JAXON MINERALS INC.
(An Exploration Stage Company)

FINANCIAL STATEMENTS
(Expressed in Canadian dollars)

JANUARY 31, 2016 AND 2015

DAVIDSON & COMPANY LLP Chartered Professional Accountants

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Jaxon Minerals Inc.

We have audited the accompanying financial statements of Jaxon Minerals Inc., which comprise the statements of financial position as at January 31, 2016 and 2015 and the statements of loss and comprehensive loss, changes in shareholders' equity (deficiency), and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Jaxon Minerals Inc. as at January 31, 2016 and 2015 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about the ability of Jaxon Minerals Inc. to continue as a going concern.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Professional Accountants

May 25, 2016

JAXON MINERALS INC.
(An Exploration Stage Company)
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)
AS AT JANUARY 31

	2016	2015
ASSETS		
Current		
Cash	$ 3,421	$ 349
Investments (Note 6)	-	37,604
Prepaid expenses	4,995	-
Receivables	3,890	-
	12,306	37,953
Exploration and evaluation assets (Note 9)	28,209	28,500
	$ 40,515	$ 66,453
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current		
Accounts payable and accrued liabilities	$ 65,503	$ 47,055
Provision for indemnity on flow through shares (Note 12)	15,500	15,500
Loans payable (Note 8)	190,515	52,243
	271,518	114,798
Shareholders' deficiency		
Capital stock (Note 10)	6,704,410	6,699,410
Contributed surplus (Note 10)	431,240	431,240
Deficit	(7,366,653)	(7,178,995)
	(231,003)	(48,345)
	$ 40,515	$ 66,453

Nature and continuance of operations (Note 1)

Subsequent events (Note 14)

Approved and authorized by the Board: **May 25, 2016**

"Laurence Stephenson" Director	*"Leif Smither"* Director
Laurence Stephenson	Leif Smither

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

JAXON MINERALS INC.
(An Exploration Stage Company)
STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian dollars)
YEAR ENDED JANUARY 31

	2016	2015
EXPENSES		
Consulting	$ -	$ 1,000
Filing fees	3,783	6,638
Interest and financing fees	24,038	8,838
Investor relations	-	645
Management fees (Note 11)	-	6,000
Office and miscellaneous (Note 11)	62,018	14,391
Professional fees	53,665	30,171
Regulatory and transfer agent fees	10,471	4,768
Travel and entertainment	-	1,600
	(153,975)	(74,051)
OTHER ITEMS		
Realized loss on disposal of investments (Note 6)	(33,683)	(96,949)
Unrealized loss on investments (Note 6)	-	(113,794)
Write down of exploration and evaluation assets (Note 9)	-	(283,280)
Loss and comprehensive loss for the year	$ (187,658)	$ (568,074)
Basic and diluted loss per common share	$ (0.01)	$ (0.04)
Weighted average number of common shares outstanding	15,070,962	14,573,701

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

JAXON MINERALS INC.
(An Exploration Stage Company)
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)
(Expressed in Canadian dollars)

	Number of Shares	Capital Stock	Contributed Surplus	Deficit	Total Equity (Deficiency)
Balance at January 31, 2014	12,042,195	$ 6,396,810	$ 431,240	$ (6,610,921)	$ 217,129
Loss for the year	-	-	-	(568,074)	(568,074)
Common shares issued for investments	2,500,000	287,500	-	-	287,500
Share issuance costs	-	(12,400)	-	-	(12,400)
Share issuance for Yukon ST property	500,000	27,500	-	-	27,500
Balance at January 31, 2015	**15,042,195**	**6,699,410**	**431,240**	**(7,178,995)**	**(48,345)**
Loss for the year	-	-	-	(187,658)	(187,658)
Common shares issued for settlement of debt	100,000	5,000	-	-	5,000
Balance at January 31, 2016	**15,142,195**	**$ 6,704,410**	**$ 431,240**	**$ (7,366,653)**	**$ (231,003)**

The accompanying notes are an integral part of these financial statements

JAXON MINERALS INC.
(An Exploration Stage Company)
STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)
YEAR ENDED JANUARY 31

