

DAJIN RESOURCES CORP.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Six months ended May 31, 2016

(Stated in Canadian Dollars)

(Unaudited – Prepared by Management)

UNAUDITED FINANCIAL STATEMENTS: In accordance with National Instrument 51-102 of the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited financial statements for the three and six months ended May 31, 2016 and 2015.

DAJIN RESOURCES CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
 May 31, 2016 and November 30, 2015
 (Stated in Canadian dollars)
(Unaudited – Prepared by Management)

	<u>May 31,</u> <u>2016</u>	<u>November 30,</u> <u>2015</u>
<u>ASSETS</u>		
Current		
Cash	\$ 1,324,331	\$ 300,850
Marketable securities	65,394	7,269
Receivables	13,704	15,148
Prepaid expenses	<u>4,878</u>	<u>16,126</u>
	1,408,307	339,393
Equipment	25,755	-
Resource property costs – Note 5, Schedule	3,011,252	2,692,320
Reclamation bonds	<u>20,000</u>	<u>20,000</u>
	<u>\$ 4,465,314</u>	<u>\$ 3,051,713</u>
<u>LIABILITIES</u>		
Current		
Accounts payable and accrued liabilities	\$ 157,447	\$ 273,635
Loans payable	10,233	14,433
Due to related parties – Note 7	<u>65,191</u>	<u>163,372</u>
	<u>232,871</u>	<u>451,440</u>
<u>SHAREHOLDERS' EQUITY</u>		
Share capital – Note 6	25,442,690	23,503,887
Contributed surplus – Note 6	2,844,569	2,564,322
Accumulated deficit	<u>(24,054,816)</u>	<u>(23,467,936)</u>
	<u>4,232,443</u>	<u>2,600,273</u>
	<u>\$ 4,465,314</u>	<u>\$ 3,051,713</u>

Approved on behalf of the Board:

“Brian Findlay”
 Director

“Ben Ainsworth”
 Director

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

DAJIN RESOURCES CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
For the three and six months ended May 31, 2016 and 2015
(Stated in Canadian Dollars)
(Unaudited – Prepared by Management)

	Three months ended May 31,		Six months ended May 31,	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Expenses				
Accounting and audit fees	\$ 11,575	\$ 5,300	\$ 15,575	\$ 11,150
Administration fees – Note 7	21,000	21,000	42,000	42,000
Bank charges and interest	372	592	1,573	1,524
Consulting fees – Note 7	81,000	56,118	103,525	108,118
Depreciation	2,694	-	5,150	-
Foreign exchange (recovery)	(28,677)	(15,477)	(112,575)	(13,561)
Investors relations	-	15,100	10,769	37,550
Legal fees	10,843	3,844	16,362	7,819
Listing, filing and transfer agent fees	14,903	24,354	30,568	32,788
Marketing	60,044	14,751	62,284	25,456
Office administration and general	11,680	21,117	22,295	46,805
Rent – Note 7	6,750	6,750	13,500	13,430
Share-based compensation – Notes 6 and 7	336,964	173,248	348,850	289,371
Travel, conferences and promotion	227	21,951	5,695	23,933
Wages and benefits – Note 7	<u>27,427</u>	<u>15,765</u>	<u>54,434</u>	<u>29,812</u>
Loss before other item	(556,802)	(364,413)	(620,005)	(656,195)
Other item:				
Write-down resource property costs	<u>-</u>	<u>(2,400)</u>	<u>-</u>	<u>(7,290)</u>
Net loss for the period	(556,802)	(366,813)	(620,005)	(663,485)
Unrealized gain on marketable securities	<u>33,125</u>	<u>-</u>	<u>33,125</u>	<u>-</u>
Net comprehensive loss for the period	<u>\$ (523,677)</u>	<u>\$ (366,813)</u>	<u>\$ (586,880)</u>	<u>\$ (663,485)</u>
Basic and diluted loss per share	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>
Weighted average number of shares outstanding	<u>123,921,905</u>	<u>82,638,209</u>	<u>119,464,021</u>	<u>80,055,171</u>

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

DAJIN RESOURCES CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN DEFICIT
For the three and six months ended May 31, 2016 and 2015
(Stated in Canadian Dollars)
(Unaudited – Prepared by Management)

