Financial Statements
(Expressed in Canadian dollars)

VENDETTA MINING CORP.
(An Exploration Stage Company)

Years ended May 31, 2016 and 2015

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Vendetta Mining Corp.

We have audited the accompanying financial statements of Vendetta Mining Corp., which comprise the statements of financial position as at May 31, 2016 and 2015 and the statements of loss and comprehensive loss, changes in equity (deficiency) and cash flows for the years then ended, and 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, 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 audit 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 the auditors' 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, the auditor considers 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, these financial statements present fairly, in all material respects, the financial position of Vendetta Mining 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 financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Vendetta Mining Corp.'s ability to continue as a going concern.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Professional Accountants

September 9, 2016

A member of Nexia International

VENDETTA MINING CORP.

(An Exploration Stage Company)

Statement of Financial Position
(Expressed in Canadian dollars)

		As at May 31, 2016		As at May 31, 2015
Assets				
Current assets:				
Cash	$	1,741,916	$	66,118
GST / HST receivable		8,589		58,293
Prepaid expenses and advances (Note 4)		15,615		30,736
		1,766,120		**155,147**
Exploration and evaluation assets (Note 5)		806,874		636,631
	$	**2,572,994**	**$**	**791,778**
Liabilities and Shareholders' Equity				
Current liabilities:				
Accounts payable and accrued liabilities	$	390,389	$	155,912
		390,389		**155,912**
Shareholders' equity:				
Share capital (Note 6)		5,642,607		3,033,468
Subscriptions receivable (Note 6)		(15,000)		-
Reserves (Note 6)		435,072		375,885
Deficit		(3,880,074)		(2,773,487)
		2,182,605		**635,866**
	$	**2,572,994**	**$**	**791,778**

Nature of operations and going concern (Note 1)

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

Approved on behalf of the Board:

"Michael J. Williams" Director

"Jeff Sundar" Director

VENDETTA MINING CORP.

(An Exploration Stage Company)

Statement of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

		Years ended		
		May 31, 2016		**May 31, 2015**
Expenses:				
Audit and accounting (Note 8)	$	55,147	$	47,664
Business development		-		13,532
Consulting		36,000		7,500
Director fees (Note 8)		27,000		6,714
Exploration expenditures (Notes 5 and 8)		506,081		789,085
Filing and transfer agent fees		13,101		30,122
Foreign exchange		10,167		(7,070)
Insurance		3,972		11,339
Investor relations		140,774		105,440
Legal		1,867		132,934
Management fees (Note 8)		150,000		178,500
Office and administration (Note 8)		74,924		58,910
Property investigation costs		-		5,148
Share-based payments (Notes 6 and 8)		59,187		92,947
Travel and meals		28,367		22,032
		(1,106,587)		(1,494,797)
Write-off of exploration and evaluation assets (Note 5)		-		(14,561)
Loss and comprehensive loss for the year	**$**	**(1,106,587)**	**$**	**(1,509,358)**
Loss per share - basic and diluted	$	(0.04)	$	(0.08)
Weighted average number of shares outstanding		25,635,396		18,515,587

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

VENDETTA MINING CORP.

(An Exploration Stage Company)

Statement of Changes in Equity (Deficiency)
(Expressed in Canadian dollars)

