Millstream Mines Ltd.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2015

Management's Responsibility for Financial Reporting

The financial statements are the responsibility of the management of Millstream Mines Ltd. and have been prepared in accordance with International Financial Reporting Standards.

Management is responsible for the reliability and integrity of the financial statements, the notes to the financial statements and other financial information presented elsewhere in this annual report.

To discharge its responsibilities for financial reporting and safeguarding of assets, management depends on the Company's systems of internal accounting control. These systems are designed to provide reasonable cost effective assurance that the financial records are reliable and form a proper basis for the timely and accurate preparation of financial statements.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and for review and approving the financial statements. The Board is assisted in exercising its responsibilities through the Audit Committee of the Board.

The Audit Committee meets periodically with management and the auditors to satisfy itself that each is properly discharging its responsibilities, to review significant accounting and reporting matters and to review the financial statements. The Audit Committee reports its findings and recommends the approval of the financial statements to the Board.

The financial statements have been audited on behalf of the shareholders by the independent auditor, Abraham Chan LLP, in accordance with Canadian Generally Accepted Auditing Standards.

Ernest Harrison,
Chief Executive Officer and President
Millstream Mines Ltd.
December 29, 2015

Abraham Chan LLP
Chartered Accountants

Abraham Chan LLP
Chartered Accountants
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Independent Auditor's Report

To the Shareholders of
Millstream Mines Ltd.

We have audited the accompanying financial statements of Millstream Mines Ltd. which comprise the statement of financial position as at August 31, 2015 and the statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the year 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.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Millstream Mines Ltd., as at August 31, 2015 and its financial performance and its cash flows for the year 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 that the Company will require additional financing in order to fund its planned activities. This condition, along with other matters set out in note 1, indicates the existence of material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern.

Other Matters
The financial statements of Millstream Mines Ltd. for the year ended August 31, 2014 were audited by another auditor who expressed an unmodified opinion on those statements originally on January 9, 2015. Subsequently, restated financial statements were filed by the Company and the unmodified opinion on the restated financial statement by the same auditor was dated June 26, 2015.

"Abraham Chan LLP"

Toronto, Canada
December 29, 2015

Abraham Chan LLP
Chartered Accountants
Licensed Public Accountants

Millstream Mines Ltd.

Statements of Financial Position
(Expressed in Canadian dollars unless otherwise indicated)

	As at August 31, 2015	As at August 31, 2014 Restated (note 19)
ASSETS		
Current assets		
Cash	**$ 68**	$ 1,700
Sundry receivable (note 5)	**11,490**	5,215
Prepaid expenses	**-**	11,576
Total current assets	**11,558**	18,491
Non-current assets		
Exploration and evaluation assets (note 6)	**12,748,370**	12,732,917
Oil and natural gas interests (note 7)	**1**	1
Total non-current assets	**12,748,371**	12,732,918
TOTAL ASSETS	**$12,759,929**	$12,751,409
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 8)	**$ 125,269**	$ 114,988
Due to related parties (note 9)	**1,418,204**	2,545,966
Total current liabilities	**1,543,473**	2,660,954
Non-current liabilities		
Due to related parties (note 10)	**1,600,000**	1,600,000
TOTAL LIABILITIES	**3,143,473**	4,260,954
SHAREHOLDERS’ EQUITY		
Share capital (note 12)	**16,474,815**	15,174,053
Contributed surplus (note 12)	**1,935,097**	1,935,097
Deficit	**(8,793,456)**	(8,618,695)
TOTAL SHAREHOLDERS’ EQUITY	**9,616,456**	8,490,455
TOTAL LIABILITIES AND SHAREHOLDERS’ EQUITY	**$12,759,929**	$12,751,409

Nature of operations and going concern (note 1)

Approved on behalf of the Board:

Director “Ernest Harrison” Director “Robert J. Chase”

The accompanying notes are an integral part of these financial statements

Millstream Mines Ltd.

Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars unless otherwise indicated)

	Year ended August 31, 2015		Year ended August 31, 2014 Restated (note 19)	
Results from operating activities				
Professional fees	**$**	**10,664**	$	42,168
Interest expense		**45,213**		40,222
Shareholders information		**40,638**		21,234
Corporate services		**7,200**		7,200
Transfer agent fees		**6,946**		7,194
General and administrative		**9,510**		2,605
Rent and occupancy expenses		**6,200**		1,200
Impairment of exploration and evaluation assets (note 6)		**48,390**		1,235,116
Net Loss before income taxes		**(174,761)**		(1,356,939)
Deferred income tax recovery (note 16)		**-**		172,000
Net Loss and comprehensive loss		**(174,761)**		(1,184,939)
Loss per share (basic and diluted) (note 13)	**$**	**(0.00)**	$	(0.08)
Weighted average number of shares outstanding		**22,943,920**		15,748,340

The accompanying notes are an integral part of these financial statements

Millstream Mines Ltd.

Statements of Changes in Shareholders' Equity
(Expressed in Canadian dollars unless otherwise indicated)

	Number of Common Shares	Share Capital	Contributed Surplus	Deficit	Total Equity
Balance at August 31, 2013	**15,748,340**	**$15,174,053**	**$ 1,935,097**	**$ (7,433,756)**	**$9,675,394**
Net loss for the year as restated (note 19)	-	-	-	(1,184,939)	(1,184,939)
Balance at August 31, 2014 (note 19)	**15,748,340**	**$15,174,053**	**$1,935,097**	**$(8,618,695)**	**$8,490,455**
Issuance of common shares for cash (note 12)	520,000	26,000	-	-	26,000
Issuance of common shares for debt settlement (note 12)	25,495,280	1,274,762	-	-	1,274,762
Net loss for the year	-	-	-	(174,761)	(174,761)
Balance at August 31, 2015	**41,763,620**	**$16,474,815**	**$1,935,097**	**$(8,793,456)**	**$9,616,456**

The accompanying notes are an integral part of these financial statements

Millstream Mines Ltd.