	Common Stock		Contributed Surplus	Deficit	Total
	Issued Shares	Amount			
Balance, November 30, 2014	76,454,733	\$ 21,690,260	\$ 2,338,509	\$ (22,116,179)	\$ 1,912,590
Shares issued for cash:					
Pursuant to a private placement – at \$0.05	4,000,000	200,000	-	-	200,000
On exercise of share purchase options - \$0.05	2,500,000	125,000	-	-	125,000
On exercise of share purchase warrants - \$0.05	4,080,000	204,000	-	-	204,000
Shares issued as finders' fees	400,000	20,000	-	-	20,000
Share issue costs	-	(20,000)	-	-	(20,000)
Allocation of options exercised	-	137,254	(137,254)	-	-
Fair market value of stock based compensation	-	-	289,371	-	289,371
Net loss for the period	-	-	-	(663,485)	(663,485)
Balance, May 31, 2015	87,434,733	22,356,514	2,490,626	(22,779,664)	2,067,476
Shares issued for cash:					
On exercise of share purchase options - \$0.05	4,300,000	215,000	-	-	215,000
On exercise of share purchase options - \$0.07	1,000,000	70,000	-	-	70,000
On exercise of share purchase warrants - \$0.05	15,586,000	779,300	-	-	779,300
Fair market value of stock based compensation	-	-	156,769	-	156,769
Allocation of options exercised	-	83,073	(83,073)	-	-
Net loss for the period	-	-	-	(688,272)	(688,272)
Balance, November 30, 2015	108,320,733	23,503,887	2,564,322	(23,467,936)	2,600,273
Shares issued for cash:					
Pursuant to a private placement – at \$0.12	10,555,000	1,266,600	-	-	1,266,600
On exercise of share purchase options - \$0.05	1,770,000	88,500	-	-	88,500
On exercise of share purchase options - \$0.06	50,000	3,000	-	-	3,000
On exercise of share purchase options - \$0.07	250,000	17,500	-	-	17,500
On exercise of share purchase warrants - \$0.05	9,964,000	498,200	-	-	498,200
Shares issued as finders' fees	50,000	6,000	-	-	6,000
Share issue costs	-	(9,600)	-	-	(9,600)
Allocation of options exercised	-	68,603	(68,603)	-	-
Fair market value of stock based compensation	-	-	348,850	-	348,850
Net loss for the period	-	-	-	(586,880)	(586,880)
Balance, May 31, 2016	<u>130,959,733</u>	<u>\$ 25,442,690</u>	<u>\$ 2,844,569</u>	<u>\$ (24,054,816)</u>	<u>\$ 4,232,443</u>

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

DAJIN RESOURCES CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
for the three and six months ended May 31, 2016 and 2015
(Stated in Canadian Dollars)
(Unaudited – Prepared by Management)

	May 31, <u>2016</u>	May 31, <u>2015</u>
Operating Activities		
Net comprehensive loss for the period	\$ (586,880)	\$ (663,485)
Add items not affecting cash:		
Depreciation	5,150	-
Share based compensation	348,850	289,371
Unrealized foreign exchange	(67,331)	116
Write-down of resource property costs	-	7,290
Unrealized gain on marketable securities	(33,125)	-
Net change in non-cash working capital:		
GST receivable	1,444	1,920
Prepaid expenses	11,250	35,130
Accounts payable and accrued liabilities	(112,618)	(19,977)
Amount due from (to) related parties	<u>(98,180)</u>	<u>(8,512)</u>
	<u>(531,440)</u>	<u>(358,147)</u>
Financing Activities		
Loans payable	(4,200)	-
Proceeds from issuance of common shares	<u>1,870,200</u>	<u>529,000</u>
	<u>1,866,000</u>	<u>529,000</u>
Investing Activities		
Equipment	(30,905)	-
Resource property additions, net	<u>(343,929)</u>	<u>(283,554)</u>
	<u>(374,834)</u>	<u>(283,554)</u>
Effect of foreign exchange on cash	<u>63,755</u>	<u>79</u>
Increase (decrease) in cash during the period	1,023,481	(112,622)
Cash, beginning of the period	<u>300,850</u>	<u>198,362</u>
Cash, end of the period	<u>\$ 1,324,331</u>	<u>\$ 85,740</u>