					RESERVES			
	Number of shares (Note 6)	**Share capital (Note 6)**	**Share subscriptions received**	**Share subscriptions receivable**	**Share option reserves**	**Warrant and other reserves**	**Deficit**	**Total equity**
May 31, 2014	11,911,625	819,209	$ 8,000	$ -	$ 163,000	$ 122,438	$ (1,264,129)	$ (151,482)
Private placement shares issued	8,653,771	2,249,980	(8,000)	-	-	-	-	2,241,980
Stock options exercised	50,000	12,500	-	-	(2,500)	-	-	10,000
Share issuance costs	-	(48,221)	-	-	-	-	-	(48,221)
Share-based payments	-	-	-	-	92,947	-	-	92,947
Loss and comprehensive loss for the year	-	-	-	-	-	-	(1,509,358)	(1,509,358)
May 31, 2015	20,615,396	3,033,468	-	-	253,447	122,438	(2,773,487)	635,866
Private placement shares issued	52,020,000	2,702,000	-	(15,000)	-	-	-	2,687,000
Share issuance costs	-	(92,861)	-	-	-	-	-	(92,861)
Share-based payments	-	-	-	-	59,187	-	-	59,187
Loss and comprehensive loss for the year	-	-	-	-	-	-	(1,106,587)	(1,106,587)
May 31, 2016	**72,635,396**	**$ 5,642,607**	**$ -**	**$ (15,000)**	**$ 312,634**	**$ 122,438**	**$ (3,880,074)**	**$ 2,182,605**

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

VENDETTA MINING CORP.

(An Exploration Stage Company)

Statement of Cash Flows
(Expressed in Canadian dollars)

		Years ended		
		May 31, 2016		**May 31, 2015**
Cash flows used in operating activities:				
Loss for the year	$	(1,106,587)	$	(1,509,358)
Items not affecting cash:				
Share-based payments		59,187		92,947
Write-off of exploration and evaluation assets		-		14,561
		(1,047,400)		**(1,401,850)**
Changes in non-cash working capital:				
GST / HST receivable		49,704		(58,917)
Prepaid expenses		15,121		(26,836)
Accounts payable and accrued liabilities		234,477		(32,008)
		(748,098)		**(1,519,611)**
Cash flows used in investing activities:				
Exploration and evaluation asset acquisition		(170,243)		(636,631)
		(170,243)		**(636,631)**
Cash flows from financing activities:				
Common shares issued for cash		2,687,000		2,251,980
Share issuance costs		(92,861)		(48,221)
		2,594,139		**2,203,759**
Increase in cash		1,675,798		47,517
Cash, beginning of year		66,118		18,601
Cash, end of year	$	**1,741,916**	$	**66,118**
Supplemental schedule of non-cash investing and financing activities:				
Stock options exercised	$	-	$	2,500
Allocation of subscriptions received in advance	$	-	$	8,000
Share subscription receivable	$	15,000	$	-

The accompanying notes are an integral part of these financial statements

1. Nature of operations and going concern:

Vendetta Mining Corp. ("the Company" or "Vendetta") was incorporated pursuant to the provisions of the Business Corporations Act (British Columbia) on December 14, 2009. The Company is in the business of exploration and evaluation of mineral resources in Australia. Its common shares trade on the TSX Venture Exchange ("TSX-V") under the symbol VTT. The Company's registered address is: Suite 1500 – 409 Granville Street, Vancouver, British Columbia, V6C 1T2.

The Company is an exploration stage company and engages principally in the acquisition and exploration of resource properties. The recoverability of the amounts shown for exploration and evaluation assets is ultimately dependent upon the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in the properties, obtaining necessary financing to explore and develop the properties, entering into agreements with others to explore and develop the resource properties, and upon future profitable production or proceeds from disposition of the resource properties. The amounts shown as exploration and evaluation assets represent net costs incurred to date, less amounts recovered from third parties and/or written-off, and do not necessarily represent present or future values.

These Financial Statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and settle its obligations in the normal course of business.

The Company has a history of losses with no operating revenue other than interest income and management fees, an accumulated deficit of $3,880,074 since inception, and a working capital of $1,375,731 at May 31, 2016. The ability of the Company to carry out its planned business objectives is dependent on its ability to raise adequate financing from lenders, shareholders and other investors and/or generate operating profitability and positive cash flow. There can be no assurances that the Company will continue to obtain additional financial resources necessary and/or achieve profitability or positive cash flows. If the Company is unable to obtain adequate additional financing, the Company will be required to curtail operations, exploration and evaluation activities and there would be significant uncertainty whether the Company would continue as a going concern and realize its assets and settle its liabilities and commitments in the normal course of business. These conditions are material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

These financial statements do not reflect adjustments, which could be material, to the carrying values of assets and liabilities, which may be required should the Company be unable to continue as a going concern.

