
CAROLINA CAPITAL CORP.

CONDENSED INTERIM FINANCIAL STATEMENTS

Nine Months Ended May 31, 2016

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

The accompanying unaudited condensed interim financial statements of Carolina Capital Corp. (the "Company") for the nine months ended May 31, 2016 have been prepared by the management of the Company and approved by the Company's Audit Committee and the Company's Board of Directors.

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

The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. In the opinion of management, the unaudited condensed interim financial statements have been prepared within acceptable limits of materiality and in accordance with International Accounting Standard 34 - Interim Financial Reporting ("IAS 34"), consistent with International Financial Reporting Standards ("IFRS") appropriate in the circumstances.

The Company's independent auditor has not performed a review of these condensed interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of the condensed interim financial statements by an entity's auditor.

Dated: July 20 , 2016

"Suzanne Wood"
Director

CAROLINA CAPITAL CORP.
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	May 31, 2016 (unaudited)	August 31, 2015 (audited)
ASSETS		
CURRENT		
Cash and cash equivalents	\$ 14,830	\$ 6,150
Short-term investment (Note 2)	203,273	238,783
GST receivable	3,367	477
Prepaid expense	6,560	2,600
Non-refundable deposit (Note 4)	32,785	-
	<u>260,815</u>	<u>248,010</u>
NON-CURRENT		
Exploration and evaluation assets (Note 5)	<u>140,039</u>	<u>140,039</u>
TOTAL ASSETS	<u>\$ 400,854</u>	<u>\$ 388,049</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 10,014	\$ 9,959
Accounts payable – related parties (Note 9)	55,816	-
	<u>65,830</u>	<u>9,959</u>
SHAREHOLDERS' EQUITY		
Share Capital (Note 6)	\$ 745,081	\$ 745,081
Contributed Surplus	77,601	49,987
Deficit	<u>(487,657)</u>	<u>(416,978)</u>
	<u>335,024</u>	<u>378,090</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 400,854</u>	<u>\$ 388,049</u>

These financial statements are authorized for issuance by the Board of Directors on July 20 , 2016.

On behalf of the Board:

"Suzanne Wood"

Director

"Donn Burchill"

Director

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

CAROLINA CAPITAL CORP.
CONDENSED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Unaudited - Expressed in Canadian Dollars)

	Three Months Ended May 31, 2016	Three Months Ended May 31, 2015	Nine Months Ended May 31, 2016	Nine Months Ended May 31, 2015
OPERATING EXPENSES				
General office expenses	\$ 276	\$ 679	\$ 623	\$ 1,006
Professional fees	15,479	7,658	37,108	33,476
Project investigation (Note 9b)	45,750	-	45,750	7,500
Rent	300	300	900	900
Stock based compensation	-	-	27,614	-
Transfer agent and filing fees	2,692	3,108	10,017	10,499
	<u>64,497</u>	<u>11,745</u>	<u>122,012</u>	<u>53,380</u>
OTHER INCOME				
Other income (Note 7)	50,000	-	50,000	-
Interest income	316	390	1,332	1,788
	<u>50,316</u>	<u>390</u>	<u>51,332</u>	<u>1,788</u>
NET (LOSS) AND COMPREHENSIVE (LOSS) FOR THE PERIOD	\$ (14,181)	\$ (11,355)	\$ (70,679)	\$ (51,592)
LOSS PER SHARE, Basic and Diluted	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>	<u>\$ (0.01)</u>
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING- Basic and Diluted	<u>9,650,000</u>	<u>9,350,000</u>	<u>9,650,000</u>	<u>9,423,626</u>

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

CAROLINA CAPITAL CORP.
CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY
AS AT MAY 31, 2016
(Unaudited- Expressed in Canadian Dollars)