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

DAJIN RESOURCES CORP.
CONDENSED INTERIM CONSOLIDATED SCHEDULE OF RESOURCE PROPERTY COSTS
for the six months ended May 31, 2016 and for the year ended November 30, 2015
(Stated in Canadian Dollars)
(Unaudited – Prepared by Management)

	Canada			Argentina	USA	Total
	<u>Cowtrail</u>	<u>Addie 1</u>	<u>Addie 2</u>		<u>Nevada</u>	
Acquisition costs						
Balance, November 30, 2014	\$ -	\$ -	\$ -	\$ -	\$ 91,375	\$ 91,375
Acquisition costs	-	-	-	25,781	-	25,781
Staking and filing fees	-	-	-	-	136,696	136,696
Balance November 30, 2015	-	-	-	25,781	228,071	253,852
Staking and filing fees	-	-	-	-	76,330	76,330
Proceeds	-	-	-	-	(61,367)	(61,367)
Balance May 31, 2016	-	-	-	25,781	243,034	268,815
Deferred exploration and development costs						
Balance, November 30, 2014	1	1	-	1,803,077	26,283	1,829,362
Administrative	-	-	-	60,517	-	60,517
Assays	-	-	-	-	29,462	29,462
Drilling	-	-	-	-	1,587	1,587
Geological consulting	-	-	-	27,930	472,262	500,192
Reports	-	-	-	-	4,447	4,447
Supplies and miscellaneous	45	45	-	438	7,225	7,753
Travel and accommodation	-	-	-	5,238	-	5,238
Truck and equipment rental	6,000	6,000	-	-	-	12,000
Write-down	(6,045)	(6,045)	-	-	-	(12,090)
Balance, November 30, 2015	1	1	-	1,897,200	541,266	2,438,468

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DAJIN RESOURCES CORP.
CONDENSED INTERIM CONSOLIDATED SCHEDULE OF RESOURCE PROPERTY COSTS
for the six months ended May 31, 2016 and for the year ended November 30, 2015
(Stated in Canadian Dollars)
(Unaudited – Prepared by Management)

Continued

	Canada			Argentina	USA	
	Cowtrail	Addie 1	Addie 2		Nevada	Total
Balance, November 30, 2015	<u>1</u>	<u>1</u>	<u>-</u>	<u>1,897,200</u>	<u>541,266</u>	<u>2,438,468</u>
Administrative						
Assays	-	-	-	-	21,593	21,593
Exploration	-	-	-	-	63,820	63,820
Geological consulting (Note 7)	-	-	-	48,541	100,831	149,372
Labour	-	-	-	-	13,402	13,402
Mapping	-	-	-	1,000	-	1,000
Reports	-	-	-	-	15,400	15,400
Security bond	-	-	-	-	12,746	12,746
Supplies and miscellaneous	-	-	-	1,480	6,556	8,036
Survey	-	-	-	-	4,515	4,515
Travel and accommodation	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,738</u>	<u>7,347</u>	<u>14,085</u>
Balance, May 31, 2016	<u>1</u>	<u>1</u>	<u>-</u>	<u>1,954,959</u>	<u>787,476</u>	<u>2,742,437</u>
Total resource property costs						
As at November 30, 2015	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 1,922,981</u>	<u>\$ 769,337</u>	<u>\$ 2,692,320</u>
As at May 31, 2016	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 1,980,740</u>	<u>\$ 1,030,510</u>	<u>\$ 3,011,252</u>

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DAJIN RESOURCES CORP.
Notes to the Condensed Interim Consolidated Financial Statements
May 31, 2016
(Stated in Canadian Dollars)
(Unaudited – Prepared by Management)

Note 1 Nature of Operations

Dajin Resources Corp. (the “Company”) is an exploration stage company incorporated under the British Columbia Company Act on August 5, 1987 and is publically traded on the TSX Venture Exchange.

The Company’s principal business activities include acquiring and developing mineral properties. At May 31, 2016, the Company’s principal mineral interests are located in Canada, United States and Argentina and it has not yet been determined whether these properties contain reserves that are economically recoverable. The recoverability of amounts shown for resource property costs is dependent upon the discovery of economically recoverable reserves, confirmation of the Company’s interest in the underlying claims, the ability of the Company to obtain necessary financing to complete the development of the resource properties and upon future profitable production or proceeds from the disposition thereof.

