Included in prepaid expenses at May 31, 2015, was a retainer paid to an exploration company for work to be performed on the Gladiator Project. The principal of the exploration company was a significant shareholder of the Company (note 12).

10. EXPLORATION AND EVALUATION ASSETS (Continued)

b) Larder Lake Project

On March 16, 2016, the Company entered into an option agreement to acquire a 100% interest in the Larder Lake Property from Kerr Mines and its wholly-owned subsidiary, Bear Lake Gold Ltd., located in Ontario. The terms of the agreement were amended on April 14, 2016 and TSX-V approval for the transaction was received on April 26, 2016.

In consideration for the Larder Lake Property, the Company issued 10,000,000 common shares of the Company (issued on April 26, 2016 and valued at $3,800,000). The Company must also pay $1,150,000 as follows:

- $200,000 upon TSX-V approval (paid);
- $300,000 on or before December 26, 2016;
- $350,000 on or before April 26, 2017; and
- $300,000 on or before October 26, 2017.

In the event the Company completes an equity financing for gross proceeds of $4,000,000 or more in non-flow through financing, then the second cash payment of $300,000 and third cash payment of $350,000 are due within ten days of the closing of the equity financing, and the fourth cash payment of $300,000 is due on or before April 26, 2017.

In relation to the transaction, the Company paid a finder’s fee of 558,908 common shares (issued and valued at $212,385).

10. EXPLORATION AND EVALUATION ASSETS (Continued)

	Gladiator Project	Larder Lake Project	Total
Balance, May 31, 2014	**$ 5,920,077**	**$ -**	**$ 5,920,077**
Acquisition Costs			
Claim renewals	3,568	-	3,568
Property Exploration Costs			
Geological	46,331	-	46,331
Balance, May 31, 2015	**5,969,976**	**-**	**5,969,976**
Acquisition Costs			
Claim renewals	12,166	81	12,247
Acquisition and option payments	1,566,223	4,000,000	5,566,223
Finder's fees	85,949	212,385	298,334
Total Acquisition Costs	**1,664,338**	**4,212,466**	**5,876,804**
Property Exploration Costs			
Assays and geochemistry	108,009	-	108,009
Camp and other costs	930,489	-	930,489
Drilling	2,854,677	-	2,854,677
Geological	383,951	39,200	423,151
Geophysics	190,162	-	190,162
Travel and transport	23,283	-	23,283
Total Exploration Costs	**4,490,571**	**39,200**	**4,529,771**
Balance, May 31, 2016	**$ 12,124,885**	**$ 4,251,666**	**$ 16,376,551**

11. OTHER LIABILITIES

Other liabilities consisted of the liability portion of the flow-through shares issued. The following is a continuity schedule of the liability portion of the flow-through share issuances.

	Issued During the Year Ended May 31, 2013	Issued During the Year Ended May 31, 2016	**Total**
Balance, May 31, 2014	$ 89,336	$ -	$ **89,336**
Write-off of other liability	(89,336)	-	**(89,336)**
Balance, May 31, 2015	-	-	**-**
Liability incurred on flow-through shares issued July 2015	-	172,212	**172,212**
Liability incurred on flow-through shares issued December 2015	-	406,485	**406,485**
Settlement of flow-through share liability by incurring expenditures	-	(523,125)	**(523,125)**
Balance, May 31, 2016	$ -	$ 55,572	$ **55,572**

During the year ended May 31, 2016

On July 6, 2015, the Company issued 6,527,274 flow-through shares at a price of $0.22 per share. The premium paid by investors was calculated as $0.02 per share. Accordingly, $130,545 was recorded as other liabilities. Also on July 6, 2015, the Company issued 2,083,350 flow-through units at a price of $0.24 per unit. The premium paid by investors was calculated as $0.02 per share. Accordingly, $41,667 was recorded as other liabilities.

On December 23, 2015, the Company issued 13,549,509 flow-through shares at a price of $0.22 per share. The premium paid by investors was calculated as $0.03 per share. Accordingly, $406,485 was recorded as other liabilities.