	Number of Shares	Capital Stock	Contributed Surplus	Deficit	Total
Balance, August 31, 2013	9,150,000	719,081	49,987	(234,998)	534,070
Shares issued for mineral property fair market value at \$0.07 per share	200,000	14,000	-	-	14,000
Net loss and comprehensive loss for the period	-	-	-	(36,213)	(36,213)
Balance, May 31, 2014	9,350,000	733,081	49,987	(271,211)	511,857
Net loss and comprehensive loss for the period	-	-	-	(33,702)	(33,702)
Balance, August 31, 2014	9,350,000	733,081	49,987	(304,913)	478,155
Shares issued for mineral property fair market value at \$0.04 per share	300,000	12,000	-	-	12,000
Net loss and comprehensive loss for the period	-	-	-	(51,592)	(51,592)
Balance, May 31, 2015	9,650,000	745,081	49,987	(356,505)	438,563
Net loss and comprehensive loss for the period	-	-	-	(60,473)	(60,473)
Balance, August 31, 2015	9,650,000	745,081	49,987	(416,978)	378,090
Stock Options			27,614	-	27,614
Net loss and comprehensive loss for the period	-	-	-	(70,679)	(70,679)
Balance, May 31, 2016	9,650,000	745,081	77,601	(487,657)	335,024

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

CAROLINA CAPITAL CORP.
(An Exploration Stage Company)
CONDENSED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited- Expressed in Canadian Dollars)

	Nine Months Ended May 31, 2016	Nine Months Ended May 31, 2015
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Net (Loss) for the period	\$ (70,680)	\$ (51,592)
Changes in non-cash working capital items:		
GST receivable	(2,890)	(155)
Other receivable	-	-
Prepaid expense	(3,960)	(1,300)
Accounts payable and accrued liabilities	55,871	7,754
Net cash (used in) operating activities	<u>(21,659)</u>	<u>(45,293)</u>
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		
Issuances of common shares	-	12,000
Additional paid-in capital	27,614	-
	<u>27,614</u>	<u>12,000</u>
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Non-refundable deposit	(32,785)	-
Deferred exploration expenses	-	(12,000)
Short-term investment	35,510	41,108
Net cash (used in) provided by investing activities	<u>2,725</u>	<u>29,108</u>
CHANGE IN CASH AND CASH EQUIVALENTS	8,680	(4,185)
Cash and Cash Equivalents, beginning of period	<u>6,150</u>	<u>11,828</u>
Cash and Cash Equivalents, end of period	<u>\$ 14,830</u>	<u>\$ 7,643</u>

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

1. NATURE OF OPERATIONS AND ABILITY TO CONTINUE AS A GOING CONCERN

Carolina Capital Corp. (the "Company") was incorporated under the Business Corporations Act of British Columbia on July 26, 2010. The head office, principal address and registered and records office of the Company are located at Suite 300 – 1062 Homer Street, Vancouver, B.C., V6B 6K6. The Company does not have any subsidiaries. The Company was a capital pool company as defined by the rules of the TSX Venture Exchange ("Exchange") in Policy 2.4 of the Exchange. Effective March 26, 2013, the Company received Exchange approval for its Qualifying Transaction and commenced trading on the Exchange as a Tier 2 Mining Issuer. The Company's principal business activity is the exploration of mineral resources on the GP Property.

The Company has not yet determined whether its properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties and exploration costs is dependent upon the existence of economically recoverable ore reserves, the ability of the Company to obtain necessary financing to complete the exploration and development of its properties, and upon future profitable production or proceeds from the disposal of properties. During the nine months ended May 31, 2016 the Company did not incur additional acquisition expenditures but has incurred cumulative exploration and acquisition expenditures of \$140,039 on the GP Property as of May 31, 2016.

The Company emphasizes that attention should be drawn to matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. These financial statements have been prepared using accounting principles applicable to a going concern which assumes 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 business rather than through a process of forced liquidation. The recoverability of capitalized costs on the GP Property is uncertain and dependent upon projects achieving commercial production or sale. The ability of the Company to carry out its business objectives dependent on the Company's ability to receive continued financial support from related parties, to obtain public equity financing, or to generate profitable operations in the future.

	<u>May 31, 2016</u>	<u>August 31, 2015</u>
Working capital	\$ 194,985	\$ 238,051
Deficit	\$ (487,657)	\$ (416,978)

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"), as issued by the International Accounting Standards Board ("IASB"). The accounting policies set out below have been applied consistently to all periods presented in these financial statements. These financial statements are authorized for issue by the Board of Directors on July 20, 2016.

