Bonterra Resources Inc.

Condensed Consolidated Interim Financial Statements

Three Months Ended August 31, 2015

(Expressed in Canadian Dollars)

Bonterra Resources Inc.

Three Months Ended August 31, 2015

INDEX	Page

Condensed Consolidated Interim Financial Statements

NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

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

October 30, 2015

Bonterra Resources Inc.
Condensed Consolidated Interim Statements of Financial Position
(Expressed in Canadian Dollars)

		August 31, 2015		May 31, 2015
Assets				
Current				
Cash	$	**1,596,475**	$	98,606
Receivables		**129,926**		76,582
Subscriptions receivable		**45,000**		-
Prepaid expenses		**127,605**		25,105
		1,899,006		200,293
Prepaid Expenses (notes 10 and 12)		**-**		100,000
Equipment (note 9)		**10,981**		11,702
Exploration and Evaluation Assets (note 10)		**6,430,357**		5,969,976
	$	**8,340,344**	$	6,281,971
Liabilities				
Current				
Accounts payable and accrued liabilities (note 11)	$	**541,711**	$	618,573
Other liabilities (note 11)		**129,481**		-
Due to related parties (note 12)		**4,200**		7,350
		675,392		625,923
Shareholders' Equity				
Share Capital (note 13)		**25,560,724**		23,485,669
Share-based Payments Reserve (note 13)		**2,891,610**		2,346,061
Deficit		**(20,787,382)**		(20,175,682)
		7,664,952		5,656,048
	$	**8,340,344**	$	6,281,971

Going Concern (note 2)
Subsequent Events (note 16)

Approved on behalf of the Board:

"Robert Bryce"	*"Nav Dhaliwal"*
……………………………… Director	……………………………… Director
Robert Bryce	Nav Dhaliwal

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

Bonterra Resources Inc.
Condensed Consolidated Interim Statements of Comprehensive Loss
For the Three Months Ended August 31,
(Expressed in Canadian Dollars)

	2015	2014
Expenses		
Amortization	$ **721**	$ 974
Consulting fees	**288,175**	27,000
Management fees (note 12)	**45,000**	63,000
Office and general	**24,404**	513
Pre-exploration costs (note 8)	**-**	3,500
Professional fees (note 12)	**6,128**	5,000
Rent (note 12)	**7,212**	9,180
Share-based payments	**176,451**	-
Shareholder communications and investor relations	**98,739**	18,075
Transfer agent and filings fees	**2,404**	3,177
Travel	**5,197**	-
Net Loss Before Other Items	**(654,431)**	(130,419)
Other Items		
Other income (note 11)	**42,731**	-
Realized loss on marketable securities (note 7)	**-**	(10,119)
	42,731	(10,119)
Net Loss for the Period	**(611,700)**	(140,538)
Items That May Be Reclassified Subsequently to Profit or Loss		
Unrealized gain on marketable securities	**-**	49,745
	-	49,745
Comprehensive Loss for the Period	$ **(611,700)**	$ (90,793)
Basic and Diluted Loss Per Share	$ **(0.02)**	$ (0.03)
Weighted Average Number of Common Shares Outstanding – Basic and Diluted	**27,981,507**	4,873,399

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

Bonterra Resources Inc.

Condensed Consolidated Interim Statements of Changes in Equity

(Expressed in Canadian Dollars)

