PATRIOT ONE TECHNOLOGIES INC.

(formerly Clear Mountain Resources Corp.)

Consolidated Financial Statements

For the Years Ended May 31, 2016 and 2015

(Expressed in Canadian Dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Patriot One Technologies Inc. (formerly Clear Mountain Resources Corp.)

We have audited the accompanying consolidated financial statements of Patriot One Technologies Inc. (formerly Clear Mountain Resources Corp.), which comprise the consolidated statements of financial position as at May 31, 2016 and 2015 and the consolidated statements of comprehensive loss, cash flows, and changes in shareholders' deficiency for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Patriot One Technologies Inc. (formerly Clear Mountain Resources Corp.) as at May 31, 2016 and 2015 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Patriot One Technologies Inc. (formerly Clear Mountain Resources Corp.)'s ability to continue as a going concern.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Professional Accountants

August 29, 2016

PATRIOT ONE TECHNOLOGIES INC.
(formerly Clear Mountain Resources Corp.)
Consolidated Financial Statements
For the Years Ended May 31, 2016 and 2015
(Expressed in Canadian Dollars)

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PATRIOT ONE TECHNOLOGIES INC.
(formerly Clear Mountain Resources Corp.)
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	May 31, 2016	May 31, 2015
	$	$
Assets		
Current		
Cash	1,718	101,874
Receivables	1,624	2,874
Prepaid expenses	5,283	8,918
	8,625	113,666
Equipment (Note 3)	885	1,106
	9,510	**114,772**
Liabilities		
Current		
Trade payables and accrued liabilities (Note 5)	540,766	525,843
Due to related parties (Note 6)	-	93,190
	540,766	619,033
Shareholders' deficit		
Share capital (Note 7)	2,518,153	2,479,103
Subscription received (Note 6)	10,000	-
Reserves (Note 7)	193,377	217,965
Deficit	(3,252,786)	(3,201,329)
	(531,256)	(504,261)
	9,510	**114,772**

Nature and Continuance of Operations (Note 1)
Subsequent Event (Note 12)

These consolidated financial statements are authorized for issuance by the Board of Directors on August 26, 2016.

On Behalf of the Board of Directors:

"Jeffery Tindale"	"Geoff Balderson"
Jeffery Tindale, Director	Geoff Balderson, Director

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

PATRIOT ONE TECHNOLOGIES INC.
(formerly Clear Mountain Resources Corp.)
Consolidated Statements of Comprehensive Loss
(Expressed in Canadian Dollars)

	For the years ended May 31,	
	2016	**2015**
	$	**$**
EXPENSES		
Consulting fees (Note 6)	14,320	5,000
Depreciation (Note 3)	221	276
Foreign exchange loss	34,804	49,604
Insurance	7,113	9,236
Investor relations	1,959	621
Management fees (Note 6)	-	140,236
Office and miscellaneous	892	889
Professional fees (Note 6)	16,805	31,757
Property investigation costs	-	39,582
Transfer agent and filing fees	23,330	18,678
Travel and related	185	7,383
	(99,629)	(303,262)
Gain on forgiveness of debt (Note 6)	22,034	-
Recovery (write-off) of exploration and evaluation assets (Note 4)	1,550	(1)
	23,584	(1)
Loss and comprehensive loss for the year	(76,045)	(303,263)
Basic and diluted loss per share	(0.07)	(0.30)
Weighted average number of common shares outstanding	1,129,974	1,023,416

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

PATRIOT ONE TECHNOLOGIES INC.
(formerly Clear Mountain Resources Corp.)
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	For the years ended May 31,	
	2016	**2015**
	$	**$**
Cash flows used in operating activities		
Loss for the year	(76,045)	(303,263)
Items not affecting cash		
Depreciation	221	276
Gain on forgiveness of debt	(22,034)	-
(Recovery) write-off of exploration and evaluation asset	(1,550)	1
	(99,408)	(302,986)
Changes in non-cash working capital items		
Decrease in receivables	1,250	9,055
Decrease (increase) in prepaid expenses	3,635	(2,694)
Increase in trade payables and accrued liabilities	14,923	108,630
Increase (decrease) in due to related parties	(71,156)	24,940
	(150,756)	(163,055)
Cash flows used in investing activity		
Exploration and evaluation assets expenditures – recovery	1,550	-
	1,550	-
Cash flows from financing activities		
Subscription received	10,000	-
Proceeds from share issuance	40,000	-
Share issuance costs	(950)	-
	49,050	-
Net change in cash	(100,156)	(163,055)
Cash, beginning of year	101,874	264,929
Cash, end of year	1,718	101,874
Non-cash transactions		
Transfer from reserves to deficit on forfeiture of stock options	24,588	-
Expiration of agents warrants	-	8,479