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	$ (187,658)	$ (568,074)
Items not involving cash:		
Realized loss on disposal of investments	33,683	96,949
Unrealized loss on investments	-	113,794
Write-down exploration and evaluation assets	-	283,280
Accrued interest and borrowing costs on shareholder loan	20,672	7,854
Changes in non-cash working capital items:		
Decrease in prepaid expenses and receivables	(8,885)	5,144
Decrease in accounts payable and accrued liabilities	23,448	1,682
Net cash used in operating activities	(118,740)	(59,371)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds on disposal of investments	3,921	39,153
Exploration and evaluation asset expenditures, net of recoveries	291	(3,435)
Net cash provided by investing activities	4,212	35,718
CASH FLOWS FROM FINANCING ACTIVITIES		
Loans repaid	(5,000)	-
Share issuance cost	-	(10,400)
Loans received	122,600	32,000
Net cash provided by financing activities	117,600	21,600
Change in cash for the year	3,072	(2,053)
Cash, beginning of year	349	2,402
Cash, end of year	$ 3,421	$ 349
Cash paid for taxes	$ -	$ -
Cash paid for interest	$ -	$ -

Supplemental disclosure with respect to cash flows (Note 13).

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Jaxon Minerals Inc. (the "Company") was incorporated pursuant to the provisions of the *British Columbia Business Corporations Act* on November 6, 2006. The Company trades on the TSX Venture Exchange ("TSX-V") as a mineral exploration and development company. The Company's head office and registered and records office address is Suite 488 – 625 Howe Street, Vancouver, British Columbia, Canada, V6C 2T6.

The Company's principal business activity is the acquisition and exploration of mineral property interests, at the present fully in the Yukon Territory and British Columbia, Canada. The Company is considered to be in the exploration stage and substantially all of the Company's efforts are devoted to financing and developing these property interests. There has been no determination whether the Company's interests in unproven mineral properties contain mineral resources which are economically recoverable.

The Company continues to be dependent upon its ability to finance its operations and exploration programs through financing activities that may include issuances of additional debt or equity securities. The recoverability of the carrying value of exploration projects, and ultimately, the Company's ability to continue as a going concern, is dependent upon the existence and economic recovery of reserves, the ability to raise financing to complete the development of the properties, and upon future profitable production or, alternatively, upon the Company's ability to dispose of its interest on an advantageous basis, all of which are uncertain. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

While the Company has been successful in obtaining its required financing in the past, there is no assurance that such financing will be available or be available on favourable terms. An inability to raise additional financing may impact the future assessment of the Company as a going concern. The financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

2. BASIS OF PRESENTATION

Statement of Compliance

These financial statements, including comparatives, have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC). The financial statements have been prepared on a historical cost basis, except for financial instruments classified as fair value through profit and loss, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information. The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Critical accounting estimates and judgments

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the year. Actual results could differ from these estimates.

2. BASIS OF PRESENTATION (cont'd…)

Judgments

In the process of applying the Company's accounting policies, management has made the following judgment, which has the most significant effect on the amounts recognized in the financial statements.

i) The carrying value and the recoverability of exploration and evaluation assets, which are included in the statements of financial position. The cost model is utilized and the value of the exploration and evaluation assets is based on the expenditures incurred. At every reporting period, management assesses the potential impairment which involves assessing whether or not facts or circumstances exist that suggest the carrying amount exceeds the recoverable amount.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market change or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

i) 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.

ii) The recognition of deferred tax assets. The Company considers whether the realization of deferred tax assets is probable in determining whether or not to recognize these deferred tax assets.

3. SIGNIFICANT ACCOUNTING POLICIES

Financial instruments

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statements of loss and comprehensive loss.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial instruments (cont'd...)

Financial assets (cont'd…)

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statements of loss and comprehensive loss.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for- sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in the statements of loss and comprehensive loss.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was incurred. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statements of loss and comprehensive loss.

Other financial liabilities: This category includes loans payable, amounts due to related parties and accounts payables and accrued liabilities, all of which are recognized at amortized cost.

The Company has classified its cash and investments as fair value through profit and loss. The Company's receivables are classified as loans and receivables. The Company's accounts payable and accrued liabilities, provisions for indemnity on flow through shares and loans payable are classified as other financial liabilities.