	Share Capital										
	Number of Shares		**Share Capital**		**Share-based Payments Reserve**		**Accumulated Other Comprehensive Income (Loss)**		**Deficit**		**Total**
Balance, May 31, 2014	**4,873,399**	**$**	**19,600,100**	**$**	**2,029,686**	**$**	**(27,245)**	**$**	**(16,614,374)**	**$**	**4,988,167**
Net loss and comprehensive loss for period	-		-		-		49,745		(140,538)		(90,793)
Balance, August 31, 2014	**4,873,399**		**19,600,100**		**2,029,686**		**22,500**		**(16,754,912)**		**4,897,374**
Private placements	6,175,000		389,144		228,356		-		-		617,500
Share issue costs	-		(8,687)		-		-		-		(8,687)
Fair value of finders warrants	-		(1,639)		1,639		-		-		-
Shares issued on exercise of options	2,534,000		478,425		-		-		-		478,425
Stock options granted	-		-		299,869		-		-		299,869
Transfer of stock options fair value on exercise	-		213,489		(213,489)		-		-		-
Shares issued on settlement of payables	7,607,668		2,814,837		-		-		-		2,814,837
Net loss and comprehensive loss for period	-		-		-		(22,500)		(3,420,770)		(3,443,270)
Balance May 31, 2015	**21,190,067**		**23,485,669**		**2,346,061**		**-**		**(20,175,682)**		**5,656,048**
Private placements	11,610,624		1,959,876		403,916		-		-		2,363,792
Share issue costs	-		(173,079)		-		-		-		(173,079)
Fair value of finders warrants	-		(81,782)		81,782		-		-		-
Shares issued on exercise of options	1,408,000		253,440		-		-		-		253,440
Stock options granted	-		-		176,451		-		-		176,451
Transfer of stock options fair value on exercise	-		116,600		(116,600)		-		-		-
Net loss and comprehensive loss for period	-		-		-		-		(611,700)		(611,700)
Balance, August 31, 2015	**34,208,691**	**$**	**25,560,724**	**$**	**2,891,610**	**$**	**-**	**$**	**(20,787,382)**	**$**	**7,664,952**

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

Bonterra Resources Inc.
Condensed Consolidated Interim Statements of Cash Flows
For the Three Months Ended August 31,
(Expressed in Canadian Dollars)

	2015	2014
Operating Activities		
Net loss for the period	$ **(611,700)**	$ (140,538)
Items not involving cash		
Amortization	**721**	974
Share-based payments	**176,451**	3,500
Other income	**(42,731)**	3,500
Write off of reclamation deposit	**-**	3,500
Realized loss on sale of marketable securities	**-**	10,119
Changes in non-cash working capital		
Receivables	**(53,344)**	(5,846)
Prepaid expenses	**(2,500)**	-
Accounts payable and accrued liabilities	**(76,862)**	48,562
Due to related parties	**(3,150)**	55,914
Cash Used in Operating Activities	**(613,115)**	(27,315)
Investing Activities		
Exploration and evaluation assets	**(460,381)**	-
Proceeds from sale of marketable securities	**-**	25,551
Cash Provided By (Used in) Investing Activities	**(460,381)**	25,551
Financing Activity		
Shares issued for cash, net of issuance costs	**2,571,365**	-
Cash Provided by Financing Activity	**2,571,365**	-
Inflow (Outflow) of Cash	**1,497,869**	(1,764)
Cash, Beginning of Period	**98,606**	2,050
Cash, End of Period	$ **1,596,475**	$ 286

Supplemental Disclosure with Respect to Cash Flows (note 14)

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

1. NATURE OF OPERATIONS AND CONTINUANCE OF OPERATIONS

Bonterra Resources Inc. (the "Company") is an exploration stage company incorporated on May 1, 2007, under the laws of the Province of British Columbia, Canada. Its principal business activity is the acquisition, exploration and evaluation of mineral properties located in the Provinces of British Columbia and Quebec, Canada. The Company's common shares are traded on the TSX Venture Exchange ("TSX-V") under the symbol "BTR". The Company's head office and principal business address is 510-744 West Hasting Street, Vancouver, British Columbia, Canada, V6C 1A1. The Company's registered and records office is 1000-595 Burrard Street, Vancouver, British Columbia, Canada, V7X 1S8.

On September 2, 2014, the Company consolidated its common shares on a one new share for twenty old shares basis. All share and per share amounts have been revised to reflect the consolidation.

2. GOING CONCERN

These condensed consolidated interim financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

The Company incurred a comprehensive loss of $611,700 for the three months ended August 31, 2015 (2014 - $90,793), and has an accumulated deficit of $20,787,382 at August 31, 2015 (May 31, 2015- deficit $20,175,682). These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon its ability to fund its existing acquisition and exploration commitments on its exploration and evaluation assets when they come due, which would cease to exist if the Company decides to terminate its commitments, and to cover its operating costs. The Company may be able to generate working capital to fund its operations by the sale of its exploration and evaluation assets or raising additional capital through equity markets. However, there is no assurance it will be able to raise funds in the future. These condensed consolidated interim financial statements do not give effect to any adjustments required to realize it assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying condensed consolidated interim financial statements.

3. BASIS OF PREPARATION

a) Statement of compliance

The condensed consolidated interim financial statements ("financial statements") of the Company have been prepared in accordance with IAS 34 Interim Financial Reporting.

