MONTEGO RESOURCES INC.

FINANCIAL STATEMENTS

AS AT

JUNE 30, 2016 AND 2015

MANNING ELLIOTT
ACCOUNTANTS & BUSINESS ADVISORS

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Montego Resources Inc.

We have audited the accompanying financial statements of Montego Resources Inc. which comprise the statements of financial position as at June 30, 2016 and 2015, the statements of comprehensive loss, changes in equity and cash flows for the years then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Montego Resources Inc. as at June 30, 2016 and 2015, and its financial performance and cash flows for the years then ended, in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter

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

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, British Columbia
October 17, 2016

MONTEGO RESOURCES INC.
STATEMENTS OF FINANCIAL POSITION
AS AT JUNE 30, 2016 AND 2015
(Expressed in Canadian dollars)

	Note	2016	2015
		$	$
ASSETS			
CURRENT			
Cash		3,111	45,272
Amounts receivable		7,400	8,021
Prepaid expenses and deposits		-	5,000
		10,511	58,293
EXPLORATION AND EVALUATION ASSET	5	162,578	187,962
		173,089	246,255
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities	7	118,887	13,309
SHAREHOLDERS' EQUITY			
SHARE CAPITAL	6	657,969	657,969
CONTRIBUTED SURPLUS	6	342,151	342,151
DEFICIT		(945,918)	(767,174)
		54,202	232,946
		173,089	246,255

NATURE OF OPERATIONS (Note 1)
SUNSEQUENT EVENTS (NOTE 11)

Approved and authorized for issue on behalf of the Board on October 17, 2016.

/S/Robert Coltura	Director	/S/Anthony Jackson	Director
Robert Coltura		Anthony Jackson	

The accompanying notes are an integral part of these financial statements

MONTEGO RESOURCES INC.
STATEMENTS OF COMPREHENSIVE LOSS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015
(Expressed in Canadian dollars)

	Note	**2016**	**2015**
		$	$
EXPENSES			
Consulting fees		-	48,750
Management fees	7	81,000	81,000
Office		27,060	16,087
Professional fees	7	38,476	72,589
Rent	7	18,254	19,393
Share-based compensation	6, 7	-	74,977
Transfer agent and filing fees		13,954	23,677
NET LOSS AND COMPREHENSIVE LOSS		(178,744)	(336,473)
LOSS PER SHARE – Basic and diluted		$ (0.01)	$ (0.04)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING		11,922,501	8,504,474

The accompanying notes are an integral part of these financial statements

MONTEGO RESOURCES INC.
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015
(Expressed in Canadian dollars)

	Common Shares				
	Number of Shares	**Amount**	**Contributed Surplus**	**Deficit**	**Total**
		$	$	$	$
Balance, June 30, 2014	6,137,501	252,270	237,000	(430,701)	58,569
Shares issued for cash	5,450,000	538,000	-	-	538,000
Shares issued for mineral property acquisition	85,000	8,500	-	-	8,500
Shares issued to agent for financing fees	250,000	25,000	-	-	25,000
Share issuance costs - agent's warrants issued	-	(30,174)	30,174	-	-
Share issuance costs		(135,627)	-	-	(135,627)
Shared-based payments	-	-	74,977	-	74,977
Net loss and comprehensive loss for the year	-	-	-	(336,473)	(336,473)
Balance, June 30, 2015	11,922,501	657,969	342,151	(767,174)	232,946
Net loss and comprehensive loss for the year	-	-	-	(178,744)	(178,744)
Balance, June 30, 2016	11,922,501	657,969	342,151	(945,918)	54,202

The accompanying notes are an integral part of these financial statements

MONTEGO RESOURCES INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015
(Expressed in Canadian dollars)