Exploration and evaluation assets

Pre-exploration costs are expensed as incurred. Costs related to the acquisition and exploration of mineral properties are capitalized by property until the commencement of commercial production. If commercially profitable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. If, after management review, it is determined that capitalized acquisition, exploration and evaluation costs are not recoverable over the estimated economic life of the property, or the property is abandoned, or management deems there to be an impairment in value, the property is written down to its net realizable value.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Exploration and evaluation assets (cont'd...)

Any option payments received by the Company from third parties or tax credits refunded to the Company are credited to the capitalized cost of the mineral property. If payments received exceed the capitalized cost of the mineral property, the excess is recognized as income in the year received. The amounts shown for mineral properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

Impairment

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Provision for environmental rehabilitation

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

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

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss for the period. The Company had no provisions for environmental rehabilitation as at January 31, 2016 and 2015.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Loss per share

The Company presents basic loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

Share-based payments

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. A corresponding increase in contributed surplus is recorded when stock options are expensed. When stock options are exercised, capital stock is credited by the sum of the consideration paid and the related portion of share-based payments previously recorded in contributed surplus. Consideration paid for the shares on the exercise of stock options is credited to capital stock.

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 payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

Income taxes

Income tax on profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. 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 regards to previous years.

Deferred tax is recorded using the statement of financial position liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Income taxes (cont'd...)

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Flow-through shares

Canadian Income Tax legislation permits an enterprise to issue securities referred to as flow-through shares, whereby the investor can claim the tax deductions arising from the renunciation of the related resource expenditures. A premium liability is recognized for the share price premium paid by investors when acquiring the flow-through shares. The premium liability is reduced and other income is recognized on the renounced tax deductions as eligible expenditures are incurred.

4. NEW ACCOUNTING PRONOUNCEMENTS AND CHANGES IN ACCOUNTING POLICIES

Effective for annual periods beginning on or after January 1, 2018

IFRS 9, *Financial Instruments – Classification and Measurement*

IFRS 9 is a new standard on financial instruments that will replace IAS 39, *Financial Instruments: Recognition and Measurement.*

IFRS 9 addresses classification and measurement of financial assets and financial liabilities as well as derecognition of financial instruments. IFRS 9 has two measurement categories for financial assets: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit or loss.

The Company does not believe any other upcoming pronouncements would have an effect on the financial statements as a whole.

5. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

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

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

Cash and investments are carried at fair value using a level 1 fair value measurement. The carrying value of receivables, accounts payable and accrued liabilities, provision for indemnity on flow through shares and loans payable approximate their fair value because of the short-term nature of these instruments.

Financial risk factors

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. Management believes that the credit risk concentration with respect to cash is remote. Receivables are due from government agencies.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when they come due. As at January 31, 2016, the Company had a cash balance of $3,421 (2015 - $349) to settle current liabilities of $271,518 (2015 - $114,798). All of the Company's financial liabilities are subject to normal trade terms.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. These fluctuations may be significant and the Company, as all other companies in its industry, has exposure to these risks.

5. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd...)

(a) Interest rate risk

The Company has cash balances and interest-bearing debt at a fixed interest rate of 10% per annum. The Company's current policy is to maintain cash and term deposits in its banking institutions and does not believe its interest rate risk to be significant.

(b) Foreign currency risk

The Company is not currently exposed to significant foreign currency risk as most transactions are denominated in Canadian dollars.

(c) Price risk

The Company is not a producing entity so is not directly exposed to fluctuations in commodity prices. 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, and the stock market to determine the appropriate course of action to be taken by the Company.

6. INVESTMENTS

In March 2014, the Company closed its securities exchange with Global Resources Investment Trust plc ("GRIT"). The Company issued 2,500,000 common shares at $0.115 per share to GRIT, in exchange for 159,016 ordinary shares of GRIT (the "GRIT Shares"), valued at 1.00 GBP per GRIT Share. The GRIT shares trade through the facilities of the London Stock Exchange. During the year ended January 31, 2015, the Company disposed of 75,278 GRIT shares for proceeds of $39,153 resulting in a realized loss of $96,949. The remaining 83,738 GRIT shares recognized an unrealized loss of $113,794 resulting in a fair value of $37,604 as at January 31, 2015. During the year ended January 31, 2016, the Company disposed of the remaining 83,738 GRIT shares for $3,921, resulting in a realized loss of $33,683.