The address of the Company’s corporate office and principal place of business is Suite 450 - 789 West Pender Street, Vancouver, BC, V6C 1H2.

Note 2 Basis of Preparation

Statement of Compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and in accordance with International Accounting Standard (“IAS”) IAS 34 “Interim Financial Reporting”.

These condensed interim consolidated financial statements do not include all of the information and disclosures required to be included in annual consolidated financial statements prepared in accordance with IFRS. These condensed interim consolidated financial statements should be read in conjunction with the Company’s audited annual consolidated financial statements for the year ended November 30, 2015.

The condensed interim consolidated financial statements were authorized for issue by the Board of Directors on July 29, 2016.

DAJIN RESOURCES CORP.
Notes to the Condensed Interim Consolidated Financial Statements
May 31, 2016
(Stated in Canadian Dollars)
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Note 2 Basis of Preparation – (cont'd)

Going Concern

These condensed interim consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company was not expected to continue operations for the foreseeable future. As at May 31, 2016, the Company had not advanced its resource properties to commercial production. At May 31, 2016, the Company has not achieved profitable operations, has accumulated losses of \$24,054,816 since inception and expects to incur further losses in the development of its business, all of which casts significant doubt about the Company's ability to continue as a going concern. The Company's continuation as a going concern is dependent upon successful results from its exploration and evaluation activities, its ability to attain profitable operations to generate funds and/or its ability to raise equity capital or borrowings sufficient to meet its current and future obligations. Although the Company has been successful in the past in raising funds to continue operations, there is no assurance it will be able to do so in the future.

Basis of Measurement

The condensed interim consolidated financial statements have been prepared on a historical cost basis in Canadian dollars, which is the Company's functional currency.

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, profit and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods. See Note 4 for use of estimates and judgements made by management in the application of IFRS.

DAJIN RESOURCES CORP.
Notes to the Condensed Interim Consolidated Financial Statements
May 31, 2016
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(Unaudited – Prepared by Management)

Note 3 Significant Accounting Policies

These condensed interim consolidated financial statements have been prepared using accounting policies consistent with those used in the preparation of the Company's annual audited consolidated financial statements for the year ended November 30, 2015.

The Company's significant accounting policies are disclosed in Note 3 to the annual financial statements and these condensed interim consolidated financial statements should be read in conjunction with the Company's annual audited consolidated financial statements for the year ended November 30, 2015.

Accounting standards issued but not yet applied

The following new standards and interpretations are not yet effective and have not been applied in preparing these condensed interim consolidated financial statements. The Company is currently evaluating the potential impacts of these new standards; however, the Company does not expect them to have a significant effect on the financial statements.

- IFRS 9, *Financial Instruments* (tentatively effective January 1, 2018) introduces new requirements for the classification and measurement of financial assets, and will replace IAS 39. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple classification options available in IAS 39.

Note 4 Use of Estimates and Judgments

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in these condensed interim consolidated financial statements is as follows:

i) Resource property expenditures

The application of the Company's accounting policy for resource property expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the amount capitalized is written off in the statement of comprehensive loss in the period the new information becomes available.

ii) Impairment

At each reporting period, assets, specifically resource property costs are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts exceed their recoverable amounts. The assessment of the carrying amount often requires estimates and assumptions such as discount rates, exchange rates, commodity prices, future capital requirements and future operating performance.

DAJIN RESOURCES CORP.
Notes to the Condensed Interim Consolidated Financial Statements
May 31, 2016
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Note 4 Use of Estimates and Judgments – (cont'd)

iii) Going concern

The Company uses judgment in determining its ability to continue as a going concern in order to discharge its current liabilities via raising additional financing.

iv) Share-based compensation transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 6.

Note 5 Resource Property Costs

(a) Addie 1 Property

The Company owns a 100% interest in 29 mineral claims located in the Spanish Mountain region in the Cariboo Mining District of south central British Columbia.

Thirteen of these claims are subject to a 2% net smelter returns (“NSR”) royalty, of which 1% can be purchased by the Company for \$500,000.