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

PATRIOT ONE TECHNOLOGIES INC.
(formerly Clear Mountain Resources Corp.)
Consolidated Statements of Changes in Shareholders' Deficiency
(Expressed in Canadian Dollars)

	Number of Shares Issued	Share Capital	Subscription Received	Warrant Reserves	Option Reserves	Total Reserves	Deficit	Total Shareholders' Deficiency
		$	$	$	$	$	$	$
Balance at May 31, 2014	**1,023,416**	**2,470,624**		**8,479**	**217,965**	**226,444**	**(2,898,066)**	**(200,998)**
Expiration of agents warrants	-	8,479	-	(8,479)	-	(8,479)	-	-
Net loss for the year	-	-	-	-	-	-	(303,263)	(303,263)
Balance at May 31, 2015	**1,023,416**	**2,479,103**	**-**	**-**	**217,965**	**217,965**	**(3,201,329)**	**(504,261)**
Shares issued for cash	200,000	40,000	-	-	-	-	-	40,000
Share issuance costs	-	(950)	-	-	-	-		(950)
Forfeiture of stock options	-	-	-	-	(24,588)	(24,588)	24,588	-
Subscription received	-	-	10,000	-	-	-	-	10,000
Net loss for the year	-	-	-	-	-	-	(76,045)	(76,045)
Balance at May 31, 2016	**1,223,416**	**2,518,153**	**10,000**	**-**	**193,377**	**193,377**	**(3,252,786)**	**(531,256)**

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

1. Nature and Continuance of Operations

Clear Mountain Resources Corp. (the "Company") was incorporated under the Business Corporations Act of British Columbia, Canada on May 11, 2010 and completed its initial public offering (the "IPO") and received the final exchange bulletin for the Transaction from the TSX Venture Exchange ("Exchange") on May 10, 2012. As a result, the Company's shares were listed for trading on the Exchange on May 15, 2012 under the trading symbol "CY". Effect August 24, 2016 the Company changed its name to Patriot One Technologies Inc. and commenced trading on the Exchange under the trading symbol "PAT" (See Note 12).

The Company's head office and principal address is Suite 1000 – 409 Granville Street, Vancouver BC V6C 1T2. The principal business of the Company is the identification, evaluation and acquisition of mineral properties and the subsequent exploration and operation thereof.

These consolidated financial statements have been prepared on a going concern basis with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. These consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business.

The operations and exploration and acquisition activities of the Company were primarily funded by the issue of share capital. At May 31, 2016, the Company has incurred losses since its inception and has an accumulated deficit of $3,252,786 (2015 - $3,201,329). The Company's ability to continue its operations and to realize assets at their carrying values is dependent on its ability to develop a sufficient financing plan, receive continued financial support from related parties, complete sufficient equity financing, and generate profitable operations in the future. The Company has been successful in the past in raising funds for operations by issuing shares but there is no assurance that it will be able to continue to do so in the future. These material uncertainties may cast significant doubt about the Company's ability to continue as a going concern.

2. Significant Accounting Policies and Basis of Presentation

The following is a summary of significant accounting policies used in the preparation of these consolidated financial statements.

Statement of compliance

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

Basis of presentation

These consolidated financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The consolidated financial statements are presented in Canadian dollars unless otherwise noted.

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Clear Mountain Production LLC, Clear Mountain Assets LLC, and Clear Mountain Midstream LLC. All significant intercompany accounts and transactions between the Company and its subsidiaries have been eliminated upon consolidation.