Statements of Cash Flows
(Expressed in Canadian dollars unless otherwise indicated)

	Year ended August 31, 2015	Year ended August 31, 2014 Restated (note 19)
Operating Activities:		
Net loss for the year before interest expense	**$ (129,548)**	$ (1,144,717)
Interest expense	**(45,213)**	(40,222)
Adjustments for items not affecting cash:		
Deferred income tax recovery	**-**	(172,000)
Impairment of exploration and evaluation assets	**48,390**	1,235,116
	(126,371)	(121,823)
Changes in non-cash components of working capital:		
Sundry receivables	**(6,275)**	412
Prepaid expenses	**11,576**	4,500
Accounts payable and accrued liabilities	**10,281**	38,224
Cash used in operating activities	**(110,789)**	(78,687)
Financing Activities:		
Issuance of common shares for cash	**26,000**	-
Due to related parties	**147,000**	81,287
Cash provided by financing activities	**173,000**	81,287
Investing Activities:		
Costs of exploration and evaluation assets	**(63,843)**	(2,000)
Cash used in investing activities	**(63,843)**	(2,000)
Net change in cash	**(1,632)**	600
Cash balance, beginning of year	**1,700**	1,100
Cash balance, end of year	**$ 68**	$ 1,700

Supplemental Cash Flow Information (Note 18)

The accompanying notes are an integral part of these financial statements

1. NATURE OF OPERATIONS AND GOING CONCERN

Millstream Mines Ltd. ("Millstream" or "Company") was incorporated under the laws of the Province of New Brunswick, Canada. The Company is a junior natural resource company in the business of exploring and evaluating resource properties.

The head office of the Company is located at 80 Richmond Street West, suite 501, Toronto, Ontario, M5H 2A4.

Millstream is engaged in the acquisition and exploration of mining properties. The exploration of mineral deposits involves significant financial risks. The success of the Company will be influenced by a number of factors, including exploration and extraction risks, regulatory issues, environmental regulations and other regulations.

For the year ended August 31, 2015, the Company recorded a net loss of $174,761 (2014 - $1,184,939). As at August 31, 2015, the Company has yet to generate revenues from operations and had a deficit of $8,793,456 (2014 - $8,618,695). Management periodically seeks additional forms of financing through the issuance of shares and the exercise of share purchase options and warrants to continue its operations. If management is unable to obtain new funding, the Company may be unable to continue its operations, and amounts realized for assets may be less than amounts reflected in these financial statements. It is not possible at this time to predict with assurance the outcome of these investments.

Although management has taken steps to verify titles of the mining properties in which the Company has interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's property title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

Given that the Company has yet to achieve sales levels adequate to support the Company's cost structure, and has not generated any income nor cash flows from operations, there is significant doubt regarding the Company's ability to continue as a going concern.

Key Management Personnel

Mr. Ernest W. Harrison is the current Chairman and Chief Executive Officer of the Company. Robert J. Chase is the acting President and Chief Financial Officer and Ronald Haller is the acting Secretary of the Company.

2. STATEMENT OF COMPLIANCE AND BASIS OF PRESENTATION

a) Statement of Compliance

The policies applied in these financial statements are based on International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committees ("IFRIC") as of December 29, 2015, the date the board of directors approved the financial statements.

b) Basis of Presentation

These financial statements have been prepared on a going concern basis, under the historical cost convention, except for certain financial instruments that may be measured at fair value in subsequent periods, and have been prepared using the accrual basis of accounting except for cash flow information.

3. SIGNIFICANT ACCOUNTING POLICIES

Related Party Disclosures

Parties are considered to be related if one party has the ability to directly or indirectly 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 or common significant influence. 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. Related party transactions are in the normal course of business and have commercial substance and are measured at the fair value.

Cash

Cash comprise of cash at banks and on hand.

Financial Instruments

All financial assets and liabilities are recognized when the Company becomes a party to the contractual arrangement of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

At initial recognition, the Company classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

(i) Financial assets and liabilities at fair value through profit or loss ("FVTPL"): A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term. Derivatives are also included in this category unless they are designated as hedges. Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the statement of loss and comprehensive loss. Gains and losses arising from changes in fair value are presented in the statement of loss and comprehensive loss within other gains and losses in the period in which they arise. Financial assets and liabilities at FVTPL are classified as current except for the portion expected to be realized or paid beyond twelve months of the reporting date, which is classified as non-current.

(ii) Available-for-sale investments: Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. Available-for-sale investments are recognized initially at fair value plus transaction costs and are subsequently carried at fair value. Gains or losses arising from changes in fair value are recognized in other comprehensive loss. Available-for-sale investments are classified as non-current, unless the investment matures within twelve months, or management expects to dispose of them within twelve months. Interest on available-for-sale investments, calculated using the effective interest method, is recognized in the statement of loss and comprehensive loss as part of interest income. Dividends on available-for-sale equity instruments are recognized in the statement of loss as part of other gains and losses when the Company's right to receive payment is established. When an available-for-sale investment is sold or impaired, the accumulated gains or losses are moved from other comprehensive loss to the statement of loss and comprehensive loss and are included in other gains and losses.