During the year ended November 30, 2014, the Company wrote-down the resource property costs to its net realizable value of \$1. The Company allowed claims to lapse when they became due at November 30, 2015. Any costs incurred subsequently relating to these exploration and evaluation assets have been expensed.

(b) Addie 2 Property

The Company owns a 100% interest in 35 mineral claims located in the Cariboo Mining District in south central British Columbia.

Twenty-two of these claims are subject to a 2% NSR, of which 1% can be purchased by the Company for \$1,000,000.

During the year ended November 30, 2014, the Company decided not to continue with this property and allowed the claims to lapse when they became due. Prior resource property costs of \$1,196,738 were written-off.

DAJIN RESOURCES CORP.
Notes to the Condensed Interim Consolidated Financial Statements
May 31, 2016
(Stated in Canadian Dollars)
(Unaudited – Prepared by Management)

Note 5 Resource Property Costs – (cont'd)

(c) Cowtrail Property

The Company owns a 65% joint venture interest in the Cowtrail Mineral Property, consisting of 32 mineral claims located in the Cariboo Mining District of south central British Columbia. The Company is in the process of preparing the terms for a joint venture agreement with its co-venturer.

The Company had also staked an additional 6 contiguous claims to own a total of 38 mineral claims applicable to this property.

During the year ended November 30, 2014, the Company wrote-down the resource property costs to its net realizable value of \$1. Any costs incurred subsequently relating to these exploration and evaluation assets have been expensed.

(d) Argentina Concessions

The Company holds a 100% interest in 103,248 hectares (255,131 acres) of exploration or exploitation concessions covering the Company's Salinas Grandes/Guayatayoc boron, lithium and potash project. The Company's interest in these concessions is held by its wholly owned Argentina subsidiary, Dajin Resources S.A. ('S.A.')

During the current fiscal year, S.A. entered into an agreement with the Cooperativa de Trabajo Minero Produccion de Boratos Jujenos Ltda. ('Cooperativa'), which holds the mining rights to two properties located in the south-east part of Salinas Grandes, pursuant to which the Company has obtained the exclusive right to explore these properties for a term of three years. The agreement requires the payment of US\$60,000, and at the end of the three year period the Company has exclusive right to option these properties for an additional thirty year period for a payment of US\$700,000. During production the Company will pay Cooperativa a 3% royalty.

The mining leases held by Cooperativa, "Navidad" and "San Jose", cover a total area of 4,400 hectares (10,873 acres). An initial payment of US\$20,000 has been made and Cooperativa now must obtain the exploration permits from the Argentinian regulatory authorities, to receive the balance of US\$40,000. These permits will be the first to be granted to the Company for exploration work in Salinas Grandes, a salar where the Company has staked an area of 80,248 hectares (198,297 acres).

(e) Nevada Properties

The Company holds a 100% interest in 265 mineral claims covering 2,138 hectares (5,282 acres) in the Teels Marsh basin of Mineral County, Nevada.

The Company holds a 100% interest in 191 placer claims covering an area of 1,558 hectares (3,850 acres) in the Alkali Lake basin of Esmeralda County, Nevada.

DAJIN RESOURCES CORP.
Notes to the Condensed Interim Consolidated Financial Statements
May 31, 2016
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Note 5 Resource Property Costs – (cont'd)

(e) Nevada Properties – (cont'd)

The Company's interest in these mineral claims is held in an incorporated US company, Dajin Resources (US) Corp.

On December 28, 2015, the Company entered into an agreement with Southern Sun Minerals Inc. ("Southern Sun") a public company, whereby Southern Sun has the option to earn up to a 60% interest in the Alkali Lake basin of Esmeralda County, Nevada. Southern Sun is required to make the following:

- i) Cash payment of US\$28,000 (Received) and issue 250,000 common shares (Received) upon signing of the agreement;
- ii) Cash payment of US\$28,000 and incur US\$200,000 in exploration expenditures on or before December 28, 2016;
- iii) Cash payment of US\$28,000 and incur US\$250,000 in exploration expenditures on or before December 28, 2017; and
- iv) Incur US\$500,000 in exploration expenditures on or before December 28, 2018.

Note 6 Share Capital

Authorized:

200,000,000 common shares without par value
100,000,000 preferred shares without par value

Nature and Purpose of Equity and Reserves:

The reserves recorded in equity on the Company's Statement of Financial Position include 'Contributed Surplus', and 'Accumulated Deficit'.