The condensed consolidated interim financial statements of the Company should be read in conjunction with the Company's 2015 annual financial statements which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These financial statements were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on October 30, 2015.

(Expressed in Canadian Dollars)

3. BASIS OF PRESENTATION (Continued)

b) Basis of measurement

These condensed consolidated interim financial statements have been prepared under the historical cost basis, except for financial instruments classified as available-for-sale (“AFS”), and fair value through profit or loss (“FVTPL”). These condensed consolidated interim financial statements have been prepared under the accrual basis of accounting, except for cash flow information.

c) Subsidiaries

These condensed consolidated interim financial statements include the accounts of the Company and the following subsidiaries. All intercompany transactions and balances have been eliminated.

	Country of Incorporation	Percentage of Ownership at August 31, 2015	Percentage of Ownership at May 31, 2015
Symphony Resources Ltd. ("Symphony")	USA	100%	100%
0819904 B.C. Ltd.	Canada	100%	100%

4. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated interim financial statements have been prepared, for all periods presented, following the same accounting policies and methods of computation as described in Note 4 to the audited financial statements for the year ended May 31, 2015.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income/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.

Critical judgments in applying accounting policies

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the condensed consolidated interim financial statements within the next financial year are discussed below:

a) Impairment of exploration and evaluation assets

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.

5. CRITICAL ACCOUNTING ESTIMATES (Continued)

Critical judgments in applying accounting policies (continued)

b) Title to mineral property interests

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.

c) Income taxes

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 to the extent that it is probable that taxable profit will be available against which a deductible temporary difference 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.

d) Going concern risk assessment

The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon its ability to fund its existing acquisition and exploration commitments on its exploration and evaluation assets when they come due, which would cease to exist if the Company decides to terminate its commitments, and to cover its operating costs. The Company may be able to generate working capital to fund its operations by the sale of its exploration and evaluation assets or raising additional capital through equity markets. However, there is no assurance it will be able to raise funds in the future. These condensed consolidated interim financial statements do not give effect to any adjustments required to realize it assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying condensed consolidated interim financial statements.

Key sources of estimation uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in material adjustments to the consolidated financial statements.

(Expressed in Canadian Dollars)

5. CRITICAL ACCOUNTING ESTIMATES (Continued)

Key sources of estimation uncertainty (continued)

a) Decommissioning liabilities

Rehabilitation provisions have been created based on the Company's internal estimates. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates take into account any material changes to the assumptions that occur when reviewed regularly by management. Estimates are reviewed annually and are based on current regulatory requirements. Significant changes in estimates of contamination, restoration standards and techniques will result in changes to provisions from year to year. Actual rehabilitation costs will ultimately depend on future market prices for the rehabilitation costs which will reflect the market condition at the time the rehabilitation costs are actually incurred. The final cost of the currently recognized rehabilitation provisions may be higher or lower than currently provided for. As at August 31, 2015, the Company has no known rehabilitation requirements and accordingly, no provision has been made.

b) Share purchase warrant valuation

The Company measures the value of share purchase warrants issued as part of private placement units using a pro rata method. The pro rata method requires each component to be valued at fair value and an allocation of the total proceeds received based on the pro rata relative values of the components. The fair value of the common share purchase warrants is determined at the announcement date using the Black-Scholes pricing model. Estimating fair value for share purchase warrants requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share purchase warrant, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share purchase warrants are disclosed in note 13.

6. FINANCIAL INSTRUMENTS

Financial instruments are agreements between two parties that result in promises to pay or receive cash or equity instruments. The Company classifies its financial instruments as follows: cash is classified as financial assets at FVTPL; receivables as loans and receivables; marketable securities as AFS financial assets; reclamation deposit as HTM investments; and accounts payable and accrued liabilities and due to related parties as other financial liabilities. The carrying value of these instruments approximates their fair values due to their short term to maturity.

The following table sets forth the Company's financial assets measured at fair value by levels within the fair value hierarchy:

August 31, 2015	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash	$ 1,596,475	$ -	$ -	$ 1,596,475

May 31, 2015	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash	$ 98,606	$ -	$ -	$ 98,606

6. FINANCIAL INSTRUMENTS (Continued)

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk.

a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company manages credit risk, in respect of cash, by placing at major Canadian financial institutions. The Company has minimal credit risk.