2. Significant accounting policies:

(a) Basis of presentation:

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

Unless otherwise stated, amounts are expressed in Canadian dollars.

These financial statements were authorized for issuance by the Board of Directors on September 9, 2016.

2. Significant accounting policies:

(b) Cash and cash equivalents:

The Company considers cash to include amounts held in banks and highly liquid investments. The Company holds its cash with financial institutions of high credit worthiness. Cash is measured at fair value through profit or loss ("FVTPL").

(c) Exploration and evaluation expenditures:

The Company is in the process of exploring its resource properties and has not yet determined whether these properties contain ore reserves that are economically recoverable.

Exploration and evaluation expenditures are recognized in profit and loss. Costs incurred before the Company has obtained legal rights to explore areas of interest are also recognized in profit or loss. Expenditures incurred by the Company in connection with the development of mineral resources after the technical feasibility and commercial viability of extracting a mineral resource are demonstrable are capitalized. Acquisition costs of resource properties, such as cash and share consideration and option payments, are capitalized on an individual prospect basis. Annual payments to maintain properties in good standing are not considered acquisition costs and accordingly are not capitalized. Amounts received for the sale of resource properties and for option payments are treated as reductions of the cost of the property, with payments in excess of capitalized costs recognized in income. The recoverability of the amounts capitalized for the undeveloped resource properties is dependent upon the determination of economically recoverable ore reserves, confirmation of the Company's interest in the underlying mineral claims, the ability to obtain the necessary financing to complete their development, and future profitable production or proceeds from the disposition thereof. Subsequent recovery of the resulting carrying value depends on successful development or sale of the resource property. If a resource property does not prove viable, all unrecoverable costs associated with the project net of any impairment provisions are written off.

Title to resource properties involves inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently unreliable conveyance history characteristics of many mineral properties. The Company has investigated title to all of its resource properties and to the best of its knowledge the properties are in good standing.

From time to time, the Company may acquire or dispose of properties pursuant to the terms of option agreements. Due to the fact that option agreements are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as exploration and evaluation assets or recoveries when the payments are made or received.

(d) Provision for closure and reclamation:

The Company recognizes statutory, contractual, legal, or other constructive obligations related to the retirement of its exploration and evaluation assets and its tangible long-lived assets when such obligations are incurred, if a reasonable estimate of fair value can be made. These obligations are measured initially at fair value and the resulting costs are capitalized to the carrying value of the related asset. In subsequent periods, the liability is adjusted for any changes in the amount or timing and for changes in the discount rate of the underlying future cash flows and for unwinding of the discount. The capitalized asset retirement cost

2. Significant accounting policies (continued):

(d) Provision for closure and reclamation (continued):

is amortized to operations over the life of the asset. Management has determined that no provision for closure and reclamation exists for the years presented.

(e) Income taxes:

Income tax expense comprises current and deferred income taxes. Current and deferred income taxes are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

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 any adjustment to tax payable in respect of previous years.

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 not recognized for the following temporary differences: 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, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. 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 the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, 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 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.

(f) Share capital:

The Company records proceeds from share issuances, net of issue costs and any tax effects, as share capital. Share capital issued for non-monetary consideration is recorded at fair value, being the quoted share price at the time of issuance.

(g) Share-based payments:

The cost of stock options granted to employees and directors for services received is measured using the estimated fair value at the date of the grant determined using the Black-Scholes option pricing model. The Black-Scholes Option Pricing Model requires the input of subjective assumptions, including the expected term of the option and stock price volatility. Expected volatility is estimated with reference to the historical volatility of the share price of the Company. These estimates involve inherent uncertainties and the application of management judgment.