'Contributed Surplus' is used to recognize the value of stock option grants prior to exercise.

'Accumulated Deficit' is used to record the Company's change in deficit from earnings from year to year.

Commitments:

Share-Based Compensation Plan

The Company has granted employees and directors common share purchase options. These options are granted with an exercise price equal to the market price of the Company's stock on the date of the grant.

DAJIN RESOURCES CORP.
Notes to the Condensed Interim Consolidated Financial Statements
May 31, 2016
(Stated in Canadian Dollars)
(Unaudited – Prepared by Management)

Note 6 Share Capital – (cont'd)

Commitments - (cont'd)

Share-Based Compensation Plan - (cont'd)

A summary of the status of the stock option plan as of May 31, 2016 and November 30, 2015 and changes during the periods then ended on those dates is presented below:

	May 31, 2016		November 30, 2015	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of period	10,120,000	\$0.06	6,070,000	\$0.05
Forfeited	(100,000)	\$0.05	-	-
Granted	3,500,000	\$0.14	11,850,000	\$0.05
Exercised	<u>(2,070,000)</u>	<u>\$0.05</u>	<u>(7,800,000)</u>	<u>\$0.06</u>
Options outstanding at end of the period	<u>11,450,000</u>	\$0.07	<u>10,120,000</u>	\$0.06
Options exercisable at end of the period	<u>11,000,000</u>	\$0.07	<u>7,702,500</u>	\$0.06
Weighted remaining life in years		<u>3.68</u>		<u>3.54</u>

At May 31, 2016, the Company has 11,450,000 share purchase options outstanding entitling the holders thereof the right to purchase one common share for each option held as follows:

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
3,550,000	\$0.05	June 20, 2019
1,800,000	\$0.05	December 23, 2019
550,000	\$0.05	January 2, 2020
600,000	\$0.06	April 1, 2020
650,000	\$0.06	May 1, 2020
200,000	\$0.07	August 25, 2020
600,000	\$0.10	September 10, 2020
<u>3,500,000</u>	\$0.14	April 4, 2021
<u>11,450,000</u>		

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May 31, 2016
(Stated in Canadian Dollars)
(Unaudited – Prepared by Management)

Note 6 Share Capital – (cont'd)

Commitments - (cont'd)

Share-Based Compensation Plan - (cont'd)

During the six months period ended May 31, 2016 compensation expense of \$348,850 (May 31, 2015: \$289,371), using graded method, were recognized for options granted and vested during the period.

The Company employed the Black-Scholes option-pricing model using the following assumptions.

	May 31, <u>2016</u>	February 28, <u>2015</u>
Risk free interest rate	0.89%	1.00%
Expected life of options in years	5 years	5 years
Expected volatility	125%	123%
Dividend per share	0.00	\$0.00
Forfeiture rate	30%	30%

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions, including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, the existing model may not necessarily provide a reliable measure of the fair value of its stock options.

Share Purchase Warrants

On April 2, 2015, the Company completed a non-brokered private placement for a total of 4,000,000 units at a price of \$0.05 per unit for gross proceeds of \$200,000. Each unit consists of one common share and one non-transferable share purchase warrant. Each warrant will entitle the holder to purchase one common share of the Company at a price of \$0.05 per share on or before April 2, 2017. Finders' fees of 400,000 units were paid in respect to this financing and have similar terms as the non-brokered private placement.

The Company fair valued the finders' units at \$20,000 consisting of \$20,000 for the 400,000 shares which are valued at \$0.05 per share and \$nil for the 400,000 share purchase warrants, also using the residual value method.

On April 20, 2016, the Company completed a non-brokered private placement for a total of 10,555,000 units at a price of \$0.12 per unit for gross proceeds of \$1,266,600. Each unit consists of one common share and one non-transferable share purchase warrant. Each warrant will entitle the holder to purchase one common share of the Company at a price of \$0.17 per share on or before April 20, 2018. Finders' fees of 50,000 units and \$3,600 were paid in respect to this financing. The Finders' units have similar terms as the non-brokered private placement.