7. CAPITAL MANAGEMENT

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

The Company is in the exploration stage; as such the Company has historically relied on the equity markets to fund its activities. The Company will continue to assess new sources of financing available and to manage its expenditures to reflect current financial resources in the interest of sustaining long term viability.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

(Expressed in Canadian dollars)

8. LOANS PAYABLE

During the year ended January 31, 2016, the Company received cash proceeds of $122,600 (2015 - $32,000) through loans from non-arm's length parties. The non-arm's length loans are due on demand, unsecured and bear interest at 10% per annum. A total of $5,000 (2015 - $Nil) was repaid during the year ended January 31, 2016 on the loans and accrued interest from non-arm's length parties.

During the year ended January 31, 2016 the Company paid or accrued interest and financing fees of $20,672 (2015- $4,400) on these loans.

9. EXPLORATION AND EVALUATION ASSETS

	Year ended January 31, 2016	Year ended January 31, 2015
Balance, beginning of year	$ **28,500**	$ **283,280**
Acquisition costs	-	28,500
Field expenses	420	-
Write down of properties	-	(283,280)
Recovery	(711)	-
Balance, end of year	**$ 28,209**	**$ 28,500**

Flin Flon Properties, Manitoba and Saskatchewan

The Company entered into option agreements to acquire 100% of the mineral rights to four properties located in the Flin Flon-Snow Lake and Greenstone Belt in Manitoba and Saskatchewan. Due to market conditions the Company terminated its interests in the Lucile Lake, Beatty Lake and Copper Reef options prior to the year ended January 31, 2014 and concentrated its efforts and funds on the Snow Lake claim block, in which the Company held a 100% interest. The Snow Lake property was subject to a 3% Net Smelter Royalty of which 1.5% of the 3% may be purchased for $3,000,000. During the year ended January 31, 2015, the Company abandoned its interest in the Snow Lake property and wrote-off $283,280 to the statement of loss and comprehensive loss.

The claims lapsed and the vendor then commenced an action in the Supreme Court of BC for loss of royalty. The Company settled the claim with the issuance of 100,000 common shares valued at $5,000 (Note 10).

9. EXPLORATION AND EVALUATION ASSETS (cont'd...)

ST Silver-Gold Prospect, Yukon

The Company entered into a purchase agreement to acquire 100% of the mineral rights to the ST silver-gold prospect located in southern Yukon.

In order to earn a 100% interest in the ST prospect the Company will pay the non-arms length vendor $1,000 cash (paid) and issue 500,000 common shares (issued at a value of $27,500). The vendor will retain a 2% NSR on future production and has waived the annual royalty payment of $5,000 until November 12, 2016.

Hot Bath Property, British Columbia.

The Company entered into an option agreement to acquire a 50% interest in the Hot Bath property located in British Columbia pursuant to which the Company issued 3,000,000 common shares subsequent to January 31, 2016. The Company also issued 300,000 common shares as finder's fees. In order to acquire the 50% interest, the Company is required to issue an additional 3,000,000 common shares in calendar 2016 and an additional 750,000 common shares in calendar 2017, subject to regulatory approval. The property is subject to a 2% NSR, of which the Company may repurchase 1% for $1,000,000.

Title to exploration and evaluation assets

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

10. CAPITAL STOCK AND CONTRIBUTED SURPLUS

Authorized - Unlimited common shares with no par value

Common shares issued

On October 13, 2015 the Company issued 100,000 common shares valued at $5,000 to settle a dispute for the Flin Flon properties (Note 9).

On March 7, 2014, the Company closed its securities exchange with GRIT by issuing 2,500,000 common shares in exchange for 159,016 shares of GRIT. At January 31, 2016 the Company had sold all of its GRIT shares.

Stock options and warrants

The Company has a stock option plan under which it is authorized to grant options to executive officers, directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the plan, the exercise price of each option equals the market price of the Company's stock, as calculated on the date of grant. The options can be granted for a maximum term of 5 years and vest at the discretion of the board of directors.