(iii) Held-to-maturity: Financial assets that have a fixed maturity date and which the Company has positive intention and the ability to hold to maturity are classified as held-to-maturity and are initially recognized at fair value and subsequently at amortized cost using the effective interest rate method. Transaction costs incurred to acquire held-to-maturity financial instruments are included in the underlying balance.

(iv) Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognized at fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less impairment, if any.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

(v) Other financial liabilities: Other financial liabilities are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest and any transaction costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or (where appropriate) to the net carrying amount on initial recognition. Other financial liabilities are de-recognized when the obligations are discharged, cancelled or expired.

The Company's financial instruments consist of the following:

Financial assets:	Classification:
Cash	FVTPL
Sundry receivable	Loans and receivables

Financial liabilities:	Classification:
Accounts payable and accrued liabilities	Other financial liabilities
Due to related parties	Other financial liabilities

Impairment of financial assets

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Company recognizes an impairment loss, as follows:

(i) Financial assets carried at amortized costs: The loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and can be related objectively to an event occurring after the impairment was recognized to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortized amount would have been had the impairment not been recognized.

(ii) Available-for-sale financial assets: The impairment loss is the difference between the original cost of the asset and its fair value at the measurement date, less any impairment losses previously recognized. This amount represents the cumulative loss in other comprehensive loss that is reclassified to the statement of loss and comprehensive loss when the asset is disposed. Impairment losses on available-for-sale equity instruments are not reversed.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Exploration and Evaluation Assets ("E&E")

The Company determined an accounting policy to capitalize all exploration and evaluation costs that are associated with finding specific mineral resources and costs result in the acquisition and retention of resource properties or an interest therein (full cost method). The following are examples of expenditures that might be included in the initial measurement of exploration and evaluation assets (the list is not exhaustive): acquisition of rights to explore; topographical, geological, geochemical and geophysical studies; exploratory drilling; trenching; sampling; and activities in relation to evaluating the technical feasibility and commercial viability of extracting a mineral resource. All other costs are expensed as incurred.

Mining rights shall be assessed for impairment when facts and circumstances suggest that the carrying amount of the mining rights may exceed its recoverable amount. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). The Company estimates the recoverable amount of each asset or cash-generating unit ("CGU"), on the basis of areas of interest. Management groups mineral claims that are contiguous and specific to an area that encompasses the same prospective minerals, into one area of interest and assigns a name to this mineral property. Each named mineral property is considered an area of interest and a CGU.

Although not an exhaustive list, one or more of the following facts and circumstances indicate that a specific CGU should be tested for impairment:

- The period for which the entity has the right to explore in the specific area has expired during the financial statement period or will expire in the near future and is not expected to be renewed.
- Substantive expenditures on further exploration for, and evaluation of, mineral resources in the specific area is neither budgeted nor planned.
- Exploration for and evaluation of mineral resources in the specific area has not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area.
- Sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or sale.

An impairment loss may be reversed in a situation where there is a change in the circumstances that had initially dictated that impairment had occurred. An example of such a situation might include, but not be limited to, the recommencement of exploration activity on a mineral property due to a significant change in commodity prices.

Recoverable amount is the higher of fair value less disposal costs 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 current market assessments of the time value of money and the risks specific to the asset.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Exploration and Evaluation Assets ("E&E") (continued)

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

Oil and Natural Gas Interests

The Company follows the successful efforts method of accounting for oil and natural gas interests whereby all costs relating to the acquisition, exploration and development of petroleum and natural gas reserves are capitalized until their economic status has been evaluated.

All costs of successful wells are amortized over their useful lives.

Impairment of Non-financial Assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets or CGU to determine whether there is an impairment indicator. If any such indication exists, the recoverable amount of the asset or CGUs is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less disposal costs 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 current market assessments of the time value of money and the risks specific to the asset or CGUs.

If the recoverable amount of an asset (or CGUs) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGUs) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of loss and comprehensive loss, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is recognized in other comprehensive loss to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. Such an impairment loss on a re-valued asset reduces the revaluation surplus for that asset.

Where an impairment loss subsequently reverses, the carrying amount of the asset (CGUs) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGUs) in prior periods.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past events, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. Provisions are determined by discounting the expected future cash flows at a pre-tax that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Administrative Expenses

Administrative expenses are charged to operations in the year incurred.

Income Taxes

Income tax expense consisting of current and deferred tax expense is recognized in the statement of loss and comprehensive loss. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period-end, adjusted for amendments to tax payable with regard to previous years.

Deferred income taxes are provided using the liability method on temporary differences at the date of the statement of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, except for:

• Where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

• Taxable temporary differences associated with investments in associates and interests in joint ventures, where the timing in the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deferred tax asset can be utilized.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes (continued)

The carrying amount of deferred income tax assets is reviewed at each reporting date of the statement of financial position and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each reporting date of the statement of financial position and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is expected to be realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the date of the statement of financial position. Deferred income taxes relating to items recognized directly in equity are recognized in equity and not in the statement of loss and comprehensive loss.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Share Capital

Financial instruments issued by the Company are treated as equity only to the extent that they do not meet the definition of a financial liability. The Company's common shares are classified as equity instruments. Incremental costs directly attributable to the issue of new shares are recognized in equity as a reduction from the gross proceeds received from the issued shares.