2. Significant Accounting Policies and Basis of Presentation (continued)

Foreign currency translation

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

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

Use of estimates

The preparation of financial statements in conformity with IFRS 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 the reported revenues and expenses during the period.

Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

The most significant accounts that require estimates as the basis for determining the stated amounts include the valuation of share-based compensation and recognition of deferred tax amounts.

Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

Determination of functional currency

The Company determines the functional currency through an analysis of several indicators such as expenses and cash flow, financing activities, retention of operating cash flows, and frequency of transactions with the reporting entity.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments are as follows:

Income taxes

In assessing the probability of realizing income tax assets, management makes estimates related to expectation of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

2. Significant Accounting Policies and Basis of Presentation (continued)

Equipment

Equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of comprehensive loss during the fiscal period in which they are incurred.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss.

As at May 31, 2016 and 2015, the Company had furniture and fixtures listed as equipment. Depreciation of equipment is calculated over their estimated useful lives on a diminishing balance basis at 20% per annum.

Exploration and evaluation assets

Pre-exploration costs are expensed as incurred.

Costs directly related to the acquisition and exploration of exploration and evaluation assets are capitalized once the legal rights to explore the exploration and evaluation assets are acquired or obtained. When the technical and commercial viability of a mineral resource has been demonstrated and a development decision has been made, the capitalized costs of the related property are transferred to mining assets and depreciated using the units of production method on commencement of commercial production.

If it is determined that capitalized acquisition, exploration and evaluation costs are not recoverable, or the property is abandoned or management has determined impairment in value, the property is written down to its recoverable amount. Exploration and evaluation assets are reviewed for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount.

Government assistance

B.C. mining exploration tax credits for certain exploration expenditures incurred in B.C. are treated as reduction of the exploration and evaluation cost of the respective assets when received.

2. Significant Accounting Policies and Basis of Presentation (continued)

Restoration and environmental obligations

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to exploration and evaluation assets along with a corresponding increase in the restoration provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The restoration asset will be depreciated on the same basis as the related assets.

The Company's estimates of restoration costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related asset with a corresponding entry to the restoration provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in amount and timing of the Company's estimates of reclamation costs, are charged to profit and loss for the period.

The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred.

As at May 31, 2016 and 2015, there were no significant restoration and environmental obligations.

Income taxes

Current income tax:

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the country where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax:

Deferred income tax is provided for, based on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

2. Significant Accounting Policies and Basis of Presentation (continued)

Income taxes (continued)

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Share-based compensation

The Company operates an employee stock option plan. Share-based compensation to employees is measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based compensation to non-employees is measured at the fair value of 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 corresponding amount is recorded to reserves. The fair value of options is determined using the Black–Scholes Model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Financial instruments

Financial assets

The Company classifies its financial assets into one of the following categories as follows:

Fair value through profit or loss - This category comprises derivatives and financial assets acquired principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss. The Company classifies cash as fair value through profit or loss.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost using the effective interest method less any provision for impairment. The Company classifies receivables as loans and receivables.

All financial assets except those measured at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is objective evidence of impairment as a result of one or more events that have occurred after initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

Financial liabilities

Other financial liabilities – This category consists of liabilities carried at amortized cost using the effective interest method, and includes trade payables and accrued liabilities, due to related parties and loan payable.

As at May 31, 2016, the Company does not have any derivative financial assets and liabilities.

2. Significant Accounting Policies and Basis of Presentation (continued)

Impairment of non-financial assets

The carrying amount of the Company's assets (which include equipment and exploration and evaluation assets) is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of comprehensive loss.

The recoverable amount of an asset is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years. Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

Loss per share

Basic loss per share is computed by dividing net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted loss per share is computed similar to basic loss per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods. Potentially dilutive options and warrants excluded from diluted loss per share totalled 296,375 (2015 – 340,225).

Valuation of equity units issued in private placements

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the most easily measurable component based on fair value and then the residual value, if any, to the less easily measurable components.

The fair value of the common shares issued in the private placement was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing quoted fair value attributed to the warrants is recorded as warrant reserve. If the warrants are exercised, the related amount is reclassified as share capital.

