DISCOVERY-CORP ENTERPRISES INC.
(an exploration stage company)

April 30, 2016

Index

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The condensed consolidated interim financial statements of Discovery-Corp Enterprises Inc. (an exploration stage company) are the responsibility of the Company's management. The condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standards and reflect management's best estimates and judgment based on information currently available. The financial information contained elsewhere in this report has been reviewed to ensure consistency with the financial statements.

Management maintains systems of internal control designed to provide reasonable assurance that the assets are safeguarded, all transactions are authorized and duly recorded, and financial records are properly maintained to facilitate the preparation of financial statements in a timely manner. The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee.

The accompanying unaudited condensed consolidated interim financial statements of Discovery-Corp Enterprises Inc. ("the Company"), for the nine months ended April 30, 2016, have been prepared by management and have not been subject to a review by the Company's independent auditor.

In the opinion of the Company's management, all adjustments considered necessary for a fair presentation of these unaudited condensed consolidated interim financial statements have been included and all such adjustments are of a normal recurring nature. Operating results for the nine-month period ended April 30, 2016 are not necessarily indicative of the results that can be expected for the fiscal year ending July 31, 2016.

These unaudited condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements and accompanying notes thereto for the fiscal year ended July 31, 2015.

"Alex Pannu"	*"Iain Brown"*
Alex Pannu Chief Executive Officer	Iain Brown Chief Financial Officer

Vancouver, British Columbia
June 14, 2016

DISCOVERY-CORP ENTERPRISES INC.
(an exploration stage company)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS
(Unaudited)
(Expressed in Canadian dollars)

	Notes	Three Months Ended April 30, 2016	Nine Mo. Ended April 30, 2016	Three Months Ended April 30, 2015	Nine Months Ended April 30, 2015
Expenses					
Administration	12	$ 42,593	$ 124,913	$ 41,433	$ 128,421
Exploration	13	-	-	4,040	11,288
Impairment of marketable securities	14	-	58,369	-	-
		(42,593)	(183,282)	(45,473)	(139,709)
Interest Income		25	247	80	570
Net loss for the period		(42,568)	(183,035)	(45,393)	(139,139)
Items of other comprehensive gain (loss)					
Recycled change in fair value of marketable securities	14	-	-	-	-
Change in fair value of marketable securities		11,195	11,195	(38,091)	(95,152)
Total recycled other comprehensive gain (loss)		11,195	11,195	(38,091)	(95,152)
Total comprehensive loss for the period		$ (31,373)	$ (171,840)	$ (83,484)	$ (234,291)
Loss per share (basic and diluted)		$ (0.001)	$ (0.003)	$ (0.002)	$ (0.004)
Weighted average number of common shares outstanding		55,170,962	55,170,962	53,170,962	53,137,171

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

DISCOVERY-CORP ENTERPRISES INC.
(an exploration stage company)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited)
(Expressed in Canadian dollars)

	Notes	As at April 30, 2016	As at July 31, 2015
ASSETS			
Current assets			
Cash		$ 21,539	$ 129,760
Marketable securities	14	33,541	80,715
Accounts receivable		936	5,437
Total current assets		56,016	215,912
Non-current assets			
Reclamation bonds	6	8,000	8,000
Resource property interests	7	20,916	20,916
Total assets		**$ 84,932**	**$ 244,828**
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		$ 22,308	$ 13,364
EQUITY			
Share capital	8	6,541,725	6,541,725
Reserves	8	484,392	484,392
Accumulated other comprehensive loss	14	11,195	-
Deficit		(6,974,688)	(6,794,653)
Total equity		62,624	231,464
Total equity and liabilities		**$ 84,932**	**$ 244,828**

APPROVED ON BEHALF OF THE BOARD:

"Iain Brown"
_______________________________ Director
Iain Brown

"Alex Pannu"
_______________________________ Director
Alex Pannu

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

DISCOVERY-CORP ENTERPRISES INC.
(an exploration stage company)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
(Unaudited)
(Expressed in Canadian dollars)