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquid funds to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The contractual financial liabilities of the Company as of August 31, 2015 equal $675,392 (May 31, 2015 - $625,923). All of the liabilities presented as accounts payable are due within 30 days of the reporting date.

The Company intends to address its working capital deficiency through a combination of debt settlement agreements and private placement financings.

c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on capital.

i) *Currency risk* - The Company has no funds held in a foreign currency and as a result is not exposed to significant currency risk on its financial instruments at period-end.

ii) *Interest rate risk* - Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. Interest earned on cash and reclamation deposit is at nominal interest rates and, therefore, the Company does not consider interest rate risk to be significant. The Company has no interest-bearing financial liabilities.

iii) *Other price risk* - Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk.

d) Capital management

The Company considers its capital to be comprised of shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares. Although the Company has been successful at raising funds in the past through the issuance of capital stock, it is uncertain whether it will continue this method of financing due to the current difficult market conditions.

6. FINANCIAL INSTRUMENTS (Continued)

d) Capital management (continued)

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

Management reviews the capital structure on a regular basis to ensure that the above objectives are met. There have been no changes to the Company's approach to capital management during the period ended August 31, 2015. The Company is not subject to externally imposed capital requirements.

7. MARKETABLE SECURITIES

On October 25, 2013, the Company entered into an agreement to sell a 1% net smelter return interest in the West Arena property (note 10(b)(ii)) to Gold Royalties Corporation (TSX-V: GRO). The Company received 1,000,000 common shares of GRO on November 7, 2013. 500,000 of the common shares were held in trust until September 8, 2014. The Company recorded share consideration of $325,000 based on the trading price of the GRO shares on November 7, 2013, discounted by the put option of the shares held in trust for the length of the escrow period, against the carrying amount of the exploration and evaluation assets.

During the three months ended August 31, 2014, the Company sold 87,000 common shares for proceeds of $25,551. The Company recorded a realized loss on sale of $10,119. The Company also recorded a net unrealized gain of $49,745 in accumulated other comprehensive loss.

8. RECLAMATION DEPOSIT

At May 31, 2014, the Company held a guaranteed investment certificate ("GIC") with an interest rate of 0.20% per annum and a fair value of $3,500. The GIC was held as a resource reclamation deposit and was restricted from other uses. During the three months ended August 31, 2014, the reclamation deposit was surrendered to the government and it was written-off to general exploration costs.

(Expressed in Canadian Dollars)

9. EQUIPMENT

	Furniture and Equipment	Computer Equipment	Total
Cost			
Balance, May 31, 2014, May 31, 2015 and August 31, 2015	$ 18,130	$ 21,576	$ 39,706
Amortization			
Balance, May 31, 2014	$ 10,301	$ 13,806	$ 24,107
Amortization	1,566	2,331	3,897
Balance, May 31, 2015	11,867	16,137	28,004
Amortization	313	408	721
Balance, August 31, 2015	$ 12,180	$ 16,545	$ 28,725
Net Book Value, May 31, 2015	$ 6,263	$ 5,439	$ 11,702
Net Book Value, August 31, 2015	$ 5,950	$ 5,031	$ 10,981

10. EXPLORATION AND EVALUATION ASSETS

a) Gladiator Project (formerly Eastern Extension Properties/Urban Barry)

(i) Coliseum Property (formerly Urban Barry)

During the year ended May 31, 2010, the Company acquired a 100% interest in 95 claim blocks in Quebec near Windfall Lake at a cost of $20,000 (paid), the issuance of 50,000 common shares to the vendors and 5,440 common shares to a finder (issued) and incurring $140,000 of exploration expenditures (incurred). The shares were valued at $155,232 based on the market value of the shares on share issue date. The property is subject to a 2% net smelter returns royalty of which 0.5% can be purchased by the Company for $1,000,000.

In addition the Company purchased a 100% interest in 27 mineral claims located in the James Bay area in Quebec. The aggregate consideration is $3,900 (paid) and 100,000 common shares (issued). The fair value of the shares was $360,000 based on the market value of the shares on the share issue date.

During the year ended May 31, 2013, the Company reduced the mineral claims located to 95 as the claims in the James Bay area were not renewed.

