VELOCITY MINERALS LTD.

Consolidated Financial Statements

Year ended June 30, 2016

(Expressed in Canadian dollars)

DeVISSERGRAY LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Velocity Minerals Ltd.,

We have audited the accompanying consolidated financial statements of Velocity Minerals Ltd. ("the Company"), which comprise the consolidated statement of financial position as at June 30, 2016 and 2015, and the consolidated statements of operations and comprehensive loss, cash flows and changes in equity (deficiency) for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Velocity Minerals Ltd. as at June 30, 2016 and 2015 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that the Company is dependent upon its ability to raise adequate financing and generate profitable operations in the future. These conditions indicate the existence of a material uncertainty that may cast doubt about the Company's ability to continue as a going concern.

De Visser Gray LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
October 26, 2016

VELOCITY MINERALS LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

	Note		At June 30, 2016		2015
ASSETS					
Current Assets					
Cash		$	2,405	$	330
Marketable securities	4		-		2,000
Receivables	5		839		4,834
TOTAL CURRENT ASSETS			3,244		7,164
Non-Current Assets					
Reclamation bond	6		-		25,000
TOTAL ASSETS		$	3,244	$	32,164
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities	8	$	778,982	$	293,594
Due to related parties	11		23,843		584,485
TOTAL LIABILITIES			802,825		878,079
SHAREHOLDERS' DEFICIENCY					
Share capital	10		5,607,997		5,547,997
Share subscriptions received	10		10,000		-
Share-based payment reserve	10		1,145,310		1,145,310
Accumulated deficit			(7,562,888)		(7,539,222)
TOTAL DEFICIENCY			(799,581)		(845,915)
TOTAL LIABILITIES AND SHAREHOLDER'S DEFICIENCY		$	3,244	$	32,164

Nature and continuance of operations (Note 1)
Event after the reporting period (Note 16)

On behalf of the Board:

"Joseph Martin" Director *"Paul Larkin"* Director

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

VELOCITY MINERALS LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Expressed in Canadian dollars)

	Note	Year Ended June 30, 2016	2015
OPERATING EXPENSES			
Bank charges and interest		$ 411	$ 3,436
Filing and transfer agent fees		20,808	12,389
Investor relations and promotion		-	540
Management fees	11	-	27,119
Office and administration	11	23,814	1,898
Office rent	11	4,000	24,000
Professional fees	11	43,916	28,050
Total operating expenses		(92,949)	(97,432)
OTHER ITEMS			
Loss on sale of marketable securities	4	(65)	-
Gain on settlement of accounts payable	8	69,348	-
Unrealized gain on marketable securities	4	-	500
Write-off of exploration and evaluation assets	7	-	(441,596)
		69,283	(441,096)
Net and comprehensive loss		$ (23,666)	$ (538,528)
Basic and diluted loss per share		$ (0.01)	$ (0.74)
Weighted average number of shares outstanding, basic and diluted	10	1,633,242	728,324

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

VELOCITY MINERALS LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN DEFICIENCY
(Expressed in Canadian dollars)

	Note	Common shares: Number of shares	Common shares: Share capital	Share subscriptions received	Share-based payment reserve	Accumulated Deficit	Total
Balance, June 30, 2014		**7,283,243**	**$ 5,547,997**	**$ -**	**$ 1,145,310**	**$ (7,000,694)**	**$ (307,387)**
Net loss for the year		-	-	-	-	(538,528)	(538,528)
Balance, June 30, 2015		**7,283,243**	**5,547,997**	**-**	**1,145,310**	**(7,539,222)**	**(845,915)**
Private placement financing		12,000,000	60,000	-	-	-	60,000
Share consolidation	10	(17,355,006)	-	-	-	-	-
Share subscriptions received		-	-	10,000	-	-	10,000
Net loss for the year		-	-	-	-	(23,666)	(23,666)
Balance, June 30, 2016		**1,928,237**	**$ 5,607,997**	**$ 10,000**	**$ 1,145,310**	**$ (7,562,888)**	**$ (799,581)**

