Castle Resources Inc.

Condensed Interim Consolidated Financial Statements
For the Three and Nine Months Ended June 30, 2016 and 2015
(Expressed in Canadian Dollars)

(Unaudited)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited condensed interim consolidated financial statements of Castle Resources Inc. (the "Company") are the responsibility of management and the Board of Directors.

The unaudited condensed interim consolidated financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the unaudited condensed interim consolidated financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the statement of financial position date. In the opinion of management, the unaudited condensed interim consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Accounting Standard 34 - Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established processes, which are in place to provide it with sufficient knowledge to support management representations that it has exercised reasonable diligence in that (i) the unaudited condensed interim consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of, and for the periods presented by, the unaudited condensed interim consolidated financial statements and (ii) the unaudited condensed interim consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the unaudited condensed interim consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the unaudited condensed interim consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited condensed interim consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited condensed interim consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company’s affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

NOTICE TO READER

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

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

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

As at	June 30, 2016	September 30, 2015
Assets		
Current assets		
Cash	$ 7,564	$ 7,214
Amounts receivable	3,226	18,938
Prepaid expenses	8,964	22,575
Investments (Note 4)	1,303	89,613
	21,057	138,340
Non-current assets		
Prepaid expenses	46,000	46,000
Equipment	4,990	6,254
Exploration and evaluation assets (Note 3)	43,983,348	43,820,703
	$ 44,055,395	$ 44,011,297
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	$ 954,585	$ 619,278
Non-current liabilities		
Convertible debentures (Note 6)	69,972	-
Loans payable (Note 5)	2,157,629	3,188,842
Deferred tax liability	772,700	767,000
	3,954,886	4,575,120
Shareholders' Equity		
Capital stock (Note 7)	52,375,554	52,375,554
Equity portion of convertible debentures	14,351	-
Share-based payments reserve (Note 8)	24,723	39,860
Warrants reserve (Note 9)	1,505,077	194,144
Deficit	(13,819,196)	(13,173,381)
	40,100,509	39,436,177
	$ 44,055,395	$ 44,011,297

Nature of Operations and Going Concern (Note 1)
Commitments and Contingencies (Note 10)
Subsequent Events (Note 12)

Approved by the Board "Scott Riley" Director

"Robert Bruggeman Director

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

Castle Resources Inc.
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)
(Unaudited)

	Three Months Ended June 30, 2016	Three Months Ended June 30, 2015	Nine Months Ended June 30, 2016	Nine Months Ended June 30, 2015
Expenses				
Consulting and management fees	$ **3,068**	$ 54,080	$ **105,536**	$ 234,066
Professional fees	**101,892**	5,500	**150,228**	40,020
Office and general	**18,094**	19,157	**57,321**	192,652
Transfer agent and listing fees	**17,957**	2,550	**32,831**	31,896
Interest and financing fees	**107,010**	65,526	**277,665**	197,027
Depreciation	**419**	691	**1,262**	2,073
Loss before the undernoted	**(248,440)**	(147,504)	**(624,843)**	(697,734)
Interest income	**18**	-	**18**	3,076
Gain on settlement of debt	**29,641**	-	**29,641**	-
Write-down of Silver Leduc claim blocks	**-**	(197,500)	**-**	(197,500)
Gain (loss) on sale of investments	**(322)**	2,561	**(4,294,455)**	2,561
Unrealized gain on investments	**652**	126,695	**4,228,687**	113,850
Net loss before income taxes	**(218,451)**	(215,748)	**(660,952)**	(775,747)
Flow-through share premium	**-**	40,300	**-**	68,500
Net loss and comprehensive loss	$ **(218,451)**	$ (175,448)	$ **(660,952)**	$ (707,247)
Loss per share - basic and diluted	$ **(0.26)**	$ (0.26)	$ **(0.79)**	$ (0.96)
Weighted average number of common shares outstanding - basic and diluted	**838,776**	838,776	**838,776**	803,977

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

Castle Resources Inc.
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)
(Unaudited)

	Capital Stock	Convertible Debentures	Share-based Payments Reserve	Warrants Reserve	Deficit	Total
Balance, October 1, 2015	$ 52,375,554	$ -	$ 39,860	$ 194,144	$ (13,173,381)	$ 39,436,177
Convertible debentures	-	14,351	-	6,738	-	21,089
Stock options expired	-	-	(15,137)	-	15,137	-
Issuance of warrants	-	-	-	1,304,195	-	1,304,195
Net loss for the period	-	-	-	-	(660,952)	(660,952)
Balance, June 30, 2016	**$ 52,375,554**	**$ 14,351**	**$ 24,723**	**$ 1,505,077**	**$ (13,819,196)**	**$ 40,100,509**