Stock Based Compensation

The Company uses the Black-Scholes option-pricing model to estimate the fair value of the options at the date of grant. For graded vested share options, IFRS 2 requires the use of the attribution method, which requires that the Company treat each installment as a separate share option grant with a different fair value. A corresponding increase in reserves is recorded when stock options are expensed. When stock options are exercised, share capital is credited by the sum of the consideration paid and the related portion of share-based compensation previously recorded in reserves.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based compensation. Otherwise, share-based compensation is measured at the fair value of goods or services received.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Flow-Through Shares

The Company finances some exploration expenditures through the issuance of flow-through shares. The resource expenditure deductions for income tax purposes are renounced to investors in accordance with the appropriate income tax legislation. The difference between the quoted price of the common shares or the amount recognized in common shares and the amount the investors pay for the shares is recognized as other liability which is reversed as a deferred tax recovery when eligible expenditures have been made. The Company recognizes a deferred tax liability for flow-through shares and a deferred tax expense, at the moment the eligible expenditures are incurred and capitalized as an asset.

Share issue costs

Incremental costs directly attributable to the issuance of shares or warrants are recognized as a deduction from the proceeds in equity in the period where the transaction occurs.

Loss per Common Share

Basic loss per share is computed by dividing the loss for the period by the weighted average number of common shares outstanding during the period. Diluted earnings or loss per share is calculated in a similar manner, except that the weighted average number of common shares outstanding is increased to include potentially issuable common shares from the assumed exercise of common share purchase options and warrants, if dilutive. The number of additional shares included in the calculation is based on the treasury stock method for options and warrants.

Foreign Currency Translation

The monetary assets and liabilities of the Company denominated in foreign currencies are translated at the rate of exchange at the balance sheet date. Revenues and expenses are translated at the average exchange rate prevailing during the period. Exchange gains or losses are included in operations.

Change in Accounting Policies

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods after August 31, 2014. The following new standards have been adopted:

(i) IAS 32 – Financial Instruments: Presentations (“IAS 32”) clarifies some of the requirements for offsetting financial assets and financial liabilities on the statement of financial position. The amendment to IAS 32 is effective for annual periods beginning on or after January 1, 2014. On September 1, 2014, the Company adopted this pronouncement and there was no material impact on the Company’s financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Change in Accounting Policies (continued)

(ii) IFRIC 21 - 'Levies' ("IFRIC 21") is effective for the Company beginning on September 1, 2014. The interpretation addresses the accounting for a liability to pay a levy if that liability is within the scope of IAS 37 - Provisions, Contingent Liabilities and Contingent Assets, as well as addressing what the obligating event is that gives rise to pay a levy and when should a liability be recognized. On September 1, 2014, the Company adopted IFRIC 21 and there was no material impact on the Company's financial statements.

(iii) IFRS 2 - Share-based Payment ("IFRS 2"). The amendments to IFRS 2, issued in December 2013 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 amendments are effective for share-based payment transactions for which the grant date is on or after July 1, 2014. The Company adopted the amendments and there was no material impact on the Company's financial statements.

(iv) IAS 24 - Related Party Disclosures ("IAS 24"). The amendments to IAS 24, issued in December 2013, 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 service provided by a separate management entity. This replaces the more detailed disclosure by category required for other key management personnel compensation. The amendments will only affect disclosure and are effective for annual periods beginning on or after July 1, 2014. On September 1, 2014, the Company adopted this pronouncement and there was no material impact on the Company's financial statements.

(v) IAS 36 - Impairment of Assets ("IAS 36") was amended to address the disclosure required for the recoverable amount of impaired assets or cash generating unit for periods in which an impairment loss has been recognized or reversed. On September 1, 2014, the Company adopted this pronouncement and there was no material impact on the Company's financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Future Accounting Policies

At the date of authorization of these financial statements, the IASB has issued the following new and revised Standards and Interpretations which are not yet effective for the relevant reporting period.

(i) IFRS 9 – Financial Instruments (“IFRS 9”) was issued by the IASB in November 2009 and will replace IAS 39 - Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. This standard also requires an expected loss impairment method to be used, replacing the incurred loss model.

In October 2010, the IASB added requirements for financial liabilities to IFRS 9. These requirements were largely carried forward from the existing requirements in IAS 39, however, fair value changes due to credit risk for liabilities designated at fair value through profit or loss are to be recorded in other comprehensive income.

In November 2013, the IASB amended IFRS 9 to include a new general hedge accounting model. The amendment also removed the January 1, 2015 effective date.

In July 2014, the IASB issued the final version IFRS 9 that supersedes the requirements of earlier versions of the standard. The new standard will replace both IAS 39 and IFRIC 9 - Reassessment of Embedded Derivatives. The standard will retain the classification and measurements requirements and new hedge accounting model introduced by the previous versions while introducing a single forward-looking expected credit loss impairment model. The final version of this new standard is effective for annual periods beginning on or after January 1, 2018. The Company is in the process of assessing the impact of this pronouncement.

(ii) 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. The Company is still in the process of assessing the impact of this pronouncement.

Various other accounting pronouncements (such as IFRS 11, IFRS 14, IFRS 15, and the various annual improvements) that currently have no material impact to the Company are not included above. The Company has not early adopted these standards.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the Company's financial statements in accordance with IFRS requires management to make judgements and estimates that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgements and estimates. Actual outcomes may differ from these estimates.

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

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, 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:

i) The application of the Company's accounting policy for exploration and evaluation expenditure and impairment of the capitalized expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the profit or loss in the year the new information becomes available. When there are indications that an asset may be impaired, the management will do an estimation of the asset's recoverable amount using the value in use and fair value less disposal cost, which the first method requires the management to estimate expected future cash flows associated with the assets and a suitable discount rate in order to calculate present value.