Basis of measurement

These condensed interim financial statements have been prepared on a historical cost basis except for certain financial instruments classified as fair value through profit or loss ("FVTPL") and available-for-sale which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except cash flow information.

These financial statements are presented in Canadian dollars, which is the Company's functional currency.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgments, estimates and assumptions

The preparation of these condensed interim financial statements in conformity of IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Significant estimates used in preparing the financial statements include, but are not limited to:

- the calculation of share-based compensation, which includes the assumptions used in the Black-Scholes option pricing model such as volatility, estimated forfeiture rates and expected time until exercise;
- the economic recoverability of exploration expenditures incurred and the probability of future economic benefits from these expenditures; and
- asset carrying value and impairment charges.

Significant judgments used in the preparation of these financial statements include, but are not limited to:

- those relating to the assessment of the Company's ability to continue as a going concern.

Cash and cash equivalents

The Company considers all highly liquid instruments with an original maturity of three months or less at the time of issuance to be cash equivalents. As at May 31, 2016, the Company's cash and cash equivalents consist of cash only.

Short-term investments

Short-term investments are investments which are transitional or current in nature, with an original maturity greater than three months but less than twelve months. As at May 31, 2016, the Company has short term investments balance of \$ 203,273, including accrued interest, (2015: \$248,309) due on June 11, 2016 with an annual yield of prime rate less 1.95% (2015: Prime rate less 1.95%).

Exploration and evaluation expenditures

The Company is in the exploration stage with respect to its investment in mineral interests. Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures ("E&E") 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 depreciation 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 period in which they occur. At such time as commercial production commences, these costs will be charged to operations on a unit-of-production method based on proven and probable resources. The aggregate costs related to abandoned exploration and evaluation assets are charged to operations at the time of any abandonment or when it has been determined that there is evidence of a permanent impairment. The recoverability of amounts shown for exploration and evaluation assets is dependent up on the discovery of economically recoverable resources, the ability of the Company to obtain financing to complete development of the properties, and on future production or proceeds of disposition.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Exploration and evaluation expenditures (continued)

The Company recognized as income any costs recovered on exploration and evaluation assets when amounts received or receivable are in excess of the carrying amount.

Decommissioning, restoration and similar liabilities ("Asset retirement obligation")

The Company recognizes liabilities for statutory, contractual or legal obligations associated with the reclamation of exploration and evaluation assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the period in which the obligation is incurred. Upon initial recognition of the liability, the corresponding asset retirement cost is added to the carrying amount of the related asset and the cost is amortized as an expense over the economic life of the asset using either the unit-of-production method or the straight-line method, as appropriate. Following the initial recognition of the asset retirement obligation, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the amount or timing of the underlying cash flows needed to settle the obligation.

As at May 31, 2016 and May 31, 2015, the Company has no asset retirement obligations and accordingly, has not recorded an asset retirement obligation in the financial statements.

Mining Tax Credit

Mining tax credits are recorded in the accounts when there is reasonable assurance that the Company has complied with, and will continue to comply with, all conditions needed to obtain the credits. These non-repayable mining credits are earned in respect to exploration costs incurred in British Columbia, Canada and are recorded as a reduction of the related exploration expenditures.

Earnings / loss per share

Basic earnings (loss) per share are calculated using the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share are calculated using the treasury stock method. This method assumes that common shares are issued for the exercise of options, warrants and convertible securities and that the assumed proceeds from the exercise of options, warrants and convertible securities are used to purchase common shares at the average market price during the period. The difference between the number of shares assumed issued and the number of shares assumed purchased is then added to the basic weighted average number of shares outstanding to determine the fully diluted number of common shares outstanding. No exercise or conversion is assumed during the periods in which a net loss is incurred as the effect is anti-dilutive.

Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognized when the contractual rights to the cash flows from the financial assets expire, or when the financial asset and its related risks and rewards are transferred. Financial liabilities are derecognized when they expire, are discharged or cancelled. Financial instruments are classified into five categories:

- Loans and receivables
- Held-to-maturity investments
- Available-for-sale
- Financial assets at fair value through profit and loss ("FVTPL")
- Financial liabilities at amortized cost

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

All financial instruments except the FVTPL and derivatives are measured initially at fair value plus transaction costs. Financial assets at FVTPL and derivatives are recognized initially at fair value while the transaction costs are expensed in the consolidated statement of income. The classification determines how the asset is subsequently measured and whether the resulting gains or losses are recognized in profit or loss or in other comprehensive income.

After initial recognition, loans and receivables and held-to-maturity investments are measured at amortized cost using the effective interest method. Any changes to the carrying amounts of the held-to-maturity investments including impairment charges are recognized in profit and loss. Available-for-sale financial assets are measured at fair value with gains and losses recognized in other comprehensive income. Financial assets at FVTPL include financial assets that are classified either as held-for-trading or those are designated at FVTPL upon initial recognition. Gains or losses in these financial assets are recorded in profit and loss.

The Company classified its cash and cash equivalents and short-term investment as FVTPL which is measured at fair value. Other receivables is classified as loans and receivables and measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities which are measured at amortized cost.

Financial liabilities are measured subsequently at amortized cost except for those held-for-trading which are carried subsequently at fair value with gains or losses recorded in profit and loss.

Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the statement of comprehensive loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

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

Deferred tax is recognized using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. 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 reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference 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.

Share-based payment transactions

The Company recognizes share-based payment expense for the estimated fair value of equity-based instruments granted to both employees and non-employees. Compensation expense is recognized when the options are granted with the same amount being recorded as contributed surplus.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payment transactions (continued)

For employees the fair value is measured at grant date and each tranche is recognized on a graded-vesting basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Share-based payment transactions with non-employees are measured at the fair value of the goods or services received. However, if the fair value cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the options granted at the date the Company receives the goods or the services using the Black-Scholes option pricing model.

Related party 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. Parties are also considered to be related if they are subject to common control, 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.

3. NEWLY ADOPTED STANDARDS AND FUTURE ACCOUNTING PRONOUNCEMENTS

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below except those which the Company does not expect any impacts on the financial statements.

IAS 24 Related party disclosures

The Company adopted the amendments to IAS 24, which 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. Adoption of the standard did not have a material impact on its financial statements.

IFRS 2 Share-based payment

The Company adopted the amendments to IFRS 2 which clarify the definition of "vesting conditions", and separately define a "performance condition" and a "service condition". A performance condition requires the counterparty to complete a specified period of service and to meet a specified performance target during the service period. A service condition solely requires the counterparty to complete a specified period of service. The adoption of the new standard did not have any significant impact on the financial statements of the Company.

IFRS 7 Financial instruments: disclosures and IAS 32 Financial instruments: presentation

Financial assets and financial liabilities may be offset, with the net amount presented in the statement of financial position, only when there is a legally enforceable right to set off and when there is either an intention to settle on a net basis or to realize the asset and settle the liability simultaneously. The amendments to IAS 32, issued in December 2011, clarify the meaning of the offsetting criterion "currently has a legally enforceable right to set off" and the principle behind net settlement, including identifying when some gross settlement systems may be considered equivalent to net settlement.

3. NEWLY ADOPTED STANDARDS AND FUTURE ACCOUNTING PRONOUNCEMENTS (continued)

IFRIC 21 Levies

IFRIC 21 Levies, issued in May 2013, provides guidance on the accounting for levies within the scope of IAS 37 *Provisions, contingent liabilities and contingent assets*. The main features of IFRIC 21 are as follows:

- The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation; and
- The liability to pay a levy is recognized progressively if the obligating event occurs over a period of time. The adoption of the new standard did not have any significant impact on the financial statements of the Company.

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective. The Company does not expect the impact of such changes on the financial statements to be material.

IFRS 9 "Financial instruments"

IFRS 9 was issued in November 2009 and subsequently amended as part of an ongoing project to replace IAS 39 Financial instruments: Recognition and measurement. The standard requires the classification of financial assets into two measurement categories based on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. The two categories are those measured at fair value and those measured at amortized cost. The classification and measurement of financial liabilities is primarily unchanged from IAS 39. However, for financial liabilities measured at fair value, changes in the fair value attributable to changes in an entity's "own credit risk" is now recognized in other comprehensive income instead of in profit or loss. This new standard will also impact disclosures provided under IFRS 7 Financial instruments: disclosures.