Share issuance cost

Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred financing costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise, they are expensed as incurred. Share issuance costs are charged to share capital when the related shares are issued. Deferred financing costs related to financing transactions that are not completed are charged to expenses.

2. Significant Accounting Policies and Basis of Presentation (continued)

Accounting pronouncements not yet adopted

A number of new standards, amendments to standards and interpretations applicable to the Company are not yet effective for the year ended May 31, 2016 and have not been applied in preparing these consolidated financial statements. The new and revised standards will be effective to the Company's consolidated financial statements for the year ending May 31, 2019 or later:

a) IFRS 9 – Financial Instruments: Classification and Measurement applies to classification and measurement of financial assets and liabilities as defined in IAS 39. It is tentatively effective for annual periods beginning on or after January 1, 2018 with early adopted permitted. The Company does not expect any effect on the Company's consolidated financial statements.

b) IAS 1 – Presentation of Financial statements ("IAS 1") was amended in December 2014 in order to clarify, among other things, that information should not be obscured by aggregating or by providing immaterial information, that materiality consideration apply to all parts of the financial statements and that even when a standard requires a specific disclosure, materiality considerations do apply. The amendments are effective for annual periods beginning on or after January 1, 2016. Earlier adoption permitted.

3. Equipment

	Furniture and fixtures
	$
Cost:	
As at May 31, 2014, 2015 and 2016	**3,000**
Accumulated depreciation:	
As at May 31, 2014	1,618
Charge for the year	276
As at May 31, 2015	1,894
Change for the year	221
As at May 31, 2016	2,115
Net book value:	
As at May 31, 2015	1,106
As at May 31, 2016	**885**

4. Exploration and Evaluation Assets

Pemberton, British Columbia

On October 30, 2010 (and further amended on August 11, 2011), the Company had entered into an agreement with Richard Billingsley and Dwayne Kress to acquire a 100% undivided interest in certain mineral claims situated north of Pemberton, British Columbia (the "Property").

This acquisition was subject to a 2% Net Smelter Return Royalty ("NSR") for a period of five years which would have commenced from the date upon which the Property is put into commercial production. The NSR could have been repurchased by the Company at $1,000,000 per percentage point.

As at May 31, 2014, the Company wrote down the property to $1 as management had temporarily suspended all major exploration activity due to the Company's cash position and general market conditions.

On April 7, 2015, the Company terminated the Property option agreement. Accordingly, the Company wrote-down the Property to $nil.

On March 1, 2016, the Company received $1,550 in BC mining tax credit. This amount is recorded as recovery of exploration and evaluation assets in the statement of comprehensive loss.

5. Trade Payables and Accrued Liabilities

	May 31, 2016	May 31, 2015
	$	$
Trade payables	529,466	513,843
Accrued liabilities	11,300	12,000
	540,766	**525,843**

6. Related Party Transactions

During the year ended May 31, 2016, a director of the Company advanced $10,000 to the Company. The advance is non-interest bearing and will be converted into private placement units within one year from advance. If the advance is not converted there is no obligation to the Company to repay the amount.

As at May 31, 2016, $Nil (2015 - $27,034) was included in due to related parties owing to a former director and officer of the Company for unpaid management fees.

As at May 31, 2016, $Nil (2015 - $66,156) was included in due to related parties owing to a company controlled by a former director and officer of the Company for unpaid professional fees and reimbursement of expenses. During the year the Company settled the above noted debt and recorded a gain on forgiveness of $22,034.

Included in accounts payable and accrued liabilities as at May 31, 2016 is $97,500 (2015 - $Nil) owing to a director of the Company which was acquired through an assignment of debt.

Included in accounts payable and accrued liabilities as at May 31, 2016 is $7,110 (2015 - $Nil) owing to two officers of the Company for consulting fees.

6. Related Party Transactions (continued)

Summary of key management personnel compensation:

	For the years ended May 31,	
	2016	**2015**
	$	**$**
Consulting fees	7,700	-
Management fees	-	140,236
Professional fees	6,860	-
	14,560	**140,236**

7. Share Capital and Reserves

Authorized and Issued Share Capital

Unlimited number of common shares without par value

During the year ended May 31, 2016

In November 2015, the Company completed a non-brokered private placement totalling 200,000 units at a price of $0.20 per unit for gross proceeds of $40,000. Each unit consist of one common share and one transferable share purchase warrant. Each warrant is exercisable into one additional common share at a price of $1.00 per common share expiring on November 18, 2020. The Company recorded $950 in share issue cost.