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

VELOCITY MINERALS LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)

	Year Ended June 30, 2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	$ (23,666)	$ (538,528)
Items not affecting cash		
Loss on sale of marketable securities	65	-
Gain on settlement of accounts payable	(69,348)	-
Unrealized gain on marketable securities	-	(500)
Write-off of exploration and evaluation assets	-	441,596
Changes in non-cash working capital items:		
Decrease in receivables	3,995	4,765
Increase (decrease) in accounts payable and accrued liabilities	(29,749)	61,171
Increase in due to related parties	23,843	28,475
Cash used in operating activities	(94,860)	(3,021)
CASH FLOWS FROM INVESTING ACTIVITIES		
Exploration and evaluation assets expenditures	-	(8,072)
Refund of reclamation bond	25,000	7,000
Sale of marketable securities	1,935	-
Cash provided by (used in) investing activities	26,935	(1,072)
CASH FLOWS FROM FINANCING ACTIVITIES		
Share capital issued	60,000	-
Share subscriptions received	10,000	-
Cash provided by financing activities	70,000	-
Increase (decrease) in cash during the year	2,075	(4,093)
Cash, beginning of the year	330	4,423
Cash, end of the year	$ 2,405	$ 330

Supplemental disclosure with respect to cash flows (Note 14)

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Velocity Minerals Ltd. (the "Company") was incorporated under the laws of the province of Alberta on September 22, 2000 and was continued into British Columbia on December 2, 2004. The head office and principal address of the Company is Suite 530 - 625 Howe Street, Vancouver, BC V6C 2T6. The common shares of the Company trade on the NEX level of the TSX Venture Exchange with the symbol "VLC.H". In November 2015, the Company consolidated its share capital on a 10 to 1 basis. All share and per share amounts have been retroactively restated to reflect the consolidation.

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The Company has not yet determined whether the properties contain mineral reserves that are economically recoverable and has no current plans to perform any exploration work on its properties.

These consolidated financial statements have been prepared using accounting principles applicable to a going-concern which assumes the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company has incurred losses since inception and the ability of the Company to continue as a going-concern depends upon its ability to continue to raise adequate financing. These matters and conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Management is continually targeting sources of additional financing through alliances with financial, exploration and mining entities, or other business and financial transactions to ensure continuation of the Company's operations and exploration programs.

The consolidated financial statements were authorized for issue on October 26, 2016 by the Board of Directors of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board effective as of June 30, 2016.

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified at fair value through profit and loss, which are stated at their fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and its subsidiaries is the Canadian dollar, which is also the reporting currency of the Company. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries. Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to directly or indirectly govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account in the assessment of whether control exists. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date on which control ceases.

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Velocity Exploration Ltd., incorporated in the province of British Columbia, and Velocity USA Ltd., a holding company incorporated under the laws of the state of Nevada, U.S.A. In March 2016, the Company sold Velocity USA Ltd. for $1 to an arm's length party.

All inter-company balances and transactions have been eliminated upon consolidation.

Significant accounting judgments, estimates and assumptions

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Critical accounting estimates

Carrying value and recoverability of exploration and evaluation assets

The carrying amount of the Company's exploration and evaluation assets does not necessarily represent present or future values, and the Company's exploration and evaluation assets have been accounted for under the assumption that the carrying amount will be recoverable. Recoverability is dependent on various factors, including the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development and upon future profitable production or proceeds from the disposition of the mineral properties themselves. Additionally, there are numerous geological, economic, environmental and regulatory factors and uncertainties that could impact management's assessment as to the overall viability of its properties or to the ability to generate future cash flows necessary to cover or exceed the carrying value of the Company's exploration and evaluation assets.

To the extent that any of management's assumptions change, there could be a significant impact on the Company's future financial position, operating results and cash flows.