	Issued Capital					
	Number of Shares	Amount	Reserves	Accumulated Other Comprehensive Income		
Balance , July 31, 2014	**52,945,962**	**6,334,572**	**512,600**	**(329,241)**	**6,173,007)**	**344,924**
Net loss	-	-	-	-	(47,686)	(47,686)
Change in fair value of marketable securities	-	-	-	(23,034)	-	(23,034)
Shares issued for exercise of options	225,000	22,500	-	-	-	22,500
Transfer reserves to capital stock (note 8)	-	28,208	(28,208)	-	-	-
Balance, October 31, 2014	**53,170,962**	**6,385,280**	**484,392**	**(352,275)**	**(6,220,693)**	**296,704**
Net loss	-	-	-	-	(46,059)	(46,059)
Change in fair value of marketable securities	-	-	-	(34,027)	-	(34,027)
Balance, January 31, 2015	**53,170,962**	**6,385,280**	**484,392**	**(386,302)**	**(6,266,752)**	**216,618**
Net loss	-	-	-	-	(45,393)	(45,393)
Change in fair value of marketable securities	-	-	-	(38,091)	-	(38,091)
Balance, April 30, 2015	**53,170,962**	**$ 6,385,280**	**$ 484,392**	**$ (424,393)**	**$ (6,312,145)**	**$ 133,134**
Net loss	-	-	-	-	(482,508)	(482,508)
Other comprehensive income (note 14)	-	-	-	329,241	-	329,241
Shares issued for private placement, net of share issuance costs (note 8)	2,000,000	156,445	-	-	-	156,445
Change in fair value of marketable securities (note 14)	-	-	-	95,152	-	95,152
Balance , July 31, 2015	**55,170,962**	**6,541,725**	**484,392**	**-**	**(6,794,653)**	**231,464**
Net loss	-	-	-	-	(79,178)	(79,178)
Balance, October 31, 2015	**55,170,962**	**6,541,725**	**484,392**	**-**	**(6,873,831)**	**152,286**
Net loss	-	-	-	-	(58,289)	(58,289)
Balance, January 31, 2016	**55,170,962**	**6,541,725**	**484,392**	**-**	**(6,932,120)**	**93,997**
Net loss	-	-	-	-	(42,568)	(42,568)
Change in fair value of marketable securities (note 14)	-	-	-	11,195	-	11,195
Balance, April 30, 2016	**55,170,962**	**$ 6,541,725**	**$ 484,392**	**$ 11,195**	**$ (6,974,688)**	**$ 62,624**

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

DISCOVERY-CORP ENTERPRISES INC.
(an exploration stage company)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited)
(Expressed in Canadian dollars)

	Notes	Three Months Ended April 30, 2016	Nine Months Ended April 30, 2016	Three Months Ended April 30, 2015	Nine Months Ended April 30, 2015
Operating Activities					
Net loss for the period		$ (42,568)	$ (180,035)	$ (45,393)	$ (139,139)
Adjustment for non-cash items					
Share-based payment	8	-	-	-	-
Impairment of marketable securities	14	-	58,369	-	-
		(42,568)	(121,666)	(45,393)	(139,139)
Changes in non-cash working capital items					
Accounts receivable		718	4,501	7,758	8,060
Accounts payable and accrued liabilities		21,179	8,944	1,269	(17,485)
Cash used in operating activities		(20,671)	(108,221)	(36,366)	(148,564)
Investing activities					
Reclamation bonds		-	-	-	-
Proceeds from sale of marketable securities		-	-	-	-
Cash provided by investing activities		-	-	-	-
Financing Activities					
Exercise of options, net of costs	8	-	-	-	22,500
Share issue costs		-	-	-	-
Cash provided by financing activities		-	-	-	22,500
Decrease in cash		(20,671)	(108,221)	(36,366)	(126,064)
Cash, beginning of period		42,210	129,760	58,338	148,036
Cash, end of period		$ 21,539	$ 21,539	$ 21,972	$ 21,972

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

NOTE 1 – NATURE AND CONTINUANCE OF OPERATIONS

Discovery-Corp Enterprises Inc. (the “Company”) was incorporated under the laws of British Columbia on May 6, 1986 and maintains its head office and registered office at Suite 1108 - 193 Aquarius Mews, Vancouver, British Columbia, Canada, V6Z 2Z2. The Company is an exploration stage company engaged in exploration for base and precious metals.

These condensed consolidated interim financial statements have been prepared on a “going concern” basis, which presumes the Company will realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has incurred significant losses since inception and as at April 30, 2016, has an accumulated deficit of $6,974,688 (July 31, 2015 - $6,794,653). The recoverability of amounts shown for resource property interests and the Company’s continued viability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete their development, and upon future profitable production or proceeds from the disposition of its interests. There are no assurances that the Company will be successful in achieving these goals.