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

iii) The inputs used in calculating the fair value for share-based compensation expense included in profit or loss and share-based share issuance costs included in shareholders' equity. The share-based compensation expense is estimated using the Black-Scholes options-pricing model as measured on the grant date to estimate the fair value of stock options. This model involves the input of highly subjective assumptions, including the expected price volatility of the Company's common shares, the expected life of the options, and the estimated forfeiture rate.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

iv) The valuation of shares issued in non-cash transactions. Generally, the valuation of non-cash transactions is based on the value of the goods or services received. When this cannot be determined, it is based on the fair value of the non-cash consideration. When non-cash transactions are entered into with employees and those providing similar services, the non-cash transactions are measured at the fair value of the consideration given up using market prices.

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

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

vi) The Company’s ability to continue its operations and to realize assets at their carrying values is dependent upon its ability to raise sufficient fund to cover its operating costs. The Company may be able to generate working capital to fund its operations by raising additional capital through equity markets. However, there is no assurance it will be able to raise funds in the future. These financial statements do not give effect to any adjustments required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying financial statements.

(Expressed in Canadian dollars unless otherwise indicated)

5. SUNDRY RECEIVABLE

	August 31, 2015	August 31, 2014
Sales tax receivable (i)	**$11,490**	$5,215

(i) Sales tax receivable is not past due.

6. EXPLORATION AND EVALUATION ASSETS

	August 31, 2014	**Additions**	**Reductions**	**Impairment**	**August 31, 2015**
Potter Mine, Ontario					
Acquisition	$4,586,890	$ -	$ -	$ (48,390)	$4,538,500
Exploration	6,496,374	63,843	-	-	6,560,217
Tamarack, Montana					
Acquisition	563,040	-	-	-	563,040
Exploration	1,086,613	-	-	-	1,086,613
	$12,732,917	**$ 63,843**	**$ -**	**$ (48,390)**	**$12,748,370**

	August 31, 2013	**Additions**	**Reductions**	**Impairment**	**August 31, 2014**
Potter Mine, Ontario					
Acquisition	$4,586,890	$ -	$ -	$ -	$4,586,890
Exploration	6,495,374	1,000	-	-	6,496,374
Falconbridge Twp. Airport East Property, Ontario Exploration	1,157,116	-	-	(1,157,116)	-
Falconbridge Twp. Airport Property, Ontario Acquisition	78,000	-	-	(78,000)	-
Tamarack, Montana					
Acquisition	563,040	-	-	-	563,040
Exploration	1,085,613	1,000	-	-	1,086,613
	$13,966,033	**$ 2,000**	**$ -**	**$(1,235,116)**	**$12,732,917**

6. EXPLORATION AND EVALUATION ASSETS (continued)

Potter Mine, Ontario

The Company holds 100% interest in the Potter Mine Property. An officer of the Company controlling and directing the control block of shares in the Company has divested his declared minority 10% interest in Harrison Mining and Engineering Corporation, the vendor of the property, but remains the sole director and chief executive officer of all of the companies with Harrison Group of Companies. The vendor retains a 2.5% net smelter return royalty on the property, which the Company may purchase at any time for $3,000,000. A $1,600,000 promissory note was issued by the Company to the vendor as part of the purchase consideration and remains outstanding to date. See note 10 for further details about this promissory note.

On April 11, 2001, the Company sold a 10% net profit interest royalty ("NPI") in and to the Potter Mine Property Tailings for $300,000 in cash. Net profits are determined quarterly and the final payment of net profits is due no later than 6 months after the end of the Project Operation's accounting year.

In August 2008 the Company negotiated an agreement in principle to reacquire the 10% NPI in the Potter Mine Property Tailings that it had previously sold to a former director on April 11, 2001. Through this course of action the Company further consolidated its mineral interests in its 100% owned Potter Mine Property.

On March 31, 2010, the Company finalized an agreement to reacquire the 10% NPI in the Potter mine property tailings that it had sold, by issuing 150,000 shares valued at $22,500 and cash payment of $150,000.

During 2008, the Company acquired a 100% interest in five mining claims contiguous to the Potter Property located in Munro Township, Ontario for $30,000 cash. The Company allowed four of the mining claims to lapse and the deferred acquisition costs relating to these mining claims amounting to $24,000 was impaired as of August 31, 2015.

In June 2011 the Company entered an agreement to purchase 100% legal and beneficial interest in two mining claims consisting of thirteen units in Munro Township for $13,000 cash and the issuance of 26,000 common shares. The shares were measured at their fair value at the agreement date ($0.25/share). Under the agreement, the vendor reserved a 2% NSR, as defined in industry practice, on all production from the said mining claims. The Company allowed these claims to lapse and the deferred acquisition costs relating to these claims amounting to $19,500 was impaired as of August 31, 2015.

The agreement contemplated the return of 5% or one half (1/2) of the 10% Potter tailings NPI through the issuance from its treasury of 150,000 common shares of the Company. The remaining 5% or one half (1/2) of the 10% Potter tailings NPI was to be purchased for the sum of CDN $150,000.

6. EXPLORATION AND EVALUATION ASSETS (continued)

Potter Mine, Ontario (continued)

In June 2011 the Company entered a second agreement to purchase 100% legal and beneficial interest in two mining claims consisting of two units in Munro Township for $4,000 cash and reimbursement of $890 plus HST for a survey done on the claims. Under the agreement, the vendor reserved a 3% NSR, as defined in industry practice, on all production from the said mining claims. The Company allowed these claims to lapse and the deferred acquisition costs relating to these claims amounting to $4,890 was impaired as of August 31, 2015.