In November 2013, the IASB amended IFRS 9 for the significant changes to hedge accounting. In addition, an entity can now apply the "own credit requirement" in isolation without the need to change any other accounting for financial instruments. The standard was initially effective for annual periods beginning on or after January 1, 2013, but the complete version of IFRS 9, issued in July 2014, moved the mandatory effective date to January 1, 2018.

4. NON REFUNDABLE DEPOSIT

On May 18, 2016, the Company paid a non-refundable deposit of US\$25,000 to Coronado Resources Ltd. as a sign of good faith to continue negotiations and due diligence on the proposed acquisition of the gold and copper mine and crushing facility in the Silver Star District in southeast Montana.

Subsequent to the end of the reporting period, on July 21, 2016, the Company signed a Definitive Asset Purchase Agreement to acquire the Madison Gold and Copper Mine. The Company will acquire a 100% right, title and interest in a 192 acre ranch, all patented and unpatented claims, buildings mining equipment and fixtures for a cash payment of CDN\$250,000 (inclusive of the US\$25,000 deposit) upon closing of the transaction, 500,000 common shares on the First Anniversary, 500,000 common shares on the Second Anniversary and CDN\$100,000 upon attainment of commercial production.

The transaction is subject to a number of conditions including, but not limited to, completion of private placement financing not less than CDN\$500,000 and TSX Venture Exchange approval.

5. EXPLORATION AND EVALUATION ASSETS

GP Property, British Columbia

On November 20th, 2012, the Company entered into an Option Agreement with Qualitas Holdings Corp. and Mike Magrum (the "Vendors") to earn a 100% interest in the GP Property. In order to maintain the Option in good standing the Company is required to: incur exploration expenditures totaling \$100,000 on or before the first anniversary of the date of Exchange approval (completed), make cash payments to the vendors of the Option of \$10,000 upon receipt of the Technical Report and \$15,000 at the time of Exchange approval (paid) and issue 700,000 shares (200,000 upon Exchange approval (issued), 200,000 on the first anniversary of Exchange approval (issued) and 300,000 on or before the second anniversary (issued)). During the fiscal year 2015, the Company issued 300,000 shares as part of the acquisition requirement for a fair value of \$12,000 (2014: \$14,000).

As at May 31, 2016, the Company incurred the following acquisition and exploration expenditures on the GP Property:

GP Property– British Columbia	May 31, 2016	August 31, 2015	August 31, 2014	Cumulative
Acquisition costs	\$nil	\$12,000	\$ 14,000	\$73,400
Balance, end of year	nil	12,000	14,000	73,400
Analysis – assay costs	-	-	-	59,464
Field supplies and expenses	-	-	-	3,476
Contractors – field crew, supervision and reports	-	-	-	23,025
Travel, accommodation and meals	-	-	-	9,301
BC METC refund	-	-	(28,627)	(28,627)
Balance, end of year	-	-	(28,627)	66,639
Total	\$nil	\$12,000	\$ (14,627)	\$140,039

6. SHARE CAPITAL

(a) Authorized: Unlimited number of common shares without par value.

On August 24, 2010, the Company issued 2,000,000 common shares at a price of \$0.05 per common share to its directors and officers for cash proceeds of \$100,000.

On December 15, 2010, the Company completed its initial public offering in British Columbia and Alberta by issuing 2,000,000 common shares at a purchase price of \$0.10 per share for gross proceeds to the Company of \$200,000.

On March 22, 2013, pursuant to the Option Agreement, the Company issued an aggregate of 200,000 common shares to Qualitas Holdings Corp. and Mike Magrum (the "Vendors"). The shares were fair valued at \$0.10 a share (\$20,000) which is the fair market value of the stock on the date that the shares were issued.