These condensed consolidated interim financial statements do not include any adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. Its ability to continue as a going concern is dependent upon the ability of the Company to obtain the necessary financing to meet its obligations and pay its liabilities arising from normal business operations when they come due.

NOTE 2 – STATEMENT OF COMPLIANCE

Statement of Compliance

These unaudited condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standards (“IAS”) 34 *Interim Financial Reporting a*s issued by the International Accounting Standards Board (“IASB”).

The accounting standards set out in Note 3 have been applied consistently to all periods presented.

The preparation of condensed consolidated interim financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the condensed consolidated interim financial statements are disclosed in Note 3.

Approval of the Condensed Consolidated Interim Financial Statements

These condensed consolidated interim financial statements were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on June 14, 2016.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These condensed consolidated interim financial statements have been prepared under the historical cost convention, except for the revaluation of assets carried at fair value. Amounts are stated in Canadian dollars, which is the functional and reporting currency for the Company and its subsidiary. The following reflects the significant accounting policies:

(a) Principles of Consolidation

The condensed consolidated interim financial statements include the accounts of the Company and its wholly-owned subsidiary, Prebble Resources USA, Inc. (a Nevada corporation). All intercompany balances and transactions have been eliminated.

(b) Interest Income

Interest income derived from cash is recognized on an accrual basis as earned at the stated rate of interest.

(c) Exploration and Evaluation

The Company is in the exploration stage and capitalizes all acquisition costs related to its resource property interests until such time as the properties are put into commercial production, sold or abandoned. The Company expenses all exploration expenditures in the period incurred. Amounts shown as resource property interests represent acquisition costs incurred to date less amounts amortized and/or written off, and do not necessarily represent present or future values. If a property is put into commercial production, the acquisition costs relating to that property will be depleted based upon the proven reserves available.

From time to time, the Company may acquire or dispose of a resource property pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as property costs or recoveries when the payments are made or received. When the amount of recoveries exceeds the total amount of capitalized costs of the property, the amount in excess of costs is recorded in income.

(d) Provisions for Environmental Rehabilitation

The Company records a liability based on the best estimate of costs for site closure and reclamation activities that the Company is legally or constructively required to remediate. The liability is recognized at the time environmental disturbance occurs and the resulting costs are capitalized to the corresponding asset. The provision for closure and reclamation liabilities is estimated using expected cash flows based on engineering and environmental reports prepared by third-party industry specialists and discounted at a pre-tax rate specific to the liability. The capitalized amount is depreciated on the same basis as the related asset. The liability is adjusted for the accretion of the discounted obligation and any changes in the amount or timing of the underlying future cash flows. Significant judgments and estimates are involved in forming expectations of the amounts and timing of future closure and reclamation cash flows.

Additional disturbances and changes in closure and reclamation estimates are accounted for as incurred with a change in the corresponding capitalized cost. Costs of rehabilitation projects for which a provision has been recorded are recorded directly against the provision as incurred, most of which are incurred at the end of the life of the mine.

(e) Mining Exploration Tax Credits (“METC”)

The Company recognizes METC receivable amounts from the government and records those amounts as a recovery in the period in which recoverability can be established and the amount quantified or reasonably estimated.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Share-Based Payments

The Company has a stock option plan that is described in Note 8(c). The Company may grant share options to acquire common shares of the Company to directors, officers, employees and consultants. The fair value of share-based payments to employees is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the vesting period using the graded method. Fair value of share-based payments to non-employees is recognized and measured at the date the goods or services are received based on the fair value of such goods or services. If it is determined that the fair value of goods and services received cannot be reliably measured the share-based payment is measured at the fair value of the equity instruments issued using the Black-Scholes option pricing model. Upon option expiry, related amounts are transferred from reserves to deficit.

For both employees and non-employees, the fair value of share-based payments is recognized as an expense with a corresponding increase in reserves. The amount recognized as expense is adjusted to reflect the number of share options expected to vest. Consideration received on the exercise of stock options is recorded in share capital and the related share-based payment in reserves is transferred to share capital.