Critical accounting judgments

Critical accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments.

The preparation of our financial statements requires us to make judgments regarding the going concern of the Company as discussed in Note 1.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Cash and cash equivalents

Cash is comprised of cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Marketable Securities

Marketable securities are classified as fair value through profit or loss ("FVTPL") because the Company intends to liquidate the marketable securities when market conditions are conducive to a sale of these securities. Unrealized holding gains and losses on hold for trade securities are included in the statement of operations and comprehensive loss in accordance with the Company's designation of marketable securities as fair value through profit or loss.

Foreign currency translation

Transactions in foreign currencies are translated at the exchange rate in effect at the date of the transaction. Foreign denominated monetary assets and liabilities are translated to their Canadian dollar equivalents using foreign exchange rates prevailing at the financial position reporting date. Exchange gains or losses arising on foreign currency translation are reflected in profit or loss for the year.

Non-monetary assets and liabilities that are measured at historical cost are translated into Canadian dollars by using the exchange rate in effect at the date of the initial transaction and are not subsequently restated. Non-monetary assets and liabilities that are measured at fair value or a revalued amount are translated into Canadian dollars by using the exchange rate in effect at the date the value is determined and the related translation differences are recognized in net loss or other comprehensive loss consistent with where the gain or loss on the underlying non-monetary asset or liability has been recognized.

Exploration and evaluation expenditures

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation asset is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Decommissioning, restoration and similar liabilities ("Asset Retirement Obligation" or "ARO")

The Company recognizes liabilities for legal or constructive obligations associated with the retirement of long-lived assets. The net present value of future rehabilitation costs is capitalized to the related asset 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 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 the related assets with a corresponding entry to the rehabilitation provision.

The increase in the provision due to the passage of time is recognized as interest expense.

There were no provisions for environmental rehabilitations for the periods presented.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. Provisions for environmental restoration, legal claims, onerous leases and other onerous commitments are recognized at the best estimate of the expenditure required to settle the Company's liability.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. An amount equivalent to the discounted provision is capitalized within capital assets and is depreciated over the useful lives of the related assets. The increase in the provision due to passage of time is recognized as interest expense.

Impairment of assets

At the end of each reporting period the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in 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 subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate and 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.

Assets that have an indefinite useful life are not subject to amortization and are tested at each reporting period for impairment.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Financial instruments

a) Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: fair value through profit or loss ("FVTPL"), loans and receivables, held-to-maturity investments, and available-for-sale.

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

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's receivables, excluding GST, are classified as loans and receivables.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. The Company has not classified any of its financial instruments as held-to-maturity.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses. The Company has not classified any of its financial instruments as available-for-sale financial assets.

At each reporting date, the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

b) Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable, accrued liabilities and due to related parties are classified as other financial liabilities.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

b) Financial liabilities (cont'd)

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held for trading and recognized at fair value with changes in fair value recognized in earnings unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in earnings. At June 30, 2016, the Company has not classified any financial liabilities as FVTPL.

Share capital

The Company's common shares and share warrants are classified as equity instruments. Incremental costs directly attributable to the issue of new shares or options are charged directly to share capital.

Share-based payments

The stock option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as share-based payments with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. Consideration paid on the exercise of stock options is credited to share capital and the fair value of the options is reclassified from reserves to share capital.

Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined that fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received.

Share-based payments (cont'd)

The fair value is measured at grant date and each tranche is recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. Volatility used in the Black-Scholes model is determined using the historical volatility of the Company and the historical volatility of comparable peer companies. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the number of stock options that are expected to vest.

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.

Income taxes

Current tax is the expected tax payable or receivable on the local taxable income or loss for the year, using local tax rates enacted or substantively enacted at the statement of financial position date, and includes any adjustments to tax payable or receivable in respect of previous years.