2. Significant accounting policies (continued):

(g) Share-based payments (continued):

The costs are recognized over the vesting period of the option. The total amount recognized as an expense is adjusted to reflect the number of options expected to vest at each reporting date.

The corresponding credit for these costs is recognized in the share-based payment reserve in shareholders' equity.

Share based compensation arrangements in which the Company receives other goods or services as consideration for its own equity instruments are accounted for as equity settled share based payment transactions and measured at the fair value of goods or services received. If the fair value of the goods or services received cannot be estimated reliably, the share based payment transaction is measured at the fair value of the equity instruments granted at the date the Company receives the goods or the services.

(k) Basic and diluted loss per share:

Basic loss per share is computed by dividing the net loss for the year attributable to common shareholders by the weighted average number of common shares outstanding during the year.

The computation of the diluted loss per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on the loss per share. The dilutive effect of outstanding options and warrants and their equivalents is reflected by assuming that the proceeds would be used to purchase common shares at the average market price during the year.

Since the Company has losses, the effect of outstanding stock warrants and options (notes 8(c) and 8(d), respectively) has not been included in this calculation as it would be anti-dilutive.

(l) Use of estimates and judgments:

The preparation of the 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. The financial statements include estimates which, by their nature, are uncertain. The impact of such estimates is 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.

Critical accounting estimates

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:

2. Significant accounting policies (continued):

(l) Use of estimates and judgments (continued):

Critical accounting estimates (continued)

<u>Share-based payments</u>

The fair value of stock options issued are subject to the limitations of the Black-Scholes option pricing model that incorporates market data and involves uncertainty in estimates used by management in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

<u>Deferred tax assets</u>

The Company estimates the expected manner and timing of the realization or settlement of the carrying value of its assets and liabilities and applies the tax rates that are enacted or substantively enacted on the estimated dates of realization or settlement.

Critical accounting judgments

Examples of significant judgments, apart from those involving estimation, include:

<u>Exploration and evaluation assets</u>

Management is required to make judgments on the status of each resource property and the future plans with respect to finding commercial reserves. The nature of exploration and evaluation activity is such that only a few projects are ultimately successful and some assets are likely to become impaired in future periods.

<u>Functional currency</u>

The Company applied judgment in determining its functional currency. The functional currency determination was conducted through an analysis of the consideration factors identified in IAS 21, The Effects of Changes in Foreign Exchange Rates.

(m) Foreign currency transactions:

The presentation currency and functional currency of the Company is the Canadian dollar. Transactions of the Company denominated in other currencies are translated into the relevant functional currency using the exchange rates prevailing at the transaction date. Carrying values of monetary assets and liabilities denominated in foreign currencies are adjusted at each balance sheet date to reflect exchange rates prevailing at that date and the related foreign exchange gains or losses are recognized in profit or loss.

(n) Financial instruments:

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”).

2. Significant accounting policies (continued):

(n) Financial instruments:

Financial assets (continued):

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit or loss. The Company has classified cash as FVTPL.

Financial assets classified as loans and receivables and held to maturity assets are measured at amortized cost. 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 provide objective evidence of impairment, which are recognized in profit or loss. The Company's has no financial assets classified as loans and receivables.

Transaction 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.

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated present value of the future cash flows of the financial assets are less than their carrying values.

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 cost 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 financial liabilities consist of accounts payable and accrued liabilities.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including embedded derivatives, are also classified as held-for-trading and recognized at fair value with changes in fair value recognized in profit or loss, unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in profit or loss. The Company has no financial liabilities classified as FVTPL.

(o) Impairment of non-financial assets:

At the end of each reporting period the carrying amounts of the Company's long lived assets, including exploration and evaluation assets, are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale

2. Significant accounting policies (continued):

(o) Impairment of non-financial assets (continued):

of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the year. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

3. New standards and interpretations yet to be adopted:

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Company's annual audited financial statements for the year ended May 31, 2015.