(g) Flow-Through Common Shares

The Company may, from time to time, issue flow-through common shares to finance its resource exploration activities. Canadian income tax law permits the Company to renounce to the flow-through shareholders the income tax attributes of resource exploration costs financed by such shares. Flow-through common shares are recognized in equity based on the quoted price of the existing shares on the date of issue. The difference between the amounts recognized in common shares and the amount the investor pays for the shares is recognized as a liability, which is reversed into earnings as eligible expenditures are incurred. The deferred tax impact is recorded prospectively upon renunciation of the related tax benefits, provided it is expected the Company will incur the required eligible expenditures. When flow-through expenditures are renounced, a portion of the deferred income tax assets that were not previously recognized, are recognized as a recovery of deferred income taxes in the consolidated statement of comprehensive loss.

(h) Equity Units

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated to common shares and warrants on a residual value basis. The value allocated to the common shares is based on the market price of the shares and the residual, if any, is allocated to the warrants. Consideration received for the exercise of warrants is recorded in share capital and the related amount recognized in warrant reserve is transferred to share capital.

(i) Earnings (Loss) Per Share

Basic earnings (loss) per share is calculated using the weighted average number of common shares outstanding during the year. The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on earnings per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to repurchase common shares at the average market price during the year. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive. Shares held in escrow, other than where their release is subject to the passage of time, are not included in the calculation of the weighted average number of common shares outstanding.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Impairment of Non-Current Assets

Impairment tests on intangible assets with indefinite useful economic lives are undertaken annually. Other non-financial assets, including resource property interests are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets.

An impairment loss is charged to net loss, except to the extent they reverse gains previously recognized in other comprehensive loss.

(k) Income Taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in net loss, except to the extent that if the income tax expense related to items recognized directly in equity, the income tax expense would also be recognized in equity.

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

Deferred tax is recognized using the statement of financial position liability method. Under this method, deferred tax assets and liabilities and the related deferred income tax expense or recovery are recognized for deferred tax consequences attributable to differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different entities, but they intend to settle current liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Financial Instruments

(i) Financial assets

The Company classifies its financial assets in the following categories: financial assets at FVTPL, loans and receivables, held-to-maturity and available-for-sale ("AFS"). The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at recognition.

Financial assets at FVTPL

An instrument is classified at FVTPL if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognized in profit or loss when incurred. Financial instruments at FVTPL are measured at fair value, and changes therein are recognized in operations.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest rate method, less any impairment losses. The impairment loss on receivables is based on a review of all outstanding amounts at period-end. Bad debts are written off during the year in which they are identified. Interest income is recognized by applying the effective interest rate method.

Held-to-maturity

Held-to-maturity financial assets are recognized on a trade-date basis and are initially measured at fair value using the effective interest rate method. These assets are subsequently measured at amortized cost.

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or not classified in any of the other financial assets categories. They are all initially recognized at fair value and subsequent changes in the fair value of AFS financial assets other than impairment losses are recognized as other comprehensive income and classified as a component of equity.

(ii) Financial liabilities

The Company classifies its financial liabilities as FVTPL or other financial liabilities.

FVTPL financial liabilities

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Financial liabilities classified as FVTPL are initially recognized at fair value and subsequent changes are recognized in profit or loss.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Financial Instruments

(ii) Financial liabilities (continued)

Other financial liabilities

Other financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs incurred, and are subsequently stated at amortized cost using the effective interest rate method. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit or loss over the period to maturity using the effective interest method. Other financial liabilities are classified as current or non-current based on their maturity date.

Derivative financial liabilities

Derivatives, including separated embedded derivatives are classified as FVTPL and are recorded on the consolidated statement of financial position at fair value. Changes in fair value are recognized in profit or loss unless they are designated as effective hedging instruments. Transaction costs are recognized in profit or loss as incurred.

(iii) Effective interest method

The effective interest method calculates the amortized cost of a financial asset and allocates interest income over the period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial asset or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

(iv) Fair value hierarchy

The Company provides information about its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(v) Impairment of financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Financial Instruments (continued)

(v) Impairment of financial assets (continued)

An impairment loss in respect of a financial asset measured at amortized cost is the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognized in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost, the reversal is recognized in profit or loss.

(m) Significant Accounting Estimates and Judgments

The preparation of these condensed consolidated interim financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed consolidated interim financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates, which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the condensed consolidated interim financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and may affect both the period of revision and future periods.