At May 31, 2016, the Company had a remaining commitment to incur exploration expenditures in relation to its December 2015 flow-through share financings of $407,530.

Included in accounts payable and accrued liabilities at May 31, 2016 is a provision for tax liabilities as a result of not meeting flow-through expenditure requirements from flow-through common shares issued in calendar 2012 and 2013 of $243,794, and a provision for Part XII.6 tax and penalties of $23,701. The Company has paid $69,939 towards Part XII.6 tax and penalties during the year ended May 31, 2016.

During the year ended May 31, 2015

During the year ended May 31, 2015, the Company did not meet the flow-through expenditure requirements. As the deadlines for expenditure had passed, the Company wrote-off the remaining other liability, resulting in other income of $89,336.

Included in accounts payable and accrued liabilities at May 31, 2015 is a provision for tax liabilities as a result of not meeting the flow-through expenditure requirements of $245,000 and a provision for Part XII.6 tax and penalties of $90,000. Of the $90,000, $39,577 was accrued in 2014.

12. RELATED PARTY TRANSACTIONS

These amounts of key management compensation are included in the amounts shown on the consolidated statements of comprehensive loss:

		2016		2015
Share-based payments	$	1,058,487	$	-
Short-term compensation	$	435,000	$	188,194

During the year ended May 31, 2016, short-term compensation to related parties consisted of $204,500 in management and director fees (2015 - $165,194), $28,000 in professional fees (2015 - $23,000) and $202,500 in exploration and evaluation asset expenditures (2015 - $nil).

During the year ended May 31, 2016, the Company received $29,181 for the recovery of rent expense from a company related by common directors (2015 - $7,530 of rent paid to the related company).

During the year ended May 31, 2016, the Company paid $120,000 (2015 - $nil) to a private company with a common director for exploration and evaluation asset expenditures.

At May 31, 2016, the Company had outstanding amounts payable to officers and directors of the Company of $35,730 (2015 - $7,350) for outstanding fees and expenses. The amounts payable are non-interest-bearing, uncollateralized and are repayable on demand.

At May 31, 2016, included in prepaid expenses was a $nil (2015 - $100,000) retainer for exploration expenses paid to a company of which the principal was a significant shareholder of the Company and $23,100 (2015 - $5,250) in prepaid management fees to a related party.

During the year ended May 31, 2015, the Company settled $68,985 of debt for shares with the same company of which the principal was a significant shareholder, resulting in a loss on settlement of $186,260. There was no settlement of debt in the current year.

13. SHARE CAPITAL

a) Authorized

Unlimited number of common voting shares without par value

b) Issued and outstanding

During the year ended May 31, 2016

On July 6, 2015, the Company completed a non-brokered private placement for gross proceeds of $2,536,004 (of which $1,936,004 is for flow-through expenditures). The Company issued 6,527,274 flow-through shares at a price of $0.22 per share, 2,083,350 flow-through units at a price of $0.24 per unit and 3,000,000 non-flow-through units at a price of $0.20 per unit. Each flow-through unit consisted of one flow-through common share of the Company and one non-flow-through share purchase warrant. Each warrant entitles the holder to acquire one additional common share of the Company at an exercise price of $0.35 per share for a period of two years. These warrants had a value of $162,282 using the pro rata method. Each non-flow-through unit consisted of one common share of the Company and one share purchase warrant. Each warrant entitles the holder to acquire one additional common share of the Company at an exercise price of $0.30 per share for a period of three years. These warrants had a value of $241,634 using the pro rata method.

13. SHARE CAPITAL (Continued)

b) Issued and outstanding (continued)

The premium paid by investors on the flow-through shares was calculated as $0.02 per share. Accordingly, $130,545 was recorded as other liabilities. The premium paid by investors on the flow-through units was calculated as $0.02 per share. Accordingly, $41,667 was recorded as other liabilities.