Falconbridge Twp. Airport Property

At August 31, 2014, the Company impaired the value of acquisition costs relating to the Falconbridge Twp. Airport property, resulting from a review and prioritization of the Company's portfolio of mineral property assets.

Falconbridge Twp. Airport East Property

At August 31, 2014, the Company impaired the value of deferred exploration costs relating to the Falconbridge Twp. Airport East property, resulting from a review and prioritization of the Company's portfolio of mineral property assets.

Tamarack, Montana

Pursuant to a Memorandum of Understanding dated April 19, 1998, the Company acquired a 50.5% undivided interest in the Tamarack property for $161,500 US ($231,088 Cdn) located in the southwestern part of the state of Montana, U.S.A. The Company has agreed to supply further funding for planned exploration and exploitation and shall be entitled to 80% of all revenues until funding provided by the Company has been recaptured and 50.5% thereafter. The Company continues to collect historical data of the property in addition to the exploration of the surface and the structural control (faults) to best establish drill targets.

In May 2007, the Company entered into an agreement with its partner to purchase the remaining 49.5% interest. In exchange for $300,000 US ($331,950 CDN), the Company acquired 100% ownership of the property. The ex-partner will retain a 0.5% NSR on the gold output alone, which the Company has a right to purchase for $400,000 US.

(Expressed in Canadian dollars unless otherwise indicated)

7. OIL AND NATURAL GAS INTERESTS

The Company holds a 6.25% interest in a non-producing well in Canadian County, Oklahoma, U.S.A. with royalty interests not exceeding 25%. The well is recorded on the books of the Company at the nominal value of $1.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities of the Company are principally comprised of amounts outstanding for purchases relating to exploration costs on exploration and evaluation assets, general operating activities and amounts payable for professional fees activities.

	August 31, 2015	August 31, 2014
Accounts payable	**$ 99,765**	$ 102,988
Accrued liabilities	**25,504**	12,000
Total accounts payable and accrued liabilities	**$ 125,269**	$ 114,988

The following is an aged analysis of the accounts payable and accrued liabilities:

	August 31, 2015	August 31, 2014
Less than 1 months	**$ 36,182**	$ 678
1 to 3 months	**7,894**	6,584
3 to 12 months	**13,503**	27,450
Over 12 months	**67,690**	80,276
Total accounts payable and accrued liabilities	**$ 125,269**	$ 114,988

(Expressed in Canadian dollars unless otherwise indicated)

9. DUE TO RELATED PARTIES – SHORT TERM

	August 31, 2015	August 31, 2014
Advances from Patrick Harrison Global Investments Limited and Erin Investments Inc.due on demand, unsecured and non-interest bearing. (1)(2)	**$619,932**	$1,836,084
Demand loan from 607638 Ontario Limited, a company related by virtue of common management, due on demand, unsecured and bears interest at 6% per annum compounded monthly.	**322,982**	304,218
Promissory note payable to an officer of the Company, due on demand, unsecured and bears interest at 6% per annum compounded monthly.	**83,920**	51,453
Promissory note payable to Patrick Harrison Global Investments Limited, ("PHGI") a company owned by an officer of the Company, due on demand, unsecured and bears interest at 6% per annum compounded monthly.(2)	**330,289**	296,679
Promissory note payable to Kenartha Oil and Gas Company Limited, a company related by virtue of common management, due on demand, unsecured and bears interest 6% per annum compounded monthly.	**29,074**	27,384
Promissory note payable to Erin Investment Inc. ("EII") a company owned by the CEO of the Company, due on demand, unsecured and bears interest at 6% per annum compounded monthly. (2)	**32,007**	30,148
	$1,418,204	$2,545,966

(1) During the year the Company settled outstanding debt of $1,274,762 by issue of 25,495,280 common shares of the Company.

(2) These creditors are companies owned or controlled by an officer and director of the Company. These loans and advances were made to the Company to provide working capital to the Company.

(Expressed in Canadian dollars unless otherwise indicated)

10. DUE TO RELATED PARTIES – LONG TERM

An officer of the Company controlling and directing the controlling block of shares in the Company is also the sole director and chief executive officer of the entities within the Harrison Group.

	August 31, 2015	August 31, 2014
Harrison Mining & Engineering Corp.		
a) promissory note (principal)	$ 1,600,000	$ 1,600,000
	$ 1,600,000	$ 1,600,000

a) This promissory note bore interest at the rate of the Toronto Dominion Bank prime plus 1% per annum, compounded annually, and due on April 3, 2000, provided that a commercial production decision has been announced on or before that date. In consideration of permitting Ernest Harrison to continue to actively control and be the driving force of the Company, Harrison Mining & Engineering Corp. has waived the accumulated interest charges to April 3, 2014.

During the year the note has been assigned to PHGI and EII, and the interest charges have been waived and the due date extended to December 31, 2017.

11. RELATED PARTY TRANSACTIONS

During the year ended August 31, 2015, the Company was invoiced $6,200 (2014 - $1,200) rent by PHGI. These transactions occurred in the normal course of operations and are recorded at the exchange amount agreed upon by the two parties.

During the year the Company incurred an aggregate of $51,870 in professional services and equipment rental on the Potter Mine property to a company in which an officer of the Company is a director. This amount is included in the exploration and evaluation assets. At August 31, 2015, $56,420 (2014 - $4,550) were included in accounts payable and accrued liabilities.