	Capital Stock	Convertible Debentures	Share-based Payments Reserve	Warrants Reserve	Deficit	Total
Balance, October 1, 2014	$ 52,045,218	$ -	$ 3,672,946	$ 341,900	$ (17,313,852)	$ 38,746,212
Private placements, net of costs	491,860	-	-	-	-	491,860
Stock options expired	-	-	(9,242)	-	9,242	-
Stock options cancelled	-	-	(3,603,158)	-	3,603,158	-
Warrants issued in connection with loan facility's term extension	-	-	-	32,050	-	32,050
Warrants issued as part of private placement	(161,524)	-	-	161,524	-	-
Warrants expired	-	-	-	(125,900)	125,900	-
Net loss for the period	-	-	-	-	(707,247)	(707,247)
Balance, June 30, 2015	**$ 52,375,554**	**$ -**	**$ 60,546**	**$ 409,574**	**$ (14,282,799)**	**$ 38,562,875**

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

Castle Resources Inc.
Condensed Interim Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)
(Unaudited)

For the Nine Months Ended June 30,	**2016**	2015
Cash provided by (used in):		
Operating activities		
Net loss for the period	**$ (660,952)**	$ (707,247)
Items not affecting cash:		
Depreciation	**1,262**	2,073
Impairment and unrealized (gain) on investments	**(4,228,687)**	(113,850)
Realized gain (loss) on investments	**4,294,455**	2,561
Gain on debt settlement	**(29,641)**	-
Interest and financing fees	**217,391**	197,027
Flow-through share premium	**-**	(68,500)
Net change in non-cash working capital	**364,630**	312,138
	(41,542)	(375,798)
Investing activities		
Proceeds on sale of investments	**17,171**	20,888
Exploration and evaluation assets	**(162,645)**	(165,308)
	(145,474)	(144,420)
Financing activities		
Proceeds on private placements	**-**	500,000
Share issue costs	**-**	(8,140)
Proceeds from convertible debentures	**100,000**	-
Debt issue cost	**(6,520)**	-
Loan payable	**93,886**	-
	187,366	491,860
Net change in cash	**350**	(28,358)
Cash, beginning of period	**7,214**	48,318
Cash, end of period	**$ 7,564**	$ 19,960

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

1. Nature of Operations and Going Concern

Castle Resources Inc. (the "Company") was incorporated in Ontario, Canada on May 1, 2006. The Company's principal assets are exploration and evaluation assets ("E&E"), made up of acquisition costs and deferred exploration expenditures for mining properties which are not in commercial production. The Company is in the process of exploring its mining claims and has economically recoverable reserves. not yet determined whether or not the properties contain economically recoverable reserves

The Company's shares are listed on the Canadian Securities Exchange ("CSE"). The head office, principal address and records office of the Company are located at 82 Richmond Street East, Toronto, Ontario, M5C 1P1.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of exploration and evaluation assets and the Company's continued existence is dependent upon the preservation of its interests in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to complete additional financings, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. require a material write-down of the carrying values. Changes in future conditions could require a material write-down of the carrying values.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements, unregistered claims, aboriginal claims and non-compliance with regulatory and environmental requirements. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, and political uncertainty.

The Company needs equity capital and financing for its working capital and for the costs of exploration and development of its properties. Because of continuing operating losses and working capital deficiency, the Company's continuance as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operation. Management feels that there is a material uncertainty, which causes significant doubt about the Company's ability to continue as a going concern.

2. Accounting Policies

Statement of Compliance

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by IASB and interpretations issued by IFRIC. These unaudited condensed interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended September 30, 2015.

These unaudited condensed interim consolidated financial statements were authorized for issuance by the Board of Directors of the Company on August 29, 2016.

Basis of Presentation

These unaudited condensed interim consolidated financial statements have been prepared on a historical cost basis, except for financial instruments which are measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

2. Accounting Policies (Continued)

Basis of Presentation (Continued)

In the preparation of these unaudited condensed interim consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the period. Actual results could differ from these estimates.

Basis of Consolidation

These consolidated financial statements incorporate the financial statements of the Company and its wholly owned subsidiary, Castle Resources Mexico, SA de C.V.. All intercompany transactions, balances, income and expenses are eliminated upon consolidation.

Recent Accounting Pronouncements

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after October 1, 2015 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IFRS 9 – Financial Instruments (“IFRS 9”) was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 Financial Instruments: Recognition and Measurement (“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 rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity’s own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted though management does not anticipate early adoption of the standard.

IFRS 11 – Joint Arrangements ("IFRS 11") was amended in May 2014 adding new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions. This amendment becomes effective for annual periods beginning on or after January 1, 2016.