	2016	**2015**
	$	$
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net loss	(178,744)	(336,473)
Item not involving cash:		
Share-based compensation	-	74,977
	(178,744)	(261,496)
Changes in non-cash working capital balances:		
Amounts receivable	621	1,794
Prepaid expenses and deposits	5,000	(5,000)
Accounts payable and accrued liabilities	105,578	(68,342)
Cash used in operating activities	(67,545)	(333,044)
INVESTING ACTIVITIES		
Mineral tax credit received	25,384	-
Exploration and evaluation asset	-	(59,927)
Cash provided (used) in investing activities	25,384	(59,927)
FINANCING ACTIVITIES		
Shares issuance costs	-	(110,627)
Shares issued for cash	-	538,000
Cash provided by financing activities	-	427,373
CHANGE IN CASH	(42,161)	34,402
CASH, BEGINNING OF YEAR	45,272	10,870
CASH, END OF YEAR	3,111	45,272
SIGNIFICANT NON-CASH TRANSACTIONS		
Common shares issued for exploration and evaluation asset acquisition	-	8,500
Common shares issued to the agent for corporate financing fees	-	25,000
Warrants issued to the agent	-	30,174

The accompanying notes are an integral part of these financial statements

1. NATURE OF OPERATIONS

Montego Resources Inc. ("the Company") was incorporated on July 20, 2012 under the laws of British Columbia. The address of the Company's corporate office and its principal place of business is 200-551 Howe Street, Vancouver, British Columbia, Canada.

The Company's principal business activities include the acquisition and exploration of mineral property assets. As at June 30, 2016, the Company had not yet determined whether the Company's mineral property asset contains ore reserves that are economically recoverable. The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain the necessary financing to complete the development of and the future profitable production from the properties or realizing proceeds from their disposition. The outcome of these matters cannot be predicted at this time, which indicates the existence of a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern.

The Company had a deficit of $945,918 as at June 30, 2016, which has been funded mainly by the issuance of equity. The Company's ability to continue its operations and to realize its assets at their carrying values is dependent upon obtaining additional financing and generating revenues sufficient to cover its operating costs.

These financial statements do not give effect to any adjustments which would be necessary should the company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

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

These financial statements were authorized for issue in accordance with a resolution from the Board of Directors on October 17, 2016.

b) Basis of presentation

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

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

c) Cash and cash equivalents

Cash in the statements of financial position is comprised of cash in banks and on hand, and short term deposits with an original maturity of three months or less, which are readily convertible into a known amount of cash.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Exploration and evaluation assets

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

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

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

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

e) Share-based compensation

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Flow-through shares

The resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with Canadian tax legislation. On issuance, the premium recorded on the flow-through share, being the difference in price over a common share with no tax attributes, is recognized as a liability. As expenditures are incurred, the liability associated with the renounced tax deductions is recognized through profit and loss with a pro-rata portion of the deferred premium.

To the extent that the Company has deferred tax assets in the form of tax loss carry-forwards and other unused tax credits as at the reporting date, the Company may use them to reduce its deferred tax liability relating to tax benefits transferred through flow-through shares.

g) Foreign currency

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

h) Decommissioning, restoration and similar liabilities

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration or development of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, along with a corresponding liability as soon as the obligation to incur such costs arises. The timing of the actual rehabilitation expenditure is dependent on a number of factors such as the life and nature of the asset, the operating license conditions and, when applicable, the environment in which the mine operates.

Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the units-of-production or the straight-line method. The corresponding liability is progressively increased as the effect of discounting unwinds creating an expense recognized in profit or loss

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

j) Income taxes

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

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

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

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

k) Financial assets

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

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

Financial assets classified as loans and receivables and held to maturity assets are measured at amortized cost. As at June 30, 2016, the Company has not classified any financial assets as loans and receivables.

Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income and loss except for losses in value that are considered other than temporary which are recognized in earnings. At June 30, 2016, the Company has not classified any financial assets as available for sale.

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Financial liabilities

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

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

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held for trading and recognized at fair value with changes in fair value recognized in earnings unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in earnings. At June 30, 2016, the Company has not classified any financial liabilities as FVTPL.