(Expressed in Canadian dollars unless otherwise indicated)

12. SHARE CAPITAL

Authorized capital

The Company's authorized share capital consists of an unlimited number of common shares without par value.

Share consolidation

By articles of amendment dated November 20, 2013 the Company's common shares were consolidated on a one (1) for five (5) basis. All common shares and per common share price reported in this financial statements has been retroactively restated to reflect the share consolidation. The outstanding stock options and warrants were adjusted by the consolidation ratio.

Private placement

On September 2, 2014 and October 3, 2014, the Company completed private placements and issued an aggregate of 520,000 common shares of the Company and raised cash proceed in total of $26,000.

Debt retirement

During the year ended August 31, 2015, the Company issued 25,495,280 common shares of the Company to settle $1,274,762 of debt due to related parties. See note 9.

Share-based compensation

In accordance with the Company's stock option plan, options have an exercise price equal to the market price at the date of grant. The total number of shares which are reserved and set aside for issue to eligible persons together with all other management options outstanding may not exceed 10% of the number of common shares of the Company issued and outstanding at the date of the grant. The number of shares reserved for issuance to any one person may not exceed 5% of the issued and outstanding common shares of the Company at the date of the grant.

A summary of the status of the Company's stock options issued and outstanding as of August 31, 2015 and 2014 and changes during the year then ended are as follows:

		2015		2014
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	150,000	$0.50	150,000	$0.50
Outstanding, end of year	150,000	$0.50	150,000	$0.50

(Expressed in Canadian dollars unless otherwise indicated)

12. SHARE CAPITAL (continued)

Share-based compensation (continued)

At August 31, 2015 the following stock options were outstanding:

Options	Price	Expiry
150,000	$ 0.50	December 15, 2015(i)

(i) These options expired subsequent to year end on December 15, 2015 unexercised.

Contributed surplus

Contributed surplus includes the accumulated fair value of share based compensation and warrants granted. If the share based compensation or warrants expire unexercised the amount recorded will stay in the contributed surplus.

13. BASIC AND DILUTED LOSS PER SHARE

The calculation of basic and diluted loss per share for the year ended August 31, 2015 was based on the loss attributable to common shareholders of $174,761 (year ended August 31, 2014 – $1,184,939) and the weighted average number of common shares outstanding of 22,943,920 (year ended August 31, 2014 – 15,748,340). Diluted loss per share did not include the effect of 150,000 options (August 31, 2014 - 150,000 options) as they are anti-dilutive. There were no warrants issued and outstanding as of August 31, 2015 and 2014.

14. CAPITAL MANAGEMENT

The Company's capital is substantially represented by its share capital. Capital is impacted by operating expenses (fixed and variable) and the ability of the Company to raise funds through equity markets and other means.

The Company's principle source of capital is from the issuance of common shares. The Company's capital management objective is to obtain sufficient capital to meet operational cash flow needs and to develop new business opportunities for the benefit of its stakeholders. To meet the objectives, management monitors the Company's ongoing capital requirements against unrestricted net working capital and assesses additional capital requirements on specific business opportunities.

The Company has a working capital deficit of $1,531,915 as at August 31, 2015 (2014 - $2,642,463). As at August 31, 2015 the Company also has an accumulated deficit of $8,793,456 (2014 - $8,618,695). Management estimates that additional equity funding will be required to allow the Company to complete anticipated exploration programs and for new business opportunities.

14. CAPITAL MANAGEMENT (continued)

The Company's capital management objectives, policies and processes have remained unchanged during the year ended August 31, 2015. The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than Policy 2.5 of the TSX-V which requires adequate working capital or financial resources of the greater of (i) $50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months. As of August 31, 2015, the Company is not compliant with Policy 2.5. The impact of this violation is not known and is ultimately dependent on the discretion of the TSX-V.

15. FINANCIAL INSTRUMENTS

Credit risk

The Company's cash is held in Canadian financial institutions. The Company does not have any asset-backed commercial paper in its cash balance. Sundry receivable is comprised of HST recoverable from the federal government of Canada. As such, the risk is believed to be minimal.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at August 31, 2015, the Company had cash of $68 (2014 - $1,700) to settle current liabilities of $1,543,473 (2014 - $2,660,954). All of the Company's accounts payable have contractual maturities of less than 30 days and are subject to normal trade terms. As at August 31, 2015, $89,087 of accounts payable and accrued liabilities is past due. Other than the $1,600,000 of long-term convertible debt due to related parties, the remaining due to related parties amount of $1,418,204 is due on demand. The Company is currently endeavoring to raise equity capital in amounts sufficient to fund both its current exploration and operating expenses commitments in addition to its working capital requirements.

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company manages liquidity risk by ensuring that it has sufficient cash and other financial resources available to meet its short-term obligations. These requirements are met through a combination of cash flows from loans from related parties and accessing financing through private placements. The exposure of the Company to liquidity risk is considered to be minimal.

Market 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 market interest rates. The interest rate on the related party loans is at fixed rate, hence minimal risk. The risk that the Company will realize a loss as a result of a decline in the fair value of the cash is limited.

Foreign currency risk

The Company's functional currency is Canadian dollars. As such the Company is not exposed to currency risk.

(Expressed in Canadian dollars unless otherwise indicated)

15. FINANCIAL INSTRUMENTS (continued)

Equity price risk
The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements, as it relates to base and precious metals, and the stock market to determine the appropriate course of action to be taken by the Company.

Commodity price risk
The Company's ability to raise capital to fund exploration or evaluation activities is subject to risks associated with fluctuations in the market price of commodities for which it is exploring. The Company closely monitors commodity prices to determine the appropriate course of action to be taken.