Deferred income taxes are recorded using the statement of financial position liability method whereby deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is 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 statement of financial position date. Deferred tax is not recognized for temporary differences which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss.

(Expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

Comprehensive income (loss)

Comprehensive income (loss) consists of net income (loss) and other comprehensive income (loss) and represents the change in shareholders' equity (deficiency) which results from transactions and events from sources other than the Company's shareholders. For the years presented, comprehensive loss was the same as net loss.

3. NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET EFFECTIVE

As at the date of these financial statements, the following standard has not been applied in these financial statements:

The completed version of IFRS 9, *Financial Instruments*, was issued in July 2014. The completed standard provides for revised guidance on the classification and measurement of financial assets. It also introduces a new expected credit loss model for calculating impairment for financial assets. The new hedging guidance that was issued in November 2013 is incorporated into this new final standard. This final version of IFRS 9 will be effective for periods beginning on or after January 1, 2018, with early adoption permitted.

4. MARKETABLE SECURITIES

As at June 30, 2015, marketable securities consisted of common shares a company listed on the TSX Venture Exchange with a quoted market value of $2,000. The Company sold the shares in August 2015 and received net proceeds of $1,935.

5. RECEIVABLES

	June 30, 2016	June 30, 2015
GST receivable	$ 839	$ 4,834

6. RECLAMATION BOND

As at June 30, 2015, the Company had a $25,000 reclamation bond in place with the Government of British Columbia relating to the exploration of the Cassiar Moly property. During the year ended June 30, 2016, the Company completed the necessary reclamation work and a report was filed with and approved by the Government of British Columbia which resulted in the reclamation bond being refunded in full.

(Expressed in Canadian dollars)

7. EXPLORATION AND EVALUATION ASSETS

The following expenditures were incurred on the Company's exploration and evaluations assets:

		Orogrande
Balance, June 30, 2014	$	433,524
Filing and assessments		8,072
Write-off of exploration and evaluation assets		(441,596)
Balance, June 30, 2016 and 2015	$	-

Title to mineral property interests 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 characteristics of many mineral claims. The Company has investigated title to all of its mineral property interests and, to the best of its knowledge, title to all of its interests are in good standing. The mineral properties in which the Company has committed to earn an interest are located in Canada.

Orogrande Mining District, Idaho

The Company owned certain mineral exploration claims located in the Orogrande Mining Division in Idaho County, Idaho, USA. At June 30, 2015, the Company determined that the Orogrande project was impaired and wrote-off all associated costs to operations. In March 2016, with no further plans or the resources to explore the claims, the Company sold its wholly-owned subsidiary which held the claims, Velocity USA Ltd., for $1 to an arm's length party.

Mt. Haskin

The Company holds a 100% interest in the Mt. Haskin property, which is located in the Cassiar District of Liard Mining Division in northwestern British Columbia, Canada. The claims are subject to a 3% net smelter return ("NSR") royalty, which may be acquired by the Company for a cash payment of $1,500,000. The Company has maintained its title to these claims but has no current plans to perform any exploration work on them.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		June 30, 2016		June 30, 2015
Accounts payable	$	768,343	$	285,594
Accrued liabilities		10,639		8,000
	$	778,982	$	293,594

In August 2015 the Company settled $110,348 of outstanding payables with various vendors for the sum of $41,000 cash resulting in a gain of $69,348. In August 2015, $584,485 in amounts due to related parties was assigned to arm's length parties to facilitate the reactivation of the Company. This amount was reclassified to accounts payable at that time. See Note 16.

9. BASIC AND DILUTED LOSS PER SHARE

The calculation of basic and diluted loss per share for the year ended June 30, 2016 was based on the loss attributable to common shareholders of $23,666 (2015 – $538,528) and the weighted average number of common shares outstanding of 1,633,242 (2015 - 728,324). See Note 10.