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

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

Significant accounting estimates

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

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

Significant accounting estimates (continued)

ii. decommissioning liabilities relating to the Company's mineral property

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

iv. the inputs used in accounting for share-based payments in profit or loss.

Significant accounting judgments

i. the determination of categories of financial assets and financial liabilities; and

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

4. ADOPTION OF NEW OR AMENDED ACCOUNTING STANDARDS

New accounting standards adopted by the Company

There were no new or revised accounting standards applicable to the Company scheduled for mandatory adoption on July 1, 2015, and thus no standards were adopted in the current year.

Accounting Standards and Amendments Issued But Not yet Effective

The following accounting standards were issued but not yet effective as of June 30, 2016:

IFRS 15 – Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 – Revenue from Contracts with Customers ("IFRS 15") which supersedes IAS 11 – Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers, and SIC 31 – Revenue – Barter Transactions Involving Advertising Services. IFRS 15 establishes a comprehensive five-step framework for the timing and measurement of revenue recognition. The standard is effective for annual periods beginning on or after January 1, 2018. The Company is currently evaluating the impact this standard may have on its financial statements.

IFRS 9 – Financial Instruments

The IASB intends to replace IAS 39 – Financial Instruments: Recognition and Measurement in its entirety with IFRS 9 – Financial Instruments ("IFRS 9") which is intended to reduce the complexity in the classification and measurement of financial instruments. In February 2014, the IASB tentatively determined that the revised effective date for IFRS 9 would be January 1, 2018. The Company is currently evaluating the impact the final standard may have on its financial statements.

(Expressed in Canadian dollars)

4. ADOPTION OF NEW OR AMENDED ACCOUNTING STANDARDS (continued)

IFRS 7 – Financial instruments: Disclosure

IFRS 7 was amended to require additional disclosures on transition from IAS 39 to IFRS 9. The standard is effective on adoption of IFRS 9, which is effective for annual periods commencing on or after January 1, 2018. The Company is currently evaluating the impact the final standard may have on its financial statements.

IFRS 16 – Leases

IFRS 16 was issued on January 13, 2016, and will be effective for accounting periods beginning on or after January 1, 2019. Early adoption is permitted, provided the Company has adopted IFRS 15. This standard sets out a new model for lease accounting. The Company is currently evaluating the impact the final standard may have on its financial statements.

5. EXPLORATION AND EVALUATION ASSET

	Acquisition Costs	**Exploration Costs**	**Total**
	$	$	$
Balance, June 30, 2014	10,000	109,535	119,535
Acquisition costs paid in cash	15,000	-	15,000
Acquisition costs paid in shares issued	8,500	-	8,500
Other exploration costs	-	44,927	44,927
Balance, June 30, 2015	33,500	154,462	187,962
Mineral exploration tax credit	-	(25,384)	(25,384)
Balance, June 30, 2016	33,500	129,078	162,578

Redtop Sunrise Group

Pursuant to an option agreement dated July 25, 2012, with Rich River Exploration Ltd. and Craig Alvin Lynes, collectively, the “Optionors”, the Company was granted an option to acquire a 100% undivided interest in the Redtop Sunrise Group property (the “Property”) comprised of 11 mineral claims located near the Clearwater region of British Columbia.

During the year ended June 30, 2016 the Company received $25,384 in British Columbia Mineral Exploration tax credits (“METC”) which were offset again capitalized exploration costs.

(Expressed in Canadian dollars)

5. EXPLORATION AND EVALUATION ASSET (continued)

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

	Common Shares	**Cash**	**Exploration Expenditures**
	#	$	$
Upon execution of the agreement (paid)	-	10,000	-
On or before July 25, 2013 (incurred)	-	-	100,000
Upon listing of the Company's common shares on Canadian Securities Exchange ("Listing") (issued and paid)	85,000	15,000	-
On or before the first anniversary of the Listing[1]	90,000	-	-
On or before the second anniversary of the Listing	-	15,000	200,000
On or before the third anniversary of the Listing	-	25,000	300,000
On or before the fourth anniversary of the Listing	-	35,000	400,000
Total	175,000	100,000	1,000,000

[1] The date in which the 90,000 common shares are due was mutually extended to a date which has yet to be determined. The common share have not yet been issued.