10. EXPLORATION AND EVALUATION ASSETS (Continued)

(ii) West Arena Property (formerly Eastern Extension)

The Company entered into an option agreement on September 15, 2010, as amended on February 8, 2011 and March 19, 2012 to acquire 100% interest in 23 additional mineral claims adjacent to the Coliseum claims in Quebec for aggregate consideration of $10,000 cash (paid), 87,500 common shares (issued) and $750,000 in exploration expenditures (incurred). The Company has completed the acquisition and owns 100% subject to the NSR below.

The agreement is subject to a 2% NSR of which 1% can be purchased for $500,000. A finder's fee of 2,845 shares was paid in connection with this acquisition.

On November 7, 2013 the Company sold an additional 1% NSR to GRO in exchange for 1,000,000 common shares of GRO, valued at $325,000 (note 7).

(iii) East Arena Property (formerly Lavoie Property)

On December 30, 2010, the Company closed and received approval from the TSX Venture Exchange for a property purchase agreement entered into on December 10, 2010 to acquire 100% interest in 57 mineral claims east of the Urban-Barry Township in Quebec. Consideration paid was 100,000 common shares valued at $860,000 based on the market price of the shares on the share issue date, and cash payments of $35,000. The agreement is subject to a 2% NSR of which 1% may be purchased for $1,000,000.

Included in prepaid expenses at May 31, 2015, is a retainer paid to an exploration company for work to be performed on the Gladiator Project. The principal of the exploration company was a significant shareholder of the Company (note 12).

(Expressed in Canadian Dollars)

10. EXPLORATION AND EVALUATION ASSETS (Continued)

	Gladiator Project
Balance, May 31, 2014	**$ 5,920,077**
Acquisition and claim renewals	3,568
Property exploration costs	
Geological	46,331
Balance, May 31, 2015	**5,969,976**
Property exploration costs	
Geological	39,700
Drilling	286,542
Camp and other costs	134,139
	460,381
Balance, August 31, 2015	**$ 6,430,357**

(Expressed in Canadian Dollars)

11. OTHER LIABILITIES

Other liabilities consist of the liability portion of the flow-through shares issued. The following is a continuity schedule of the liability portion of the flow-through share issuances.

	Issued During the Three Months Ended August 31, 2015
Balance, May 31, 2014 and 2015	$ -
Liability incurred on flow-through shares issued July 2015	172,212
Settlement of flow-through share liability on incurring expenditures	(42,731)
Balance, August 31, 2015	$ 129,481

During the three months ended August 31, 2015

On July 6, 2015, the Company issued 6,527,274 flow-through shares at a price of $0.22 per share. The premium paid by investors was calculated as $0.02 per share. Accordingly, $130,545 was recorded as other liabilities. Also on July 6, 2015, the Company issued 2,083,350 flow-through units at a price of $0.24 per unit. The premium paid by investors was calculated as $0.02 per share. Accordingly, $41,667 was recorded as other liabilities.

At August 31, 2015, the Company had a remaining commitment to incur exploration expenditures in relation to its July 2015 flow-through share financing of $1,455,620.

Included in accounts payable and accrued liabilities at August 31, 2015 is a provision for tax liabilities as a result of not meeting previous flow-through expenditure requirements of $245,000 and a provision for Part XII.6 tax and penalties of $90,000.

During the year ended May 31, 2015

Included in accounts payable and accrued liabilities at May 31, 2015 is a provision for tax liabilities as a result of not meeting previous flow-through expenditure requirements of $245,000 and a provision for Part XII.6 tax and penalties of $90,000.

12. RELATED PARTY TRANSACTIONS

These amounts of key management compensation are included in the amounts shown on the consolidated statements of comprehensive loss:

	Three Months Ended August 31, 2015	**Three Months Ended August 31, 2014**
Short-term compensation	$ 71,000	$ 63,000

During the three months ended August 31, 2015, short-term compensation to related parties consisted of $45,000 in management fees (2014 - $63,000), $20,000 in deferred exploration costs (2014 - $nil) and $6,000 in professional fees (2014 - $nil).

During the three months ended August 31, 2015, the Company paid $nil for rent expense to a company related by a common director (2014 - $9,180).

12. RELATED PARTY TRANSACTIONS (Continued)

As at August 31, 2015, the Company had outstanding amounts payable to an officer and a director of the Company of $4,200 (May 31, 2015 - $7,350) for outstanding fees and expenses. The amounts payable are non-interest-bearing, uncollateralized and are repayable on demand.