Certain pronouncements were issued by the IASB or IFRS Interpretations Committee that are not mandatory for accounting periods beginning on or after January 1, 2015 or later periods. They have not been early adopted in these Financial Statements, and they are expected to affect the Company in the period of initial application. In all cases the Company intends to apply these standards from application date as indicated below:

IFRS 9, Financial Instruments is part of the IASB's wider project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after January 1, 2018. The Company has not yet made an assessment of the impact of the amendments.

IFRS 15, Revenue from Contracts with Customers, establishes a single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The change in accounting standard is unlikely to have a significant impact on the Company's financial statements.

There are no other IFRSs or IFRIC Interpretations that are not yet effective that would be expected to have a material impact on the Company.

(Expressed in Canadian dollars)

4. Prepaid expenses and advances:

Included in prepaid expenses and advances is:

	May 31, 2016	May 31, 2015
Prepaid expenses	$ -	$ 3,780
Advances to vendors	15,615	1,516
Advances related parties (Note 8)	-	25,440
	$ 15,615	$ 30,736

5. Exploration and evaluation assets:

The Company's resource properties with associated acquisition-related costs that have been capitalized and reflected on the Statement of Financial Position are as follows:

	May 31, 2016	May 31, 2015
Pegmont, Queensland, Australia	$ 806,874	$ 636,631
	$ 806,874	$ 636,631

(a) Honeymoon East Property, British Columbia, Canada:

In January 2010, the Company acquired certain mineral claims called the Honeymoon East Project located near Clearwater in south central British Columbia by paying $14,561. During the year ended May 31, 2015, the Company dropped the property and wrote off capitalized acquisition costs of $14,561.

(b) Pegmont Property, Queensland, Australia:

In August 2014 the Company entered into an agreement, subsequently amended in December 2015, with Pegmont Mines Limited ("Pegmont") whereby the Company has an option to acquire 100% of the Pegmont property comprising of certain mining leases and exploration tenements by a combination of cash payments, exploration commitments and advanced royalty payments.

Pursuant to the agreement and subsequently amended in December 2015, cash option payments totaling AUD$2.25 million are as follows: AUD$250,000 (paid) within 2 days of approval of the TSX-V of the transaction; AUD$150,000 (paid) on the 12 month anniversary; AUD$350,000 on the 24 month anniversary; AUD$500,000 on the 36 month anniversary; and finally AUD$1,000,000 on November 6, 2018. In addition, the Company reimbursed Pegmont for AUD$350,000 of exploration expenses that they incurred during 2014; these expenditures will be applied to the overall expenditure requirements.

Exploration expenditures for the property comprise a minimum of AUD$800,000 per year or meeting minimum requirements by the State of Queensland (whichever is greater) by August 10th of each year during the first 3 years of the option for a minimum commitment of AUD$3.0 million (completed). A minimum 17,000 m of drilling must be completed within a 42 month period commencing the day of TSX-V approval of the transaction, with 2,000 m of this total to be drilled by the end of 2014 (completed) and a minimum 3,000 m program to commence by April 30, 2016 (completed).

(Expressed in Canadian dollars)

5. Exploration and evaluation assets (continued):

(b) Pegmont Property, Queensland, Australia (continued):

In the event of the Company exercising the option and as part of the final transfer of project titles, the Company has also agreed to pay an advance royalty to Pegmont of AUD$3 million. The Company will receive a royalty credit of the cash option payments and advanced royalty for a total of AUD$5.25 million, to be credited against future royalty payments. Pegmont will retain a royalty right on future concentrate production from the property of 1.25% of net smelter return, subject to the credit of AUD$5.25 million in favour of the Company. In the case where ore is sold rather than concentrate, a separate royalty formula allows for a royalty of AUD$1.05 per tonne of ore sold, indexed to lead prices and to be conveyed to Pegmont, again subject to the AUD$5.25 million credit. Where ore that is sold contains silver at concentrations above 64 ppm, an additional royalty amount is payable, starting at AUD$0.06 per gram, indexed to the price of silver.