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

6. SHARE CAPITAL

a) Authorized:

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

b) Escrow Shares:

As at June 30, 2016, there are 2,565,000 issued and outstanding common shares of the Company held in escrow.

c) Issued and Outstanding as at June 30, 2016 and 2015: 11,922,501 common shares
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(i) During the year ended June 30, 2015, the Company issued 350,000 common shares at a price of $0.08 per share, raising gross proceeds of $28,000.

(ii) On February 13, 2015, the Company completed its Initial Public Offering of common shares for listing on the Canadian Securities Exchange. The Company issued a total of 5,100,000 common shares at a price of $0.10 per share for gross proceeds of $510,000.

The Company paid its agent a cash commission of 10% of the gross proceeds of the Offering and paid corporate finance fees consisting of $45,000 cash and 250,000 common shares. In addition, the Company also granted 510,000 non-transferable agent's warrants to its agent entitling the agent to purchase common shares of the Company at a price of $0.10 for a period of two years from the date of closing the offering.

(Expressed in Canadian dollars)

6. SHARE CAPITAL (continued)

Share Options

During the year ended June 30, 2015, the Company established a stock option plan for officers, directors, employees and consultants. Under the Company's stock option plan, the exercise price of each option is determined by the Board, subject to the Discounted Market Price policies of the TSX Venture Exchange. The aggregate number of shares issuable pursuant to options granted under the plan is limited to 10% of the issued and outstanding common shares.

On September 15, 2014, the Company granted an aggregate of 800,000 stock options to the officers and directors to purchase up to 800,000 common shares at a price of $0.10 per share for a period of ten years from the date the Company's shares are listed for trading on the TSX Venture Exchange. The options vested on February 13, 2015 when the Company completed its Initial Public Offering.

The fair value of share options granted was estimated using the Black-Scholes pricing model with estimated, volatility 118%, risk-free rate 1.44%, dividend yield 0%, and expected life of 10 years. With these assumptions, the fair value of the options was determined to be $74,977.

A summary of share options outstanding is as follows:

	Options	Weighted Average Exercise Price	Weighted Average Years to Expiry	Expiry Date
Balance at July 1, 2014	-	$ -	-	
Granted	800,000	$ 0.10	10.00	February 13, 2025
Balance at June 30, 2015	800,000	$ 0.10	9.63	
Balance at June 30, 2016	800,000	$ 0.10	8.63	

A total of 200,000 share options were forfeited subsequent to year end.

Share Purchase Warrants

On February 13, 2015, the Company issued 510,000 non-transferable warrants to its agent entitling the agent to purchase common shares of the Company at a price of $0.10 for a period of two years from the date of closing of the Initial Public Offering.

The fair value of share purchase warrants issued was estimated using the Black-Scholes pricing model with estimated, volatility 118%, risk-free rate 1.44%, dividend yield 0%, and expected life of 2 years. With these assumptions, the fair value of the warrants was determined to be $30,174.

(Expressed in Canadian dollars)

6. SHARE CAPITAL (continued)

As at June 30, 2016, there are below share purchase warrants outstanding:

	Warrants		Weighted Average Exercise Price	Weighted Average Years to Expiry	Expiry Date
Outstanding, July 1, 2014	-	$	-	-	
Warrants issued	510,000		0.10	2.00	February 13, 2017
Outstanding, June 30, 2015	510,000	$	0.10	1.63	
Outstanding, June 30, 2016	510,000	$	0.10	0.62	

7. RELATED PARTY BALANCES AND TRANSACTIONS

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

The following amounts are due to related parties and have been included in accounts payable and accrued liabilities:

	2016	**2015**
	$	$
Accounts payable and accrued liabilities	117,792	12,800

The amounts are due to companies controlled by directors of the Company. The amounts are non-interest bearing, unsecured and are due upon demand.