On March 22, 2013, concurrent with the completion of the Qualifying Transaction, the Company completed a non-brokered private placement (the "Offering") of 4,950,000 units at a price of \$0.10 per unit, for gross proceeds of \$495,000. Each unit consists of one common share and one-half (1/2) of one share purchase warrant, with each whole warrant entitling the holder to acquire one additional common

6. SHARE CAPITAL (Continued)

- (a) Authorized: Unlimited number of common shares without par value.

share at a price of \$0.15 for two years from closing of the Offering. All the warrants expired without being exercised.

On April 3, 2014, pursuant to the Option Agreement, the Company issued 200,000 common shares to Qualitas Holdings Corp. and Mike Magrum (the "Vendors"). The shares were recorded at the fair market value of \$0.07 per share for a total of \$14,000.

On March 26, 2015, pursuant to the Option Agreement, the Company issued 300,000 common shares to Qualitas Holdings Corp. and Mike Magrum (the "Vendors"). The shares were recorded at the fair market value of \$0.04 per share for a total of \$12,000.

As at May 31, 2016, the Company has 9,650,000 common shares issued and outstanding.

- (b) Escrowed shares:

In accordance with the TSX Venture Exchange CPC policy guidelines, all seed shares issued at a price lower than the price of the Initial Public Offering (IPO) shares, all securities acquired by non-arm's length parties to the Company, and all securities acquired by a Control Person are held in escrow and will be released over a period of three years from the acceptance of the Company's Qualifying Transaction.

As at May 31, 2016, the Company had nil common shares held in escrow as all the shares held in escrow pursuant to the IPO offering has been released.

7. OTHER INCOME

On April 7, 2014, the Company had entered into a non-binding Letter of Intent ("LOI") with IMG Gold Recovery Inc. ("IMG") to form a joint venture whereby the Company and IMG will build and operate a precious metals toll mill and recovery facility. On June 27, 2014 the LOI was extended to September 30, 2014. On July 21, 2014, the Company signed an addendum with IMG to provide \$50,000 for capital expansion of IMG's pilot plant in Burnaby, BC. On October 14, 2014 the Company reported that its non-binding Letter of Intent with IMG had expired and the Company wrote off the non-refundable deposit as project investigation cost. During the fiscal year 2015, the capital expansion of IMG's pilot plant in Burnaby was delayed due to a variety of circumstances and management had written down the receivable balance as a result of uncertainty of the outcome of the metals stream project.

On March 31, 2016, the Company entered into a Mutual Release with IMG Gold Recovery Inc. ("IMG") to release each other of any further obligations in connection with addendum agreement dated July 21, 2014 and the Company received a payment of \$50,000 from IMG as a final settlement to mutually terminate the addendum.

8. SHARE-BASED PAYMENT TRANSACTIONS

The Company has adopted an incentive stock option plan (the "Option Plan") which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees, and consultants to the Company, nontransferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares as at the closing date of the Company's Initial Public Offering or until the completion of the Company's Qualifying Transaction, and thereafter will not exceed 10% of the issued and outstanding common shares at the date of granting the stock option.

On May 2, 2013, pursuant to the Company's stock option plan, the Company granted a newly appointed director an option to purchase 100,000 common shares at an exercise price of \$0.20 per share (equal to

8. SHARE-BASED PAYMENT TRANSACTIONS (continued)

market price at the date of grant) for a period of two years from the date of grant. The stock options vested immediately. During the year ended August 31, 2013 the Company expensed \$8,798 stock-based compensation as the result of granting the above noted stock options. On May 2, 2015 the 100,000 options expired.

On February 15, 2016, the Company granted incentive stock options to various directors of the Company to purchase up to an aggregate of 950,000 common shares in the capital stock of the Company. The options are granted pursuant to the Company's stock option plan and will be subject to applicable regulatory hold periods. The options are exercisable up to five (5) years from February 15, 2016 at a price of \$0.05 per share. The stock options vested immediately. During the period ended May 31, 2016 the Company expensed \$27,614 stock-based compensation as the result of granting the above noted stock options.

A summary of option activity for the period ended May 31, 2016 is as follows:

	Number of Options	Weighted Average Exercise Price	Expiry Date
Balance, August 31, 2015	400,000	\$ 0.10	December 14, 2015
Expired During the Period	400,000	-	-
Granted During the Period	950,000	\$0.05	February 15, 2021
Balance, May 31, 2016	950,000	\$0.05	February 15, 2021

As at May 31, 2016, these options have a weighted average remaining contractual life of 4.71 years.