(Expressed in Canadian dollars)

10. SHARE CAPITAL

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

On September 28, 2015, the Company closed a non-brokered private placement of 12,000,000 shares at a price of $0.005 per share to qualified investors, for gross proceeds of $60,000.

On November 18, 2015, the Company consolidated its share capital on a 10 to 1 basis. All share and per share amounts have been retroactively restated to reflect the consolidation.

As at June 30, 2016, there were 1,928,324 (June 30, 2015 – 7,283,243; 728,324 post-consolidation) common shares issued and outstanding.

Share subscriptions received

Share subscriptions received consist of $10,000 in anticipation of a private placement that closed in August 2016. See Note 16.

Reserves

The share-based payment reserve consists of amounts recorded to account for the vesting of stock options granted to various officers, directors and consultants.

Stock options

The Company, in accordance with its stock option plan, is authorized to grant options to directors, employees and consultants, to acquire up to 10% of its issued and outstanding common stock. 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 10 years. Options granted vest at the discretion of the Board.

As at June 30, 2016 and June 30, 2015, there were no options outstanding.

Share-based payments

The Company uses the Black-Scholes valuation model for stock options. No share-based payments were made in 2016 or 2015.

11. RELATED PARTY TRANSACTIONS

Key management personnel compensation

The Company entered into the following transactions with key management personnel, being those persons having authority and responsibility for planning, directing and controlling the activities of the Company, including directors and management.

	Years Ended	
	June 30, 2016	**June 30, 2015**
Management fees charged by companies controlled by directors of the Company	$ -	$ 27,119
Rent charged by a company controlled by an officer of the Company	4,000	-
Administration fees charged by a company controlled by a director of the Company	22,500	-
	$ 26,500	$ 27,119

11. RELATED PARTY TRANSACTIONS (cont'd)

The amounts recorded as due to related parties of $23,843 (June 30, 2015 - $584,485) are payable to directors and officers and to companies controlled by directors of the Company. These amounts are unsecured, non-interest bearing and have no fixed terms of repayment. In August 2015, $584,485 in amounts due to related parties was assigned to arm's length parties to facilitate the reactivation of the Company.

During the year ended June 30, 2016, the Company paid rent of $4,000 (2015 - $Nil) to a company controlled by an officer of the Company. Effective September 1, 2015, these payments ceased.

During the year ended June 30, 2016, the Company paid or accrued administration fees of $22,500 (2015 - $Nil) to a company controlled by the President and CEO of the Company.

These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

12. FINANCIAL RISK MANAGEMENT

International Financial Reporting Standards 7, *Financial Instruments: Disclosures*, establishes a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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).

As at June 30, 2016, the carrying values of accounts payable, accrued liabilities and due to related parties approximate their fair values due to their short terms to maturity. The Company's cash and marketable securities under the fair value hierarchy are based on level one quoted prices in active markets for identical assets or liabilities.

Financial Risks

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

Credit risk

The Company's credit risk is attributable to cash. The Company has no significant concentration of credit risk arising from operations. Cash consists of chequing accounts at a reputable financial institution, from which management believes the risk of loss to be remote. Federal deposit insurance covers balances up to $100,000 in Canada. The Company limits its exposure to credit loss for cash by placing its cash with a high quality financial institution. At June 30, 2016, the Company's exposure to credit risk is minimal.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

As at June 30, 2016, the Company had a cash balance of $2,405 (June 30, 2015 - $330) to settle current liabilities of $802,825 (June 30, 2015 - $878,079). All of the Company's accounts payable and accrued liabilities are subject to normal trade terms.