The Company had the following related party transactions:

	2016	**2015**
	$	$
Professional fees	21,600	20,050
Rent	9,000	9,000
Total	31,600	29,050

Professional fees and rent were paid to directors and companies controlled by directors of the Company.

(Expressed in Canadian dollars)

7. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

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

	2016	2015
	$	$
Management fees	81,000	81,000
Share-based compensation	-	74,977
	81,000	155,977

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

8. INCOME TAXES

The Company has losses carried forward of approximately $683,000 available to reduce income taxes in future years which expire between 2033 and 2036.

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

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

	2016	2015
Canadian statutory income tax rate	26%	26%
	$	$
Income tax recovery at statutory rate	45,000	87,500
Effect of income taxes of:		
Permanent differences and others	1,000	15,000
Change in deferred tax assets not recognized	(46,000)	(102,500)
Deferred income tax recoverable	-	-

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

	2016	2015
	$	$
Non-capital loss carry forwards	178,000	125,000
Mineral properties	(18,000)	(18,000)
Share issuance costs	21,000	28,000
Deferred tax assets not recognized	(181,000)	(135,000)
	-	-

9. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the sourcing and exploration of its resource property. The Company does not have any externally imposed capital requirements to which it is subject.

The Company considers the aggregate of its share capital, contributed surplus and deficit as capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares or dispose of assets or adjust the amount of cash.

10. FINANCIAL INSTRUMENTS AND FINANCIAL RISK

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

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

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

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

Fair Value of Financial Instruments

The Company's financial instruments include cash and accounts payable. The carrying value of these instruments approximates their fair values due to the relatively short periods of maturity of these instruments.

Assets measured at fair value on a recurring basis were presented on the Company's statements of financial position as at June 30, 2016 are as follows:

	Fair Value Measurements Using			
	Quoted Prices in Active Markets For Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
	$	$	$	$
Cash	3,111	-	-	3,111

Fair value

The fair value of the Company's financial instruments approximates their carrying value as at June 30, 2016 because of the demand nature or short-term maturity of these instruments.

10. FINANCIAL INSTRUMENTS AND FINANCIAL RISK (continued)

Financial risk management objectives and policies

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

(i) *Currency risk*

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

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

(ii) *Interest rate risk*

The Company is exposed to interest rate risk on the variable rate of interest earned on bank deposits. The fair value interest rate risk on bank deposits is insignificant as the deposits are short-term.

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

(iii) *Credit risk*

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

(iv) *Liquidity risk*

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

11. SUBSEQUENT EVENTS

a. Subsequent to year end 200,000 stock options owned by the former CFO were forfeited.

b. The Company closed a private placement that consisted of 14,976,332 units at a price of $0.075 per unit for gross proceeds of $1,123,225. Each unit comprises one common share and one half common share purchase warrant. Each whole warrant entitles the holder to acquire one additional common share until August 23, 2018 at a price of $0.10 per common share. In connection with closing of the private placement, the Company paid certain Finder's fees: $46,206 cash and 616,079 purchase warrants (the "Finder's Warrants"). Each Finder's Warrant entitles the holder to purchase one additional common share at a price of $0.10 during the two years from the date of issuance.

c. Subsequent to the year end the Company entered into a Mineral Property Purchase and Sale Agreement (the "Agreement") with Northern Empire Resources Corp. (the "Vendor"). In exchange for issuing 6,680,000 common shares of the Company to the Vendor, the Company acquired Kiyuk Lake Property (the "Property"). The Property consists of 57 mineral claims, aggregating 491 square kilometers in southern Nunavut, Canada. The common shares issued to acquire the Property are subject to a four-month-and-one-day statutory hold period. As part of the Agreement, the Company is subject to 2% net smelter royalty to be paid to the original vendor of the property.