At August 31, 2015, included in prepaid expenses was a $nil (May 31, 2015 - $100,000) retainer for exploration expenses paid to a company of which the principal was a significant shareholder of the Company and $15,750 (May 31, 2015 - $5,250) in prepaid management fees to a related party.

13. SHARE CAPITAL

a) Authorized

Unlimited number of common voting shares without par value

b) Issued and outstanding

During the three months ended August 31, 2015

On July 6, 2015, the Company completed a non-brokered private placement for gross proceeds of $2,536,004 (of which $1,936,004 is for flow-through expenditures). The Company issued 6,527,274 flow-through shares at a price of $0.22 per share, 2,083,350 flow-through units at a price of $0.24 per unit and 3,000,000 non-flow-through units at a price of $0.20 per unit. Each flow-through unit consisted of one flow-through common share of the Company and one non-flow-through share purchase warrant. Each warrant entitles the holder to acquire one additional common share of the Company at an exercise price of $0.35 per share for a period of two years. These warrants had a value of $241,634 using the pro rata method. Each non-flow-through unit consisted of one common share of the Company and one share purchase warrant. Each warrant entitles the holder to acquire one additional common share of the Company at an exercise price of $0.30 per share for a period of three years. These warrants had a value of $162,282 using the pro rata method.

The premium paid by investors on the flow-through shares was calculated as $0.02 per share. Accordingly, $130,545 was recorded as other liabilities. The premium paid by investors on the flow-through units was calculated as $0.02 per share. Accordingly, $41,667 was recorded as other liabilities.

The Company paid finder's fees of $158,020 and issued 25,000 finder's warrants valued at $3,371 (note 13(c)) with the same terms as the warrants in the non-flow-through units and 715,242 finder's warrants valued at $78,411 (note 13(c)) with the same terms as the warrants in the flow-through units. Other share issue costs of $15,059 were incurred.

During the three months ended August 31, 2015, the Company issued 1,408,000 common shares for proceeds of $253,440 on the exercise of 1,408,000 stock options. The fair-value of the stock options of $116,600 was transferred to share capital from share-based payments reserve upon exercise (note 13(d)).

(Expressed in Canadian Dollars)

13. SHARE CAPITAL (Continued)

b) Issued and outstanding (continued)

During the year ended May 31, 2015

On December 22, 2014, the Company completed a non-brokered private placement for gross proceeds of $617,500. The Company issued 6,175,000 units at a price of $0.10 per unit. Each unit consisted of one common share of the Company and one share purchase warrant. Each warrant entitles the holder to acquire one additional common share of the Company at an exercise price of $0.20 per share on or before December 22, 2016. These warrants had a value of $228,356 using the pro rata method. The Company paid finder's fees and other costs in relation to the private placement of $8,687 and issued 25,000 finder's warrants with a value of $1,639 (note (13(c)). Each agent's warrant entitles the holder to acquire one common share of the Company at an exercise price of $0.20 per share on or before December 22, 2016.

On February 18, 2015, the Company issued 7,607,668 common shares with a value of $2,814,837 as part of a payables settlement agreement with a group of creditors. The amount of indebtedness that was settled with the transaction was $761,636.

During the year ended May 31, 2015, the Company issued 2,534,000 common shares for proceeds of $478,425 on the exercise of 2,534,000 stock options. The fair-value of the stock options of $213,489 was transferred to share capital from share-based payments reserve upon exercise (note 13(d)).

c) Warrants

Warrant transactions and the number of warrants outstanding are summarized as follows:

	Three Months Ended August 31, 2015		**Year Ended May 31, 2015**	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of year	6,200,000	$ 0.20	330,375	$ 2.09
Issued	5,823,592	$ 0.32	6,200,000	0.20
Expired	-	-	(330,375)	2.09
Outstanding, end of year	12,023,592	$ 0.26	6,200,000	$ 0.20

The following warrants were outstanding and exercisable:

Expiry Date	Weighted Average Remaining Contractual Life in Years	Exercise Price	**August 31, 2015**
December 22, 2016	1.31	$ 0.20	6,200,000
July 6, 2015	1.85	$ 0.35	2,798,592
July 6, 2015	2.85	$ 0.30	3,025,000
	1.82		12,023,592