As at January 31, 2014, 2015 and 2016 the Company had no warrants issued and outstanding.

(Expressed in Canadian dollars)

10. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd...)

Stock options and warrants (cont'd...)

	Options		
	Number of Options		Weighted Average Exercise Price
Balance, January 31, 2014, 2015 and 2016	205,000	$	1.50
Number currently exercisable	205,000	$	1.50

As at January 31, 2016, the following stock options and warrants were outstanding:

	Number of Shares	Exercise Price	Expiry Date
Options	205,000	$1.50	April 3, 2017

Share-based payments

The Company did not grant any stock options during fiscal 2015 or 2016.

(Expressed in Canadian dollars)

11. RELATED PARTY TRANSACTIONS

The key management personnel of the company are the Directors, Chief Executive Officer, and the Chief Financial Officer.

Compensation of the Company's current and former key management personnel is comprised of the following:

	January 31, 2016	January 31, 2015
Management and Professional fees	$ -	$ 9,000

During the year ended January 31, 2016, the Company paid $60,000 (2015 - $10,000) in office and administrative fees
to a company with an officer in common with the Company.

As at January 31, 2016 included in accounts payable and accrued liabilities is $18,107 (2015 - $6,107) due to related parties and included in loans payable are loans, interest and financing fees of $190,515 (2015- $52,243) due to non-arms length parties (Note 8).

12. INCOME TAXES

	2016	2015
Loss before income taxes	$ (187,658)	$ (568,074)
Expected income tax recovery	$ (49,000)	$ (148,000)
Non-deductible expenditures	4,000	18,000
Change in tax rates	1,000	(25 ,000)
Change in unrecognized deductible temporary differences	44,000	155,000
Net income tax recovery	$ -	$ -

A reconciliation of income taxes at statutory rates with reported taxes is as follows:

The significant components of the Company's deferred tax assets that have not been recognized as follows:

	2016	2015
Deferred tax (liabilities) asset:		
Exploration and evaluation assets	$ 475,000	$ 475,000
Non-capital loss carryforwards	1,086,000	1,039,000
Marketable securities	-	15,000
Allowable capital losses	32,000	13,000
Undeducted share issue costs	8,000	15,000
Total	$ 1,601,000	$ 1,557,000

(Expressed in Canadian dollars)

12. INCOME TAXES (cont'd...)

Significant components of the Company's temporary differences and unused tax losses are as follows:

	2016	Expiry date	2015
Investments	$ -	No expiry date	$ 114,000
Allowable capital losses	122,000	No expiry date	48,000
Losses available for future periods	4,176,000	2027 to 2035	3,996,000
Exploration and evaluation assets	1,556,000	No expiry date	1,556,000
Share issue costs	31,000	2016 to 2019	57,000

During fiscal 2012, the Company completed a flow-through share arrangement and renounced the expenditures to investors in accordance with Canadian tax legislation. During fiscal 2013, the Company renounced exploration expenditures incurred on the Company's mineral properties of approximately $97,000 of the required $350,000 resulting in other income of $29,000 on the recovery of the flow-through share premium liability. As at January 31, 2014, the Company did not incur all the required expenditures and the investors were no longer eligible to receive certain tax deductions. Consequently, the Company has recorded a provision of $15,500 towards potential indemnification of tax liabilities to purchases of the flow-through shares.

13. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash transactions during the year ended January 31, 2016 include:

a) Issuing 100,000 common shares valued at $5,000 to settle a dispute for the Flin Flon properties (Notes 9 and 10).

Significant non-cash transactions during the year ended January 31, 2015 include:

a) Issuing 500,000 common shares valued at $27,500 on acquisition of exploration and evaluation assets.

b) Reclassifying $1,000 in loans payable to accounts payable and accrued liabilities.

c) Issuing 2,500,000 common shares valued at $287,500 in acquisition of 159,016 GRIT shares.

14. SUBSEQUENT EVENTS

On May 10, 2016, the Company received $21,000 as part of a non-brokered private placement announced on May 4, 2016, of up to 5,000,000 units at $0.07 to raise gross proceeds of up to $350,000. No shares have been issued and the private placement is subject to regulatory approval.

Subsequent to the year ended at January 31, 2016, the Company received $42,000 from related parties.