The Company paid finder's fees of $158,020 and issued 25,000 finder's warrants valued at $3,371 (note 13(c)) with the same terms as the warrants in the non-flow-through units and 690,242 finder's warrants valued at $78,411 (note 13(c)) with an exercise price of $0.20 for a period of two years. Other share issue costs of $15,059 were incurred.

On December 23, 2015, the Company completed a non-brokered private placement for gross proceeds of $3,387,392 (of which $2,980,892 is for flow-through expenditures). The Company issued 13,549,509 flow-through shares at a price of $0.22 per share, 1,532,500 non-flow-through units at a price of $0.20 per unit and 555,555 non-flow-through shares at a price of $0.18 per share. Each non-flow-through unit consisted of one common share of the Company and one-half of one share purchase warrant. Each whole warrant entitles the holder to acquire one additional common share of the Company at an exercise price of $0.30 per share for a period of two years. These warrants had a value of $96,183 using the pro rata method.

The premium paid by investors on the flow-through shares was calculated as $0.03 per share. Accordingly, $406,485 was recorded as other liabilities.

The Company paid finder's fees of $210,912 and issued 977,127 finder's warrants valued at $100,050 (note 13(c)). Each finder's warrant entitles the holder to acquire one common share of the Company at an exercise price of $0.20 per share for a period of two years. Other share issue costs of $18,247 were incurred.

On January 20, 2016, the Company completed a non-brokered private placement for gross proceeds of $254,000. The Company issued 1,270,000 common shares at a price of $0.20 per share.

During the year ended May 31, 2016, the Company issued 2,230,000 common shares for proceeds of $392,400 on the exercise of 2,230,000 stock options. The fair-value of the stock options of $173,884 was transferred to share capital from share-based payments reserve upon exercise.

During the year ended May 31, 2016, the Company issued 4,104,407 common shares for proceeds of $868,382 on the exercise of 4,104,407 share purchase warrants. The value of the warrants of $214,903 was transferred to share capital from share-based payments reserve upon exercise.

During the year ended May 31, 2016, the Company issued 14,730,620 common shares valued at $5,664,557 for the acquisition of exploration and evaluation assets (note 10).

At May 31, 2016, 1,288,094 (2015 – 2,576,188) shares were held in escrow. 644,047 shares were released subsequent to year end in August 2016, and the remaining 644,047 shares will be released in February 2017.

13. SHARE CAPITAL (Continued)

b) Issued and outstanding (continued)

During the year ended May 31, 2015

On December 22, 2014, the Company completed a non-brokered private placement for gross proceeds of $617,500. The Company issued 6,175,000 units at a price of $0.10 per unit. Each unit consisted of one common share of the Company and one share purchase warrant. Each warrant entitles the holder to acquire one additional common share of the Company at an exercise price of $0.20 per share on or before December 22, 2016. These warrants had a value of $228,356 using the pro rata method. The Company paid finder's fees and other costs in relation to the private placement of $8,687 and issued 25,000 finder's warrants with a value of $1,639 (note (13(c)). Each finder's warrant entitles the holder to acquire one common share of the Company at an exercise price of $0.20 per share on or before December 22, 2016.

On February 18, 2015, the Company issued 7,607,668 common shares with a value of $2,814,837 as part of a payables settlement agreement with a group of creditors. The amount of indebtedness that was settled with the transaction was $761,636.

During the year ended May 31, 2015, the Company issued 2,534,000 common shares for proceeds of $478,425 on the exercise of 2,534,000 stock options. The fair-value of the stock options of $213,489 was transferred to share capital from share-based payments reserve upon exercise.

c) Warrants

Warrant transactions and the number of warrants outstanding are summarized as follows:

	2016		**2015**	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of year	6,200,000	$ 0.20	330,375	$ 2.09
Issued	7,541,969	0.29	6,200,000	0.20
Exercised	(4,104,407)	0.21	-	-
Expired	-	-	(330,375)	2.09
Outstanding, end of year	9,637,562	$ 0.27	6,200,000	$ 0.20