(Expressed in Canadian Dollars)

13. SHARE CAPITAL (Continued)

c) Warrants (continued)

The Company applies the fair value method using the Black-Scholes option pricing model in accounting for its finder's warrants granted. The fair value of each finder's warrant grant was calculated using the following weighted average assumptions:

	Three Months Ended August 31, 2015	**Year Ended May 31, 2015**
Expected life (years)	2.03	2.00
Risk-free interest rate	0.66%	1.02%
Volatility	132%	129%
Dividend yield	N/A	N/A
Stock price at grant date	$ 0.20	$0.15
Exercise price	$ 0.35	$0.20
Weighted average grant date fair value	$ 0.11	$0.09

Option pricing models require the input of highly subjective assumptions regarding volatility. The Company has used historical volatility to estimate the volatility of the share price.

d) Stock options

The Company has a stock option plan to grant incentive stock options to directors, officers, employees and consultants. Under the plan, the aggregate number of common shares which may be subject to option at any one time may not exceed 10% of the issued common shares of the Company as of that date, including options granted prior to the adoption of the plan. Options granted may not exceed a term of 10 years, and the term will be reduced to one year following the date of death of the optionee. All options vest when granted unless they are otherwise specified by the Board of Directors or if they are granted for investor relations activities. Options granted for investor relations activities vest over a 12 month period with no more than 25% of the options vesting in any three month period.

The following is a summary of option transactions under the Company's stock option plan for the three months ended August 31, 2015 and year ended May 31, 2015:

	Three Months Ended August 31, 2015		**Year Ended May 31, 2015**	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of period	556,000	$ 0.23	-	$ -
Granted	2,261,000	0.18	3,090,000	0.20
Exercised	(1,408,000)	0.18	(2,534,000)	0.19
Outstanding, end of period	1,409,000	$ 0.19	556,000	$ 0.23

The weighted average trading price on date of exercise for the stock options granted during the three months ended August 31, 2015 was $0.18 (year ended May 31, 2015 - $0.25)

(Expressed in Canadian Dollars)

13. SHARE CAPITAL (Continued)

d) Stock options (continued)

The following options were outstanding and exercisable:

Expiry Date	Weighted Average Remaining Contractual Life in Years	Exercise Price	**2015**
February 12, 2016	0.45	$ 0.27	306,000
May 8, 2016	0.69	$ 0.19	250,000
July 13, 2016	0.87	$ 0.18	553,000
August 10, 2016	0.95	$ 0.15	300,000
	0.76	$ 0.19	1,409,000

The Company applies the fair value method using the Black-Scholes option pricing model in accounting for its stock options granted. The fair value of each option grant was calculated using the following weighted average assumptions:

	Three Months Ended August 31, 2015	**Year Ended May 31, 2015**
Expected life (years)	1.00	1.09
Risk-free interest rate	0.47%	0.60%
Volatility	150%	132%
Dividend yield	N/A	N/A
Stock price at grant date	$ 0.15	$0.19
Exercise price	$ 0.18	$0.20
Weighted average grant date fair value	$ 0.08	$0.15

Option pricing models require the input of highly subjective assumptions regarding volatility. The Company has used historical volatility to estimate the volatility of the share price.

14. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	2015	**2014**
Income tax paid	$ -	$ -
Interest paid (received)	$ -	$ -
Fair value of agent's warrants issued	$ 81,782	$ -
Fair value of warrants issued as units	$ 403,916	$ -
Fair value of options exercised	$ 116,600	$ -
Exploration and evaluation expenditures in accounts payable and due to related parties	$ 35,859	$ 578,485

15. SEGMENTED DISCLOSURE

The Company has one operating segment, being mineral exploration and development. All of the Company's assets are located in Canada.

16. SUBSEQUENT EVENTS

a) On October 14, 2015, the Company granted 1,800,000 stock options to officers and directors with an exercise price of $0.22 per share and an expiry date of October 13, 2020.

b) Subsequent to August 31, 2015, share subscriptions receivable of $45,000 were collected.

c) Subsequent to August 31, 2015, the Company received proceeds of $93,960 on the exercise of 522,000 stock options and $73,600 on the exercise of 368,000 warrants.

d) Subsequent to August 31, 2015, the Company, 306,000 stock options expired unexercised following the termination of services from consultants.