DAJIN RESOURCES CORP.
Notes to the Condensed Interim Consolidated Financial Statements
May 31, 2016
(Stated in Canadian Dollars)
(Unaudited – Prepared by Management)

Note 6 Share Capital – (cont'd)

Commitments - (cont'd)

Share Purchase Warrants – (cont'd)

A summary of the status of share purchase warrants as of May 31, 2016 and November 30, 2015 and changes during the periods then ended on those dates is presented below:

	May 31, 2016		November 30, 2015	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Balance, beginning of the period	9,964,000	\$0.05	25,230,000	\$0.05
Issued	10,555,000	\$0.17	4,400,000	\$0.05
Exercised	(9,964,000)	\$0.05	(19,666,000)	\$0.05
Balance, end of the period	10,555,000	\$0.17	9,964,000	\$0.05

At May 31, 2016, the Company has 10,555,000 share purchase warrants exercisable at \$0.17 per share expiring on April 20, 2018.

Note 7 Related Party Transactions

The Company incurred the following charges with directors and officers of the Company and companies controlled by the directors:

	Three months ended		Six months ended	
	May 31, 2016	May 31, 2015	May 31, 2016	May 31, 2015
Wages and benefits	\$ 10,800	\$ 9,317	\$ 21,600	\$ 18,633
Stock-based compensation	9,498	118	9,581	302
	20,298	9,435	31,181	18,935
Key management compensation				
Administration fees	21,000	21,000	42,000	42,000
Consulting fees – Resource property cost	33,848	-	43,848	-
Rent	6,750	6,750	13,500	13,430
Stock-based compensation	195,260	3,051	199,454	71,431
	256,858	30,801	298,802	126,861
	\$ 277,156	\$ 40,236	\$ 329,983	\$ 145,796

DAJIN RESOURCES CORP.
Notes to the Condensed Interim Consolidated Financial Statements
May 31, 2016
(Stated in Canadian Dollars)
(Unaudited – Prepared by Management)

Note 7 Related Party Transactions – (cont'd)

These charges were measured by the exchange amount that is the amount agreed upon by the transacting parties and are on terms and conditions similar to non-related entities.

Included in May 31, 2016 prepaid expenses is an advance rent payment of \$2,250 (November 30, 2015: \$2,250) to a company with a common director.

Due to related parties, representing amounts due to companies controlled by the directors and officers of the Company for unpaid fees and reimbursement of expenses are non-interest bearing, unsecured and are due on demand.

Note 8 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 properties in which the Company currently has an interest are in the exploration stage. As such the Company is dependent on external financing 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.

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 period ended May 31, 2016. Neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

Note 9 Financial Instruments

Financial instruments issued by the Company are treated as equity only to the extent that they do not meet the definition of a financial liability. The Company's common shares are classified as equity instruments.

Subsequent measurement and changes in fair value will depend on their initial classification, as follows: FVTPL financial assets are measured at fair value and changes in fair value are recognized in income; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is derecognized or impaired at which time the amounts would be recorded in income.

DAJIN RESOURCES CORP.
Notes to the Condensed Interim Consolidated Financial Statements
May 31, 2016
(Stated in Canadian Dollars)
(Unaudited – Prepared by Management)

Note 9 Financial Instruments – (cont'd)

The Company classifies and measures its financial instruments as follows:

- Cash and reclamation bonds are classified as loans and receivables. The fair value of cash approximates its carrying value due to its short term nature.
- Accounts payable and accrued liabilities, due to related parties and loans payable are classified as other financial liabilities and are measured at fair value at inception. Their fair values approximate their carrying values due to their short term nature.

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

(a) Credit risk

Credit risk is the risk of an unexpected loss if a party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to cash. The Company has no significant concentration of credit risk arising from operations. The Company reduces its credit risk on cash by placing it with institutions of high credit worthiness. As at May 31, 2016 the Company is not exposed to any significant credit risk.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has in place a planning and budgeting process to help determine the funds required to support the Company's normal operating requirements on an ongoing basis and its planned capital expenditures. At May 31, 2016, the Company had cash of \$1,324,331 (November 30, 2015 - \$300,850) and current liabilities of \$232,871 (November 30, 2015 - \$451,440). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's current policy is to invest excess cash in short-term deposits with its banking institutions. The Company monitors the investments it makes and is satisfied with the credit ratings of the banks with which they are held.