12. FINANCIAL RISK MANAGEMENT (cont'd)

Liquidity risk (cont'd)

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

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.

a) Interest risk

The Company's interest rate risk is limited to the risk that the fair value of future cash flows from a financial instrument will fluctuate as a result of changes in market prices. The Company's financial assets and liabilities are not exposed to significant interest rate risk due to their short-term nature. The Company's investment policy focuses on the preservation of capital and limits investments of excess cash into high grade Canadian debt securities. The Company periodically monitors the investments it makes and is satisfied with the credit rating of its banks. As of June 30, 2016 and June 30, 2015, the Company has $nil in guaranteed investment securities.

b) Foreign currency risk

As of March 2016, the Company operates in Canada (before March 2016, in Canada and the United States), and the majority of its transactions are incurred in Canada, and is therefore not exposed to currency fluctuations denominated in currencies other than the Canadian dollar, the Company's functional currency. The Company's cash, accounts payable and accrued liabilities and due to related parties are held in Canadian dollars and are therefore not subject to foreign exchange fluctuations.

c) Price risk

The Company is exposed to price risk with respect to commodity prices as it is in the resource industry. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company. The Company's future operations are affected by changes in the market prices for commodities. The supply and demand for commodities, the level of interest rates, the rate of inflation, investment decisions by large holders of commodities including governmental reserves and stability of exchange rates can all cause significant fluctuations in commodity prices. Such external economic factors are in turn influenced by changes in international investment patterns and monetary systems and political developments.

13. 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, exploration and development 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 capital structure of the Company consists of shareholders' deficiency. The Company is not exposed to any externally imposed capital requirements.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company has historically relied on the equity markets to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

(Expressed in Canadian dollars)

13. CAPITAL MANAGEMENT (cont'd)

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

There were no changes in the Company's approach to capital management during the year ended June 30, 2016.

14. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

During the years ended June 30, 2016 and 2015, there were no significant non-cash transactions.

15. INCOME TAXES

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

		2016		2015
		26.00%		26.00%
Net loss for the year before income taxes	$	**(23,666)**	$	(538,528)
Income tax expense (benefit) computed at statutory rates		**(6,157)**		(177,762)
Permanent difference		**-**		65
Change in unrecognized temporary differences		**-**		152,615
Tax assets not recognized		**6,157**		25,082
Deferred income tax recovery per financial statements	$	**-**	$	-

There are no deferred tax assets/(liabilities) presented in the statement of financial position.

Deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax assets have been recognized are attributable to the following:

		2016		2015
Deferred income tax assets				
Non-capital losses carried forward	$	**4,426,000**	$	4,240,000
Exploration and evaluation assets		**805,000**		805,000
Investment tax credits from pre-production mining		**64,000**		64,000
Marketable securities		**-**		22,000
Property and equipment		**12,000**		12,000
	$	**5,307,000**	$	5,143,000

(Expressed in Canadian dollars)

15. INCOME TAXES (cont'd)

This potential future tax benefit has been offset entirely by a valuation allowance and has not been recognized in these financial statements. The non-capital loss carry-forwards expire according to the following schedule:

	2016	2015
2025	**$ 125,000**	$ 125,000
2026	**180,000**	180,000
2027	**113,000**	113,000
2028	**349,000**	349,000
2029	**758,000**	758,000
2030	**790,000**	790,000
2031	**661,000**	661,000
2032	**741,000**	741,000
2033	**426,000**	426,000
2034	**162,000**	162,000
2035	**97,000**	97,000
2036	**24,000**	-
Balance as at June 30,	**$ 4,426,000**	$ 4,402,000

16. EVENT AFTER THE REPORTING PERIOD

In August 2016, the Company completed a non-brokered private placement (the "Private Placement"). The Company raised gross proceeds of $840,000 through the issuance of 14,000,000 units ("Unit") at a price of $0.06 per Unit. Each Unit consisted of one common share and one common share purchase warrant ("Warrant") entitling the holder to purchase one additional common share at an exercise price of $0.075 per share until July 27, 2017.

The securities issued pursuant to this Private Placement, and any common shares to be issued upon the exercise of the Warrants, are subject to a hold period expiring November 28, 2016. The net proceeds of the Private Placement were used to settle $756,902 in accounts payable and for working capital purposes.