A total of $506,081 of exploration expenditures were incurred during the year ended May 31, 2016 (2015 - $789,085) relating to the review of the Pegmont property:

		Year ended May 31, 2016		Year ended May 31, 2015
Analysis	$	-	$	17,888
Drilling		116,043		398,158
Field supplies and equipment		24,386		66,455
Geological consulting		161,806		250,555
Maps and reports		-		835
Meals and accommodations		28,665		16,344
Permitting		-		2,426
Project management		63,833		8,377
Taxes		103,409		2,405
Transportation		7,939		25,642
Total for the year	**$**	**506,081**	**$**	**789,085**

The Company also incurred $nil (2015 - $5,148) in property investigation costs on the Pegmont property prior to the option agreement.

Finders' fees of $19,914 (AUD$20,000) (2015 - $24,623 or AUD$25,000) were paid in connection with the acquisition of the Pegmont property. The Company may pay an additional AUD$137,500 in finders' fees over the course of the option agreement.

6. Share capital:

(a) Authorized:

Unlimited common shares without par value.

(Expressed in Canadian dollars)

6. Share capital (continued):

(b) Private placements:

On August 27, 2014 the Company closed a non-brokered private placement for gross proceeds of $2,249,980. The Company issued 8,653,771 units at $0.26 per unit. Each unit is comprised of one common share and one-half share purchase warrant with each whole warrant exercisable into one additional common share at a price of $0.35 per share until August 27, 2017. The Company paid cash finder's fees of $46,982 in connection with the private placement. As at May 31, 2014, the Company had received $8,000 of the proceeds which was recorded to share subscriptions received in advance.

On September 10, 2015 the Company completed a non-brokered private placement of 2,020,000 units at a price of $0.10 per unit for gross proceeds of $202,000. Each unit is comprised of one common share and one-half share purchase warrant with each whole warrant exercisable into one additional common share at a price of $0.13 per share for a period of three years.

On May 5, 2016 the Company completed a private placement of 50,000,000 units at a price of $0.05 per unit for gross proceeds of $2,500,000. Each unit is comprised of one common share and share purchase warrant exercisable into one additional common share at a price of $0.10 per share for a period of two years. In connection with the private placement, the Company paid $55,140 in finders' fees.

(c) Warrants:

At May 31, 2016, the following warrants were outstanding:

Number outstanding May 31, 2015	Granted	Exercised	Expired/ Cancelled	Number outstanding May 31, 2016	Exercise price per share	Expiry date
4,326,887	-	-	-	4,326,887	0.35	Aug 28, 2017
-	1,010,000	-	-	1,010,000	0.13	Sept 9, 2018
-	50,000,000	-	-	50,000,000	0.10	May 5, 2018
4,326,887	51,010,000	-	-	55,336,887		
$0.35	$0.10	-	-	$0.12	(weighted average)	

Number outstanding May 31, 2014	Granted	Exercised	Expired/ Cancelled	Number outstanding May 31, 2015	Exercise price per share	Expiry date
1,815,000	-	-	1,815,000	-	0.20	Dec 29, 2014
870,000	-	-	870,000	-	0.20	Jan 31, 2015
3,924,625	-	-	3,924,625	-	0.20	May 28, 2015
-	4,326,887	-	-	4,326,887	0.35	Aug 28, 2017
6,609,625	4,326,887	-	6,609,625	4,326,887		
$0.20	$0.35	-	$0.20	$0.35	(weighted average)	

(d) Stock options:

The Company has a stock option plan, which authorizes the Board of Directors to grant options to directors, officers, employees and consultants to acquire up to 10% of the issued and outstanding common shares of the Company. Under the plan, the exercise price of each option may not be less than market price of the Company's stock calculated on the date of the grant less the applicable discount. The options can be granted for a maximum term of 10 years. The Company's stock option plan contains no vesting requirements, but permits the board of directors to specify a vesting schedule in its discretion.