The following warrants were outstanding and exercisable:

Expiry Date	Weighted Average Remaining Contractual Life in Years	Exercise Price	**2016**
December 22, 2016	0.56	$ 0.20	3,115,000
July 6, 2017	1.10	$ 0.20	145,835
July 6, 2017	1.10	$ 0.35	2,083,350
December 23, 2017	1.56	$ 0.20	977,127
December 23, 2017	1.56	$ 0.30	766,250
July 6, 2018	2.10	$ 0.30	2,550,000
	1.27		9,637,562

13. SHARE CAPITAL (Continued)

c) Warrants (continued)

The Company applies the fair value method using the Black-Scholes option pricing model in accounting for its finder's warrants granted. The fair value of each finder's warrant grant was calculated using the following weighted average assumptions:

	2016	2015
Expected life (years)	2.01	2.00
Risk-free interest rate	0.57%	1.02%
Expected annualized volatility	123%	129%
Dividend yield	N/A	N/A
Stock price at grant date	$0.19	$0.15
Exercise price	$0.20	$0.20
Weighted average grant date fair value	$0.11	$0.09

Option pricing models require the input of highly subjective assumptions regarding volatility. The Company has used historical volatility to estimate the volatility of the share price.

d) Stock options

The Company has a stock option plan to grant incentive stock options to directors, officers, employees and consultants. Under the plan, the aggregate number of common shares which may be subject to option at any one time may not exceed 10% of the issued common shares of the Company as of that date, including options granted prior to the adoption of the plan. Options granted may not exceed a term of 10 years, and the term will be reduced to one year following the date of death of the optionee. All options vest when granted unless they are otherwise specified by the Board of Directors or if they are granted for investor relations activities. Options granted for investor relations activities vest over a 12 month period with no more than 25% of the options vesting in any three month period.

The following is a summary of option transactions under the Company's stock option plan for the years ended May 31, 2016 and 2015:

	2016		2015	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	556,000	$ 0.23	-	$ -
Granted	8,061,000	0.32	3,090,000	0.20
Exercised	(2,230,000)	0.18	(2,534,000)	0.19
Expired	(587,000)	0.23	-	-
Outstanding, end of year	5,800,000	$ 0.37	556,000	$ 0.23

The weighted average trading price on date of exercise for the stock options exercised during the year ended May 31, 2016 was $0.23 (2015 - $0.25)

13. SHARE CAPITAL (Continued)

d) Stock options (continued)

The following options were outstanding and exercisable:

Expiry Date	Weighted Average Remaining Contractual Life in Years	Exercise Price	2016 Outstanding	2016 Exercisable
October 14, 2020	4.38	$ 0.22	1,800,000	1,800,000
December 8, 2020	4.53	$ 0.22	800,000	500,000
March 30, 2021	4.83	$ 0.50	3,200,000	2,900,000
	4.65		5,800,000	5,200,000

The Company applies the fair value method using the Black-Scholes option pricing model in accounting for its stock options granted. The fair value of each option grant was calculated using the following weighted average assumptions:

	2016	2015
Expected life (years)	3.88	1.09
Risk-free interest rate	0.65%	0.60%
Expected annualized volatility	146%	132%
Dividend yield	N/A	N/A
Stock price at grant date	$0.29	$0.19
Exercise price	$0.32	$0.20
Weighted average grant date fair value	$0.23	$0.15

Option pricing models require the input of highly subjective assumptions regarding volatility. The Company has used historical volatility to estimate the volatility of the share price.