DAJIN RESOURCES CORP.
Notes to the Condensed Interim Consolidated Financial Statements
May 31, 2016
(Stated in Canadian Dollars)
(Unaudited – Prepared by Management)

Note 9 Financial Instruments – (cont'd)

(d) Price risk

The ability of the Company to finance the exploration and development of its properties and the future profitability of the Company is directly related to the commodity prices of precious and base metals. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. Sensitivity to price risk relative to earnings is remote since the Company has not established any reserves or production. The Company is also exposed to the risk of equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company monitors commodity prices of precious and base metals, individual equity movements, and the stock market in general to determine the appropriate course of action to be taken.

(e) Sensitivity Analysis

The Company has designated its cash and reclamation bonds as loans and receivables, and measures them at their amortized costs. Accounts payable and accrued liabilities, due to related parties, loans payable and advances on private placement are classified as other financial liabilities, which are measured at their amortized costs.

Based on management's knowledge and experience of the financial markets, the Company believes the following is "reasonably possible" during the upcoming financial year:

Commodity price risk could adversely affect the Company. In particular, the Company's future profitability and viability of development depends upon the world market price of precious metals. Precious metal prices have fluctuated significantly in recent years. There is no assurance that, even as commercial quantities of precious metals may be produced in the future, a profitable market will exist for them. As of May 31, 2016, the Company was not a precious metal producer. As a result, commodity price risk largely affects the completion of future equity transactions such as equity offerings and the exercise of stock options and warrants. This may also affect the Company's liquidity and its ability to meet its ongoing obligations.

(f) Foreign Currency Risk

Foreign currency exchange rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company's operations are carried out in the Canada, United States and Argentina. As at May 31, 2016, the Company had in Canadian equivalent accounts payable of \$123,965 (November 30, 2015: \$78,870) denominated in US dollars and had cash of \$192,763 (November 30, 2015: \$54,145) and accounts payable of \$56,681 (November 30, 2015: \$101,587) denominated in Argentina pesos. These factors expose the Company to foreign currency exchange rate risk, which could have an adverse effect on the profitability of the Company. The Company currently does not plan to enter into foreign currency future contracts to mitigate this risk.

DAJIN RESOURCES CORP.
Notes to the Condensed Interim Consolidated Financial Statements
May 31, 2016
(Stated in Canadian Dollars)
(Unaudited – Prepared by Management)

Note 10 Segmented Information

The Company operates in one business segment, mineral exploration. Its mineral properties and head office are located in three geographic locations, Canada, Argentina and the United States.

The Company's net loss and total assets are allocated to the geographic segments as follows:

	Three months ended		Three months ended	
	May 31, <u>2016</u>	May 31, <u>2015</u>	May 31, <u>2016</u>	May 31, <u>2015</u>
Net losses (income)				
Canada	\$ 532,529	\$ 384,382	\$ 682,143	\$ 681,303
Argentina	(22,840)	116	(66,758)	116
United States	<u>13,988</u>	<u>(17,685)</u>	<u>(28,505)</u>	<u>(17,934)</u>
	<u>\$ 523,677</u>	<u>\$ 366,813</u>	<u>\$ 586,880</u>	<u>\$ 663,485</u>
			May 31, <u>2016</u>	November 30, <u>2015</u>
Total Assets				
Canada			\$ 1,454,064	\$ 1,115,008
Argentina			1,980,740	1,167,369
United States			<u>1,030,510</u>	<u>769,336</u>
			<u>\$ 4,465,314</u>	<u>\$ 3,051,713</u>

Note 11 Subsequent Events

Subsequent to May 31, 2016:

The Company granted 2,500,000 share purchase options to certain directors, officers, employees and consultants at a price of \$0.16 per share expiring on July 15, 2021. The granting is subject to shareholder and regulatory approval.

The Company issued 177,000 common shares pursuant to the exercise share purchase options for total gross proceeds of \$16,780.

The Company issued 300,000 common shares pursuant to the exercise share purchase warrants for total gross proceeds of \$51,000.

The Company staked an additional 26 placer claims at its Teels Marsh project in Mineral County, Nevada. This increases its land position from 265 to 294 placer claims and total acreage under control increased from 5,282 acres to 5,853 acres (2,138 hectares to 2,369 hectares).