(Expressed in Canadian dollars)

6. Share capital (continued):

(d) Stock options (continued):

Details of activity in share purchase options for the year ended May 31, 2016 are as follows:

Number outstanding May 31, 2015	Granted	Exercised	Expired/ Cancelled	Number outstanding May 31, 2016	Number exercisable	Exercise price per share	Expiry date
450,000	-	-	450,000	-	-	$0.20	Oct 18, 2015
1,150,000	-	-	25,000	1,125,000	1,125,000	$0.25	Oct 20, 2018
1,600,000	-	-	475,000	1,125,000	1,125,000	$0.25	
$0.24	-	-	$0.20	$0.25	$0.25	(weighted average)	

Number outstanding May 31, 2014	Granted	Exercised	Expired/ Cancelled	Number outstanding May 31, 2015	Number exercisable	Exercise price per share	Expiry date
1,050,000	-	50,000	550,000	450,000	40,000	$0.20	Oct 18, 2015
-	1,150,000	-	-	1,150,000	-	$0.25	Oct 20, 2018
1,050,000	1,150,000	50,000	550,000	1,600,000	40,000	$0.24	
$0.20	$0.25	$0.20	$0.20	$0.24	$0.20	(weighted average)	

The fair values of the stock options used to calculate compensation expense for both employees and non-employees for the options granted is estimated using the Black-Scholes option pricing model. The weighted average fair value per option granted during the year ended May 31, 2016 was $nil (2015 – $0.13). During the year ended May 31, 2016, the Company recognized $59,187 (2015 - $92,947) in share-based payments for the fair value of the vesting portion of the stock options that were granted in the prior years. The following weighted average assumptions used in the calculation of fair value are as follows:

	Year ended May 31, 2016	Year ended May 31, 2015
Risk-free interest rate	N/A	1.23%
Expected volatility	N/A	109.81%
Expected life of options	N/A	4 years
Expected dividend yield	N/A	nil
Forfeiture rate	N/A	0%

7. Segmented information:

The Company's business consists of one reportable segment being resource exploration. Details about geographic areas as at May 31, 2016 and May 31, 2015 are as follows:

	Non-current assets
As at May 31, 2016	
Australia	$ 806,874
Total	$ 806,874
As at May 31, 2015	
Australia	$ 636,631
Total	$ 636,631

(Expressed in Canadian dollars)

8. Related party transactions:

(a) Key management personnel consist of directors and senior management including the President and Chief Executive Officer, Chief Financial Officer, and Corporate Secretary.

The Company paid or accrued the following amounts to key management personnel or companies controlled by them:

	Year ended May 31, 2016	Year ended May 31, 2015
Management fees, consulting fees, office administration and accounting fees to key management personnel or companies controlled by key management personnel	$ 234,000	$ 179,250
Directors fees to companies controlled by directors	27,000	43,464
Geological consulting fees to a company controlled by a director	114,000	85,500
Office, administration, rent and accounting costs to a company with a former director in common	-	8,250
Office, administration, rent and accounting costs to companies controlled by key management	48,807	32,874
Share-based compensation	48,893	76,787

(b) Amounts due to/from related parties at the reporting dates include:

	May 31, 2016	May 31, 2015
Advances due from key management personnel	$ -	$ 25,440
Amounts due from related parties	$ -	$ 25,440
Amounts due to key management personnel or companies controlled by key management personnel	299,521	97,130
Amounts due to related parties	$ 299,521	$ 97,130

Amounts due to related parties are unsecured, have no fixed terms of repayment, are non-interest bearing, and are included in accounts payable and accrued liabilities.