14. INCOME TAXES

A reconciliation of income taxes at statutory rates with reported taxes is as follows:

	2016	2015
Net loss for the year before income taxes	$ (3,339,047)	$ (3,561,308)
Statutory income tax rate	26.00%	26.00%
Income tax benefit computed at statutory tax rate	(868,000)	(926,000)
Items not deductible for income tax purposes	333,000	596,000
Renunciation (indemnification) of eligible expenditures	1,278,000	(127,000)
Share issue costs and other	(105,000)	(3,000)
Unrecognized (recognized) benefit of deferred income tax assets	(638,000)	460,000
Deferred income tax expense	$ -	$ -

14. INCOME TAXES (Continued)

The significant components of the Company's deferred income tax assets and deferred income tax liabilities at May 31, 2016 and 2015 are presented below:

	2016	2015
Non-capital losses carried forward	$ 2,563,000	$ 1,988,000
Exploration and evaluation assets	(1,135,000)	67,000
Share issue costs and other	117,000	51,000
	1,545,000	2,106,000
Unrecognized deferred income tax assets	(1,545,000)	(2,106,000)
Net deferred income tax assets	$ -	$ -

The Company has non-capital losses of $9,858,000 (2015 - $7,645,000) available for carry-forward to reduce future years' income for income tax purposes. These losses expire as follows:

2028	$ 65,000
2029	283,000
2030	839,000
2031	1,498,000
2032	1,733,000
2033	1,256,000
2034	601,000
2035	1,370,000
2036	2,213,000
	$ 9,858,000

15. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	2016	2015
Income tax paid	$ -	$ -
Interest paid (received)	$ 54,689	$ -
Non-cash investing and financing activities:		
Fair value of finder's warrants issued	$ 181,832	$ 1,639
Fair value of options exercised	$ 173,884	$ 213,489
Fair value of warrants exercised	$ 214,903	$ -
Exploration and evaluation expenditures in accounts payable and due to related parties	$ 377,602	$ 35,859
Common shares issued for exploration and evaluation assets	$ 5,664,557	$ -
Accounts payable and accrued liabilities settled with common shares	$ -	$ 655,201
Due to related parties settled with common shares	$ -	$ 106,435

16. SEGMENTED DISCLOSURE

The Company has one operating segment, being mineral exploration and development. All of the Company's assets are located in Canada.

17. COMMITMENTS

Subsequent to the year ended May 31, 2016 the Company entered into a consulting agreement with the VP Exploration and director whereby the Company will pay a base fee of $192,000 per year and minimum incentive fee of $20,000 per year. If the agreement is terminated without cause, the Company is required to pay an amount equal to two times the base fee. If the agreement is terminated on change of control, the Company is required to pay an amount equal to two times the base fee, and two times the average incentive fee of the preceding two years.

Subsequent to the year ended May 31, 2016 the Company entered into a consulting agreement with the CEO, President and director whereby the Company will pay a base fee of $192,000 per year and minimum incentive fee of $20,000 per year. If the agreement is terminated without cause, the Company is required to pay an amount equal to two times the base fee. If the agreement is terminated on change of control, the Company is required to pay an amount equal to two times the base fee, and two times the average incentive fee of the preceding two years.

18. SUBSEQUENT EVENTS

In July 2016, the Company closed a non-brokered private placement for gross proceeds of $5,056,970 (of which $3,030,000 is for flow-through expenditures). The Company issued 7,575,000 flow-through shares at a price of $0.40 per share, and 5,791,343 non-flow units at a price of $0.35 per unit. Each non-flow-through unit consisted of one common share of the Company and one share purchase warrant. Each warrant entitles the holder to acquire one additional common share of the Company at an exercise price of $0.50 per share for a period of two years. The Company also issued 782,800 finder's warrants with an exercise price of $0.40 for a period of two years.

In August 2016, the Company closed a non-brokered private placement for gross proceeds of $1,770,750 (of which $310,000 is for flow-through expenditures). The Company issued 775,000 flow-through shares at a price of $0.40 per share, and 4,173,572 non-flow-through units at a price of $0.35 per unit. Each non-flow-through unit consisted of one common share and one share purchase warrant. Each warrant entitles the holder to acquire one additional common share of the Company at an exercise price of $0.50 per share for a period of two years. The Company also issued 126,000 finder's warrants with an exercise price of $0.35 for a period of two years.

Subsequent to May 31, 2016, the Company received $34,196 on the exercise of 120,982 share purchase warrants.