Significant assumptions about the future and other sources of estimation uncertainty that management has made 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:

Critical accounting estimates

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year and include, but are not limited to, the following:

<u>Share-based payments</u>

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

<u>Recovery of deferred tax assets</u>

The Company estimates the expected manner and timing of the realization or settlement of the carrying value of its assets and liabilities and applies the tax rates that are enacted or substantively enacted on the estimated dates of realization or settlement. In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)
(m) Significant Accounting Estimates and Judgments (continued)

Mining exploration tax credit

The Company is eligible for refundable tax credits on qualified resource expenditures incurred in the province of British Columbia. Management's judgment is applied in determining whether the resource expenditures are eligible for claiming such credits.

Critical accounting judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the condensed consolidated interim financial statements include, but are not limited to, the following:

Exploration and evaluation assets

Management is required to make judgments on the status of each mineral property and the future plans with respect to finding commercial reserves. Resource exploration and development is highly speculative and involves inherent risks. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Estimates and assumptions made in the realization of the Company's investment in mineral property interests may change if new information becomes available. New information may become available during the use of these assets that causes the Company to adjust its estimates.

Impairment of marketable securities

Management assesses at each reporting date to determine whether there is any objective evidence that marketable securities are impaired. Marketable securities are considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows. Management applies judgment in determining impairment by considering whether the decline in fair value is both significant and prolonged. All impairment losses are recognized in profit or loss.

Going concern

Management assesses the amount of cash on hand at each reporting date to determine whether the Company pursues any exploration programs or adjusts management salaries and other expenses in the following year. Management ensures that the Company has enough cash to cover the operating expenses. Based on the analysis, the Company will be going concern for the next 12 months.

(n) Foreign Currency Translation

Foreign currency transactions and balances are translated into Canadian dollars as follows:

(i) Monetary assets and liabilities, at the rate of exchange in effect at the statement of financial position date;
(ii) Non-monetary assets and liabilities, at the exchange rates prevailing at the time of the acquisition of the assets or assumption of the liabilities; and
(iii) Revenue and expense items (excluding amortization, which is translated at the same rate as the related asset), at the rate of exchange prevailing at the transaction date.

Gains and losses arising from translation of foreign currency are included in the determination of net loss.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Pending Accounting Pronouncements

Certain new standards, interpretations, amendments and improvements to the existing standards were issued by the IASB or International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting periods beginning on August 1, 2014 or later periods. The standards impacted that are applicable to the Company are as follows:

IFRS 9 *Financial Instruments* (2014)

This is a finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement. The standard contains requirements in the following areas:

- **Classification and measurement.** Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.
- **Impairment.** The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized
- **Hedge accounting.** Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures
- **Derecognition**. The requirements for the derecognition of financial assets and liabilities are carried forward from **IAS 39**.

Applicable to annual period beginning on August 1, 2018.

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)

Amends IAS 32 *Financial Instruments: Presentation* to clarify certain aspects because of diversity in application of the requirements on offsetting, focused on four main areas:

- the meaning of "currently has a legally enforceable right of set-off"
- the application of simultaneous realization and settlement
- the offsetting of collateral amounts
- the unit of account for applying the offsetting requirements.

Applicable to annual period beginning on August 1, 2016

NOTE 4 – FINANCIAL INSTRUMENTS

The Company classifies its financial instruments as follows: cash, as financial assets at FVTPL; marketable securities as AFS; reclamation bonds, as held-to-maturity; and accounts payable and accrued liabilities, as other financial liabilities. With the exception of cash and marketable securities, all financial instruments held by the Company are measured at amortized cost.

The carrying values of cash and accounts payable and accrued liabilities approximate their fair values due to the short-term maturity of these financial instruments. Marketable securities are recorded at market value based on quoted market prices.

NOTE 4 – FINANCIAL INSTRUMENTS (continued)

(a) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations. The Company limits exposure to credit risk by maintaining its cash with major financial institutions.

(b) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due. The Company manages its liquidity risk by forecasting cash flows required for operations and anticipated investing and financing activities.

At April 30, 2016, the Company had cash of $21,539 (July 31, 2015 - $129,760) available to apply against short-term business requirements and current liabilities of $22,308 (July 31, 2015 - $13,364). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

(c) Market Risk

Market risk is the risk that the fair value or future cash flows from the Company's financial instruments will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk. The Company holds 280,449 Global Resource Investment Trust, plc ("GRIT") common shares traded on the London Stock Exchange and as such the Company is exposed to significant market risk. The Company's sensitivity analysis suggests that a 75% change in market prices would change comprehensive loss by $25,000.