The fair market value of the 950,000 stock options granted in February 2016 was estimated at \$0.03 per stock option by using Black-Scholes fair value option-pricing model and the following assumptions were used:

	February 29, 2016
Risk-free interest rate	0.49%
Expected life of stock options	2 years
Annualized volatility	52%
Dividend rate	0.00%

The Black-Scholes valuation model was developed for use in estimating the fair value of traded options which are fully transferable and freely traded. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its stock options. Stock-based compensation calculations have no effect on the Company's cash position.

9. RELATED PARTY TRANSACTIONS

Balances and transactions with related parties not disclosed elsewhere in these financial statements are as follows:

- (a) For the period ended May 31, 2016, the Company incurred accounting, filing services, administrative services and rent expense of \$15,400 (2015: \$14,820) to a company owned by one of its directors. Included in accounts payable and accrued liabilities, \$2,600 (2015: \$1,690) is payable to a company owned by one of its directors for accounting and administrative fees.
- (b) For the period May 31, 2016, the Company incurred project investigation expenses of \$25,000 to a company owned by one of its directors (2015: \$7,500). As at May 31, 2016, the amount of \$32,500 plus GST has not been paid and included in accounts payable and accrued liabilities.
- (c) For the period May 31, 2016, the Company incurred project investigation expenses of \$18,000 to a company owned by one of its directors (2015: \$nil). As at May 31, 2016, the amount of \$18,000 plus GST has not been paid and included in accounts payable and accrued liabilities.

10. FINANCIAL RISK MANAGEMENT

The Company's financial assets consist of cash and cash equivalents, short-term investments and other receivable. The estimated fair values of cash and cash equivalents, short-term investments and other receivable approximate their respective carrying values due to the short period to maturity.

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:

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

For the periods ended February 29, 2016 and February 28, 2015, the fair value of cash and cash equivalents and short-term investments were measured using Level 1 inputs.

The Company is exposed to varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes, inclusive of counterparty limits, controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due. The Company ensures, as far as reasonably possible, it will have sufficient capital in order to meet short-term business requirements, after taking into account cash flows from operations and the Company's holdings of cash and cash equivalents. The Company believes that these sources will be sufficient to cover the likely short-term cash requirements. The Company's cash and cash equivalents are currently invested in business accounts which are available on demand by the Company for its operations.

Interest Rate Risk

The Company invests part of the cash balance in a variable rate GIC at rate of prime minus 1.95%. Any change to market rates result in interest rate risk. The exposure to interest rate risk, however, is limited due to the short term nature of variable rate GIC.

Credit Risk

Credit risk is the risk of a loss in a counterparty to a financial instrument that fails to meet its contractual obligations. The Company's exposure to credit risk is limited to its cash and cash equivalents and short-term investments. The Company limits its exposure to credit risk by holding its cash and cash equivalents and short-term investments in deposits with high credit quality Canadian financial institutions.

11. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and exploration of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital that it manages as share capital and cash equivalents.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company has historically relied on equity financing to fund its activities. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the period ended May 31, 2016.

12. SEGMENTED INFORMATION

The Company operates in one operating segment, that being the exploration of mineral properties. The Company's corporate offices are located in Canada and its mineral exploration activities are conducted in British Columbia, Canada.

13. COMMITMENTS

None

15. SUBSEQUENT EVENTS

Subsequent to the end of the reporting period, on July 21, 2016, the Company signed a Definitive Asset Purchase Agreement to Acquire the Madison Gold and Copper Mine. The Company will acquire a 100% right, title and interest in a 192 acre ranch, all patented and unpatented claims, buildings mining equipment and fixtures for a cash payment of CDN\$250,000 (inclusive of the US\$25,000 deposit), 500,000 shares on the First Anniversary, 500,000 shares on the Second Anniversary and \$100,000 upon attainment of commercial production.

The transaction is subject to a number of conditions including, but not limited to, completion of private placement financing not less than CDN\$500,000 and TSX Venture Exchange approval.