On May 16, 2016, the shareholders of the Company approved a common share consolidation on the basis of twenty pre-consolidation common shares for one post-consolidation common share of the Company. The consolidation was made effective on May 18, 2016. All references to the number of shares and per share amounts have been retroactively restated to give effect to the consolidation.

During the year ended May 31, 2015

There were no shares issued during the year ended May 31, 2015.

7. Share Capital and Reserves (continued)

Stock Options

Under the Company's stock option plan, the Company may grant options to employees, consultants and directors up to 10% of the issued and outstanding share capital at the date of grant. The exercise price of the options granted will be no less than the discounted market price of the Company's shares and the maximum term of the options will be 5 years or such longer term as permitted by the Exchange.

There were no stock options granted during the years ended May 31, 2015 and 2016.

A summary of stock option activities is as follows:

	Number of options	Weighted average exercise price
		$
Outstanding at May 31, 2014 and 2015	76,475	3.13
Forfeited	(8,850)	3.08
Outstanding at May 31, 2016	67,625	3.14

8,850 stock options with a weighted average exercise price of $3.08 were forfeited during the year ended May 31, 2016. A value of $24,588 attributed to these stock options previously recorded was transferred from reserves to share capital.

A summary of the stock options outstanding and exercisable at May 31, 2016 is as follows:

Expiry Date	Number Outstanding and Exercisable	Exercise Price $
May 10, 2017	8,100	3.00
April 4, 2018	22,375	2.20
May 29, 2018	11,200	3.10
January 6, 2019	25,950	4.00
	67,625	

As of May 31, 2016, the 67,625 (2015: 76,475) options outstanding have a weighted average remaining contractual life of 2.05 (2015: 2.94) years.

7. Share Capital and Reserves (continued)

Share Purchase Warrants

During the year ended May 31, 2015 3,825 agents' warrants with a weighted average exercise price of $5.00 expired. A value of $8,479 attributed to these expired agents' warrants previously recorded was transferred from reserves to share capital.

A summary of share purchase warrant activities is as follows:

	Number of warrants	Weighted average exercise price
		$
Outstanding at May 31, 2014	267,575	3.00
Expired	(3,825)	3.00
Outstanding at May 31, 2015	263,750	3.00
Issued	200,000	1.00
Expired	(235,000)	3.00
Outstanding at May 31, 2016	228,750	1.25

A summary of the share purchase warrants outstanding at May 31, 2016 is as follows:

Expiry Date	Number Outstanding	Exercise Price
		$
June 24, 2016*	28,750	3.00
November 18, 2020	200,000	1.00
	228,750	

*Subsequent to May 31, 2016, 28,750 share purchase warrants expired unexercised.

8. Capital Disclosure and Management

The Company considers its capital structure to include shareholders' deficit. The Company's objectives when managing capital are to (i) maintain financial flexibility in order to preserve its ability to meet financial obligations and continue as a going concern; (ii) maintain a capital structure that allows the Company to finance its growth using internally-generated cash flow and debt capacity; and (iii) optimize the use of its capital to provide an appropriate investment return to its shareholders commensurate with risk.

The Company's financial strategy is formulated and adapted according to market conditions in order to maintain a flexible capital structure that is consistent with its objectives and the risk characteristics of its underlying assets. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, acquire or dispose of assets, or adjust the amount of cash and receivables.

There were no changes in the Company's approach to capital management during the year ended May 31, 2016. The Company is not subject to externally imposed capital requirements.

9. Segmented Information

The Company has one reportable operating segment – the acquisition and exploration of exploration and evaluation assets. All of the Company's assets are located in Canada.

10. Financial Instruments and Risk Management

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The Company's financial instruments consist of cash, receivables, trade payables and accrued liabilities and due to related parties. The fair value of these financial instruments, other than cash, approximates their carrying values due to the short-term nature of these instruments. Cash is measured at fair value using level 1 inputs.