The Company's exposure to and management of credit risk, liquidity risk and market risk related to financial instruments above have not changed materially since July 31, 2015.

NOTE 5 – CAPITAL MANAGEMENT

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to pursue the development of its resource property interests. In the management of capital, the Company includes the components of equity as capital. 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, option its resource property interests for cash and/or expenditures or dispose of assets. In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary.

The Board of Directors does not establish a 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 has not changed its capital risk management strategy during the nine month period ended April 30, 2016 and is not subject to externally imposed capital requirements.

(Expressed in Canadian dollars)

NOTE 6 – RECLAMATION BONDS

The reclamation bonds are comprised of a $1,000 (2015 - $1,000) cash deposit plus term deposits held in a financial institution as security for reclamation obligations pursuant to the *Mines Act* and *Health, Safety and Reclamation Code for Mines* in British Columbia. The $2,000 (2015 - $2,000) term deposit bears interest at 0.65% per annum and matures September 14, 2016. The $5,000 (2015 - $5,000) term deposit bears interest at prime minus 2% and matures January 9, 2017. The deposits are renewed annually.

NOTE 7 – RESOURCE PROPERTY INTERESTS

	April 30, 2016	July 31, 2015
Galaxy Property, British Columbia, Canada	$20,916	$ 20,916

Galaxy Property, British Columbia, Canada

The Company holds an undivided 100% interest in seven mineral claims and two Crown-granted mineral claims in the Kamloops Mining Division of British Columbia, Canada, known as the Galaxy Property.

Rock Creek, Nevada, USA

The Company holds a 50% interest in the property. The Company has written off the property for accounting purposes, but retains its interest for viable projects in the future.

Environmental

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company.

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions. If the restrictions adversely affect the scope of exploration and development on the resource properties, the potential for production on the property may be diminished or negated.

Title

Title to resource 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 conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its resource properties and, to the best of its knowledge, title to all its properties are in good standing. However, such properties may be subject to prior agreements or transfer and title may be affected by undetected defects.

Realization

The investment in resource properties comprises a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent upon the confirmation of legal ownership, the attainment of successful production from the properties or from the proceeds of their disposal.

(Expressed in Canadian dollars)

NOTE 8 – EQUITY

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

(b) Issued

(i) On March 4, 2014, the Company entered into a share exchange agreement with GRIT, an arm's length party, listed on the London Stock Exchange. The Company has received 280,449 ordinary shares of GRIT (the “GRIT Shares”) at a deemed value of £1.00 per GRIT Share. In exchange, the Company has issued to GRIT 3,000,000 common shares, subject to a four month hold, at a price of $0.17 per share for total proceeds of $510,000. Total share issuance costs of $4,950 were incurred.

(ii) On June 18, 2015 the Company closed a non-brokered private placement of 2,000,000 units ("Units") at a price of $0.08 per Unit for total gross proceeds of $160,000 (the "Offering"). Each Unit consists of one common share ("Share") and one share purchase warrant of the Company ("Warrant"). Each Warrant will entitle the holder to purchase an additional Share in the capital of the Company (a "Warrant Share") at an exercise price of $0.10 per Warrant Share until June 16, 2017. All securities issued are subject to a hold period expiring on October 17, 2015. Total share issuance costs of $3,555 were incurred.

The Company has the following share purchase warrants that are outstanding and exercisable at April 30, 2015:

	April 30, 2016		July 31, 2015	
	Number of warrants	Weighted Average Exercise Price	Number of warrants	Weighted Average Exercise Price
Outstanding, beginning of period	2,000,000	$ 0.10	-	-
Issued	-	-	2,000,000	$ 0.10
Outstanding, end of period	2,000,000	$ 0.10	2,000,000	$ 0.10

(c) Stock Options

The Company established a stock option plan under which it may grant stock options totaling in aggregate up to 10% of the Company’s total number of shares issued and outstanding on a non-diluted basis. The stock option plan provides for the granting of stock options to employees and persons providing investor-relation or consulting services up to a limit of 5%, 2% and 2%, respectively, of the Company’s total number of issued and outstanding shares per year. The stock options are fully vested on the date of grant, except for options granted to persons providing investor relations services, which vest over a twelve-month period. The option price must be greater or equal to the discounted market price on the grant date and the option expiry date cannot exceed five years after the grant date.