9. Financial instruments:

IFRS 7, Financial Instruments: Disclosures (“IFRS 7”) establishes a fair value hierarchy that prioritizes the inputs to the valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

9. Financial instruments (continued):

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

The Company's cash is classified as Level 1 of the fair value hierarchy. The carrying values of GST/HST receivable and accounts payable and accrued liabilities approximate their fair values due to their short terms to maturity.

(a) Financial risk factors and capital management:

Credit risk

Credit risk arises from the possibility that counterparties may be unable to fulfill their commitments to the Company. The Company's credit risk is primarily attributable to its liquid financial assets of cash. The carrying value of this instrument represents the Company's maximum exposure to credit risk. The Company manages and limits exposure to credit risk by maintaining its cash with high-credit quality financial institutions. The Company does not have financial assets that are invested in asset backed commercial paper.

Liquidity risk

Liquidity risk is the risk that the Company cannot meet its financial obligations associated with financial liabilities in full. The Company manages liquidity risk through the management of its capital structure, as outlined in note 9(b) of these financial statements. The Company's expenditure commitments, pursuant to option agreements related to resource properties, are disclosed in note 5. The Company is exposed to liquidity risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates.

The Company's interest bearing financial assets is comprised of cash, which bears interest at fixed and variable rates. The Company is not exposed to material interest rate risk.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency rates. The Company's functional and presentation currency is the Canadian dollar. The Company incurs foreign currency risk on purchases that are denominated in a currency other than the functional currency of the Company, which will have an impact on the profitability of the Company and may also affect the value of the Company's assets, liabilities and the amount of shareholders' equity. The Company's main risks are associated with fluctuations in the Australian dollar and assets and liabilities are translated based on the foreign currency translated method described in note 2(m). The Company does not enter into any foreign exchange hedging contracts.

(Expressed in Canadian dollars)

9. Financial instruments (continued):

(b) Capital management:

The Company's objectives of capital management are intended to safeguard the Company's ability to support the Company's exploration and evaluation of its resource properties and support any expansion plans. The capital of the Company consists of the items included in shareholders' equity.

The Company manages the capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the Company's underlying assets. To effectively manage the entity's capital requirements, the Company has in place a planning and budgeting process to help determine the funds required to ensure the Corporation has the appropriate liquidity to meet its financial objectives. The Company may issue new shares or seek debt financing to ensure that there is sufficient working capital to meet its short-term business requirements. The Company is not subject to externally imposed capital requirements.

10. Income taxes:

(a) The Company's effective tax rate differs from the amount obtained by applying statutory rate due to the following:

	2016	2015
Statutory tax rate	26.00%	26.00%
Recovery of income taxes based on statutory tax rate	$ (287,712)	$ (392,433)
Change in future Canadian federal income tax rate		-
Permanent differences	28,044	28,956
Difference in foreign tax rates and foreign exchange fluctuations	(14,135)	(13,104)
Change in benefit not recognized	273,803	376,581
Recovery of income taxes	$ -	$ -

The effective income tax rate is the rate that is estimated to be applicable when the timing differences reverse.

(b) Temporary differences for which no deferred income tax assets have been recognized as at May 31, 2016 and 2015 are as follows:

	2016	2015
Non-capital loss carried forward	$ 3,148,000	$ 2,158,000
Resource property costs	77,000	88,000
Share issuance costs and other	105,000	41,000
	$ 3,330,000	$ 2,287,000

(Expressed in Canadian dollars)

10. Income taxes:

(c) The Company has Canadian and Australian tax losses which may be applied against future taxable income. At May 31, 2016, these losses expire as follows:

	Canada	Australia	Total
2029	$ 61,000	$ -	$ 61,000
2030	68,000	-	68,000
2031	161,000	-	161,000
2032	216,000	-	216,000
2033	136,000	-	136,000
2034	119,000	-	119,000
2035	528,000	-	528,000
2036	541,000	-	541,000
No expiry	-	1,318,000	1,318,000
	$ 1,830,000	$ 1,318,000	$ 3,148,000