The Company is exposed to a variety of financial risks by virtue of its activities including credit, interest rate, liquidity and commodity price risk.

a) Credit risk

Credit risk is risk of financial loss to the Company if counterparty to a financial instrument fails to meet its contractual obligations. The Company's cash is held in large Canadian financial institutions and is not exposed to significant credit risk.

b) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to limited interest rate risk as it only holds cash and does not have any interest bearing debt.

c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they come due. The Company's ability to continue as a going concern is dependent on management's ability to raise the required capital through future equity or debt issuances. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning, and approval of significant expenditures and commitments.

10. Financial Instruments and Risk Management (continued)

d) Foreign currency risk

Foreign currency risk is the risk that the future cash flows or fair value of the Company's financial instruments that are denominated in a currency that is not the Company's functional currency will fluctuate due to the change in foreign exchange rate.

The Company is exposed to currency risk by incurring certain expenditures in currencies other than the Canadian dollar. As such, it is subject to risk due to fluctuations in the exchange rates for the Canadian and United States dollar. At May 31, 2016, the Company has trade payables and accrued liabilities in US dollars of $35,702. Each 1% change in the Canadian dollar versus the US dollar would result in a gain/loss of approximately $357.

11. Income Taxes

The reconciliation of the combined Canadian federal and provincial income tax rate to the income tax recovery presented in the accompanying consolidated statements of comprehensive loss is provided below:

	Years ended May 31,	
	2016	**2015**
	$	**$**
Loss before income taxes	(76,045)	(303,263)
Combined federal and provincial statutory income tax rate	26.00%	26.00%
Expected income tax recovery at statutory tax rates	(20,000)	(78,848)
Non-deductible expenditures and other	-	1,848
Change in unrecognized deductible temporary differences and others	20,000	77,000
Total	-	-

Significant components of deferred tax assets that have not been set up are as follows:

	As of May 31,	
	2016	**2015**
	$	**$**
Non-capital losses	534,000	500,600
Capital assets	300	300
Exploration and evaluation assets	270,000	270,000
Share issuance costs	4,000	18,100
Total	808,300	789,000

11. Income Taxes (continued)

Significant components of unrecognized deductible temporary differences and unused tax losses that have not been included on the consolidated statements of financial position are as follows:

	As of May 31,			
	2016	**Expiry dates**	**2015**	**Expiry dates**
	$		**$**	
Share issuance costs	15,712	2016 to 2018	69,475	2016 to 2018
Non-capital losses	2,052,065	2032 to 2036	1,925,465	2032 to 2035
Exploration and evaluation assets	1,040,106	No Expiry	1,073,840	No Expiry
Capital assets	1,320	No Expiry	1,320	No Expiry

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

12. Subsequent Events

On June 27, 2016, the Company completed a non-brokered private placement totalling 9,505,000 units at a price of $0.075 per unit for gross proceeds of $712,875. Each unit consisted of one common share and one transferable share purchase warrant. Each warrant is exercisable into one additional common share at a price of $0.20 per common share expiring on June 27, 2019. The Company issued 133,800 finders' units with same terms as that of the private placement noted above.

On July 28, 2016, the Company entered into a non-binding letter of intent ("LOI") with Patriot One Detection Ltd. (formerly Patriot One Technologies Inc.) ("Patriot") pursuant to which the Company and Patriot will enter into a definitive share exchange agreement whereby all outstanding securities of Patriot will be exchanged for securities of the Company on a 1 for 1 basis. The transaction is subject to satisfactory due diligence investigations, completion of a concurrent private placement financing to ensure a cash net of liabilities position of not less than $2,000,000 on closing and approval of the board of directors and shareholders of the Company and Patriot and the Exchange.

In connection with the transaction, the Company will undertake a concurrent private placement financing of up to 14,000,000 units at a price of $0.15 per unit for gross proceeds of $2,100,000. Each unit will be comprised of one common share and one share purchase warrant. Each share purchase warrant will entitle 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.

On closing, the Company will grant up to 4,000,000 stock options exercisable at $0.15 per common share pursuant to the terms of the LOI.