On September 23, 2013, the Company granted 800,000 stock options to consultants of the Company at $0.12 per share exercisable to September 23, 2018. On January 17, 2014, the Company granted 150,000 stock options to consultants of the Company at $0.12 per share exercisable to January 17, 2019. These stock options all vested immediately on the date of grant. The Company recorded a share-based payments expense of $93,005 in administration expenses for the grant of these options. Share-based payments expense was allocated to consulting fees.

On September 10, 2014, 225,000 options were exercised at $0.10 for total proceeds of $22,500. On exercise of the stock option, $28,208 transferred from reserves to capital stock.

(Expressed in Canadian dollars)

NOTE 8 – EQUITY (continued)

(c) Stock Options (continued)

The Company applies the fair value method using the Black-Scholes option pricing model in accounting for its stock options granted. The weighted average grant date fair value of options granted during the nine month period ended April 30, 2016 is $nil (April 30, 2015 - $0.12) and was estimated using the following weighted average assumptions:

	April 30, 2016	July 31, 2015
Grant date share price	$ nil	$ 0.10
Risk-free interest rate	-	1.96%
Expected dividend yield	-	0.00%
Expected stock price volatility	-	208%
Weighted average expected life	-	5 years

Expected stock price volatility is based on the historical volatility of the Company to the extent of the expected life of the option. A summary of the changes in the Company's stock options is as follows:

	April 30, 2016		July 31, 2015	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of period	4,600,000	$ 0.11	4,825,000	$ 0.11
Granted (Exercised)	-	$ 0.11	225,000	$ 0.10
Outstanding, end of period	4,600,000	$ 0.11	4,600,000	$ 0.11

As at April 30, 2016 and July 31, 2015, the following share purchase options were outstanding and exercisable:

		April 30, 2016		July 31, 2015	
Expiry Dates	Exercise Price	Outstanding Number of Options	Exercisable Number of Options	Outstanding Number of Options	Exercisable Number of Options
February 2, 2017	$ 0.10	2,975,000	2,975,000	2,975,000	2,975,000
May 17, 2017	$ 0.10	175,000	175,000	175,000	175,000
August 25, 2017	$ 0.12	500,000	500,000	500,000	500,000
September 23, 2018	$ 0.12	800,000	800,000	800,000	800,000
January 17, 2019	$ 0.12	150,000	150,000	150,000	150,000
		4,600,000	4,600,000	4,600,000	4,600,000

The weighted average remaining contractual life of options outstanding at April 30, 2016 is 1.18 (July 31, 2015 – 1.93) years.

(Expressed in Canadian dollars)

NOTE 9 – RELATED PARTY TRANSACTIONS

The condensed consolidated interim financial statements include transactions with directors and/or officers of the Company and/or corporations related to or controlled by them. The remuneration of directors and other key management personnel was as follows:

	April 30, 2016	April 30, 2015
Short-term employee benefits	$ 85,500	$ 93,161

Included in administration fees are legal fees of $nil (April 30, 2015 - $161) for legal services rendered by a corporation owned by the President and CEO of the Company. Key management personnel were not paid any post-employment benefits, termination benefits or other long-term benefits during the respective periods.

NOTE 10 – INCOME TAXES

The Company has operating losses that may be carried forward to apply against future years' income for income tax purposes. These losses expire as follows:

	Canada	Foreign	Total
2015	$ 41,983	$ -	$ 41,983
2026	61,135	128,580	189,715
2027	215,739	753	216,492
2028	313,820	-	313,820
2029	209,760	1,988	211,748
2030	171,982	3,633	175,615
2031	186,723	2,033	188,756
2032	267,835	2,013	269,848
2033	269,277	1,690	270,967
2034	262,733	1,592	264,325
2035	195,867	1,930	197,797
	$ 2,196,854	$ 144,212	$ 2,341,066

The reconciliation of income tax provision computed at statutory rates to the reported income tax provision is as follows:

	2015	2014
Net loss for year	$ (621,646)	$ (361,258)
Canadian statutory income tax rate	26.00%	26.00%
Loss tax benefit computed at statutory rates	(161,628)	(93,927)
Non-tax-deductible expenditures	88	24,804
Change in timing differences	111,711	(19,275)
Unused tax losses and tax offsets not recognized in tax asset	59,386	93,144
Effect of change in tax rate	-	-
Impact of foreign exchange on tax assets and liabilities	(9,397)	(4,595)
Difference between Canadian and foreign tax rates	(160)	(151)
Income tax expense	$ -	$ -

(Expressed in Canadian dollars)

NOTE 10 – INCOME TAXES (continued)

Effective January 1, 2012, the Canadian federal corporate tax rate decreased from 16.5% to 15.0% and the British Columbia provincial tax rate increased from 10.0% to 11.0%. The overall increase in the tax rates has resulted in an increase in the Company's statutory tax rate from 25.33% to 26.00%.