Fair value hierarchy

The Company's financial assets and liabilities consist of cash, sundry receivable, accounts payable and accrued liabilities and due to related parties. The estimated fair values of cash, sundry receivable, accounts payable and accrued liabilities and due to related parties approximate their respective carrying values due to the short period to maturity. The Company classifies its fair value measurements within a fair value hierarchy. 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 fair value of cash is based on level 1 inputs of the fair value hierarchy.

The following table illustrates the classification of the Company's financial instruments recorded at fair value within the fair value hierarchy as at August 31, 2015 and 2014:

August 31, 2015	**Level 1**	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Cash	$68	$-	$-	$68

August 31, 2014	**Level 1**	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Cash	$1,700	$-	$-	$1,700

There were no financial instruments categorized in Level 2 or Level 3 for the year ended August 31, 2015 and 2014.

(Expressed in Canadian dollars unless otherwise indicated)

16. INCOME TAXES

A reconciliation comparing income taxes calculated at the statutory rates to the amount provided in the accompanying statements is as follows:

	2015	2014
Combined federal and provincial income tax rates	**27%**	25%
Net loss before income taxes	**$ (174,761)**	$ (1,356,939)
Expected income taxes recovery	**(47,000)**	(339,000)
Non-deductible expenses	**13,000**	310,000
Others	**12,000**	(1,000)
Unrecognized tax benefit (reversal of prior year provision)	**22,000**	(142,000)
Deferred income tax recovery	**$ -**	$ (172,000)

The significant components of the Company's unrecognized deferred income taxes at August 31, 2015 and 2014 are as follows:

	August 31, 2015	August 31,2014
Unrecognized deferred income tax assets (liabilities)		
Mining claims and deferred exploration expenditures	**$ (2,761,000)**	$ (2,744,000)
Canadian exploration expense	**202,000**	195,000
Canadian development expense	**1,347,000**	1,347,000
Foreign exploration and development expense	**908,000**	908,000
Non-capital losses carried forward	**480,000**	460,000
Share issue costs	**1,000**	2,000
Deferred income tax assets (liabilities)	**177,000**	168,000

Deferred tax assets have not been recognized in respect of these items because it is not probable that future profits will be available against which the Company can utilize the benefits therefrom.

(Expressed in Canadian dollars unless otherwise indicated)

16. INCOME TAXES (continued)

The Company has approximately $1,764,000 of tax loss carry-forwards which may be applied to reduce taxable income of future years. These losses expire as follows:

2026	$	89,000
2027		260,000
2028		186,000
2029		261,000
2030		134,000
2031		261,000
2032		212,000
2033		107,000
2034		125,000
2035		129,000
	$	**1,764,000**

17. SEGMENTED INFORMATION

As at August 31, 2015, the Company has one reportable segment. The Company's operations are substantially related to exploration and evaluation of its mineral properties. As such, substantially all of the Company's operating expenses are derived or located in Canada and the United States of America. Segmented information on a geographic basis is as follows:

August 31, 2015		**United States of America**		**Canada**		**Total**
Current assets	**$**	**-**	**$**	**11,558**	**$**	**11,558**
Non-current assets		**1,649,654**		**11,098,717**		**12,748,371**

August 31, 2014		**United States of America**		**Canada**		**Total**
Current assets	$	-	$	18,491	$	18,491
Non-current assets		1,649,654		11,083,264		12,732,918

18. SUPPLEMENTAL CASH FLOW INFORMATION

For the years ended August 31,		**2015**		2014
Supplement schedule of non-cash transactions				
Shares issued for debt settlement	**$**	**1,274,762**	$	-

(Expressed in Canadian dollars unless otherwise indicated)

19. RESTATEMENT

During the preparation of the financial statements for the year ended August 31, 2015, management noticed that the deferred income tax liability and deferred income tax recovery amounts reported on the statement of financial position, statement of loss and comprehensive loss and the statement of changes in equity for the year ended August 31, 2014 contained some clerical errors.

The following table summarizes the effect of the restatement on the Company's previously reported statement of financial position and statement of changes in equity:

As at August 31, 2014	As previously Reported ($)	Restatement ($)	As restated ($)
Deferred income taxes	142,000	(142,000)	-
Total liabilities	4,402,954	(142,000)	4,260,954
Deficit	(8,760,695)	142,000	(8,618,695)
Shareholders' equity	8,348,455	142,000	8,490,455

The following table summarizes the effect of the restatement on the Company's previously reported statement of loss and comprehensive loss:

Year Ended August 31, 2014	As previously Reported ($)	Restatement ($)	As restated ($)
Deferred income tax provision (recovery)	(30,000)	(142,000)	(172,000)
Net loss	1,326,939	(142,000)	1,184,939
Loss per share (basic and diluted)(i)	0.04	0.04	0.08

(i) The weighted average number of shares outstanding during the year ended August 31, 2014 contained some clerical errors. The correct weighted average number of shares outstanding should be 15,748,340 and not 30,763,196 as previously reported. As such the correct loss per share should be $0.08 instead of $0.04.

The following table summarizes the effect of the restatement on the Company's previously reported statement of cash flows:

Year Ended August 31, 2014	As previously Reported ($)	Restatement ($)	As restated ($)
Net loss for the year before interest expense	(1,326,939)	182,222	(1,144,717)
Interest expense	-	(40,222)	(40,222)
Deferred income tax recovery	(30,000)	(142,000)	(172,000)