The Company recognizes tax benefits on losses or other deductible amounts generated where it is probable that taxable income will be available for the recognition of deferred tax assets. The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

	2015	2014
Non-capital loss carry-forwards - Canada	$ 2,196,854	$ 2,000,987
Capital loss carry-forwards	649,931	649,931
Excess of unused exploration expenditures for Canadian tax purposes over carrying value of mineral property interests	638,934	684,834
Non-capital loss carry-forwards - US	185,857	159,008
Marketable securities	214,642	164,621
Share issuance costs	11,993	20,331
Unrecognized deductible temporary differences	$ 3,898,209	$ 3,679,712

NOTE 11 – SEGMENT DISCLOSURE

The Company operates in one business segment and its consolidated assets are held in Canada.

NOTE 12 – ADMINISTRATION EXPENSES

The administration expenses for the Company is broken down as follows:

	Three Month Period ended April 30, 2016	Nine Month Period ended April 30, 2016	Three Month Period ended April 30, 2015	Nine Month Period ended April 30, 2015
Share-based payment expense (Note 8)	**$ -**	$ -	$ -	$ -
Consulting fees (Note 9)	**28,500**	88,500	27,000	93,000
Professional fees	**166**	3,687	177	2,098
Travel	**218**	218	366	366
Rent	**4,500**	13,500	4,500	13,500
Listing, filing and transfer agent fees	**7,442**	13,606	7,454	13,721
Office and miscellaneous	**901**	3,345	785	3,246
Shareholder and investor relations	**780**	1,669	1,058	2,135
Bank charges and interest	**86**	388	93	355
	$ 42,593	$ 124,913	$ 41,433	$ 128,421

NOTE 13 – EXPLORATION EXPENSES

The exploration expenses for the Company expressed in Canadian dollars are broken down as follows:

	Three Month Period ended April 30, 2016	Nine Month Period ended April 30, 2016	Three Month Period ended April 30, 2015	Nine Month Period ended April 30, 2015
Assaying	**$ -**	$ -	$ -	$ -
Consulting	**-**	-	-	-
Drilling	**-**	-	-	-
Drill Plan and Modeling	**-**	-	4,040	11,288
First Nations accommodation fees and miscellaneous	**-**	-	-	-
Mineral exploration tax credit	**-**	-	-	-
	$ -	$ 11,288	$ 4,040	$ 11,288

NOTE 14 – MARKETABLE SECURITIES

On March 4, 2014, the Company entered into a share exchange agreement with GRIT, an arm's length party, listed on the London Stock Exchange. The Company has received 280,449 ordinary shares of GRIT Shares at a deemed value of £1.00 per GRIT Share for a total value of £280,449 ($510,000). The Company will seek to maximize the proceeds it receives from the sale of its GRIT Shares; there is no assurance as to the timing of disposition or the amount that will be realized. Funds realized from the sale of the GRIT Shares will be used by the Company for working capital.

The fair value of the shares is based on the quoted market price on the London Stock Exchange. During the year ended July 31, 2015, the cumulative unrealized losses in the value of marketable securities were determined to be other-than-temporary. Therefore, the cumulative unrealized losses of $429,285 have been impaired through profit and loss, with $329,241 of the impairment being recycled from accumulated other comprehensive income.

	GRIT Share Cost	Market Value Adjustment	Fair Value
April 30, 2016	$ 22,346	$ 11,195	$ 33,541
January 31, 2016	$ 42,488	$ (20,142)	$ 22,346
October 31, 2015	$ 80,715	$ (38,227)	$ 42,488
July 31, 2015	$ 510,000	$ (429,285)	$ 80,715
April 30, 2015	$ 510,000	$ (424,393)	$ 85,607
January 31, 2015	$ 510,000	$ (386,302)	$ 123,698
October 31, 2014	$ 510,000	$ (352,275)	$ 157,725