IFRS 16 – Leases (“IFRS 16”) was issued in January 2016 and replaces IAS 17 – Leases as well as some lease related interpretations. With certain exceptions for leases under twelve months in length or for assets of low value, IFRS 16 states that upon lease commencement a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the liability plus any initial direct costs. After lease commencement, the lessee shall measure the right-of-use asset at cost less accumulated depreciation and accumulated impairment. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognise the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. IFRS 16 requires that lessors classify each lease as an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise it is an operating lease. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted if IFRS 15 has also been applied.

IAS 1 – Presentation of Financial Statements (“IAS 1”) was amended in December 2014 in order to clarify, among other things, that information should not be obscured by aggregating or by providing immaterial information, that materiality consideration apply to all parts of the financial statements and that even when a standard requires a specific disclosure, materiality considerations do apply. The amendments are effective for annual periods beginning on or after January 1, 2016.

(Expressed in Canadian Dollars)

3. Exploration and Evaluation Assets

Exploration and evaluation assets consist of the following:

Granduc Claims, British Colombia, Canada

Balance, September 30, 2014	$ 43,948,849
Write-down of Silver Leduc claim blocks	(197,500)
Capitalized costs	69,354
Balance, September 30, 2015	43,820,703
Capitalized costs	162,645
Balance, June 30, 2016	**$ 43,983,348**

For a description of the Company's exploration and evaluation assets, see note 8 of the Company's September 30, 2015 audited consolidated financial statements.

4. Investments

	June 30, 2016		September 30, 2015	
	Number of Shares	**Value of Investments**	Number of Shares	Value of Investments
Winston Resources Inc.(i)	**-**	**$ -**	860,000	$ 68,800
Zara Resources Inc. (ii)	**130,294**	**1,303**	720,000	3,600
Hadley Mining Inc.(iii)	**-**	**-**	720,000	14,400
CNRP Mining Inc (iii)	**-**	**-**	562,500	2,813
Total		**$ 1,303**		$ 89,613

(i) In January 2016, Winston Resources Inc. declared and distributed special dividends of all its shareholding in four CSE listed affiliated companies. As a result, the Company received 58,294 shares in Zara Resources Inc., 661,966 shares in Hadley Mining Inc., 57,202 shares in Leo Resources Inc., and 776,884 shares in CNRP Mining Inc.

(ii) Zara Resources Inc. completed a share consolidation of its common shares on the basis of one (1) new common share for ten (10) old common shares effective October 15, 2015.

(iii) During the nine months ended June 30, 2016, the Company sold its holdings in Hadley Mining Inc. and CNRP Mining Inc., resulting in a gain on disposition of $322.

5. Loans Payable

On July 14, 2010, the Company entered into a 5-year, non-revolving term loan facility in the principal amount of $2,200,000 with interest payable at the rate of 5% in the first 12 months and 9% in the following 48 months. The facility was repayable on July 14, 2015. The facility is secured against all of the Company's assets. The facility was subject to a 10% discount amounting to $220,000. As a result, total proceeds to the Company amounted to $1,980,000.

In connection with the financing, the Company issued 12,000 drawdown warrants and 1,000 standby warrants. The estimated fair value of the drawdown warrants of $216,000 was estimated using the Black-Scholes option pricing model with the following assumptions: an expected dividend yield of 0%, expected volatility of 168%, a risk-free interest rate of 2.56% and an expected life of 5 years. Each drawdown warrant is exercisable into one common share and one-half warrant at a price of $75.00 for a period of 5 years. The estimated fair value of the standby warrants of $15,000 was estimated using the Black-Scholes option pricing model with the following assumptions: an expected dividend yield of 0%, expected volatility of 185%, a risk-free interest rate of 1.56% and an expected life of 2 years. Each standby warrant was exercisable into one common share at a price of $60.00 for a period of 2 years. The 1,000 standby warrants were exercised during the year ended September 30, 2011.

On November 7, 2014, the Company and the creditor agreed to the extension of the term of the loan facility for an additional two years, from its original 5 year term. As consideration of extending the term of the loan, the Company issued to the creditor an aggregate of 38,333 common share purchase warrants. Each warrant is exercisable into one common share at a price of $6.00 for a period of five years. In addition, the Company has agreed to an increase in the interest rate from 9% to 12% per annum for the two-year period between the original maturity date of July 14, 2015 and the new maturity date of July 14, 2017.

The estimated fair value of the 38,333 warrants of $32,050 was estimated using the Black-Scholes option pricing model with the following assumptions: an expected dividend yield of 0%, expected volatility of 102%, a risk-free interest rate of 1.52% and an expected life of 5 years. The value of the 38,333 warrants was recorded against the carrying value of the loan to be accreted over the remaining term of the loan.

On July 24, 2015, the Company entered into a non-revolving term loan facility in the principal amount of $75,000 with interest payable at 9%. The facility is repayable on July 14, 2017. In connection with this facility, the Company is required to issue to the creditor an aggregate amount of 13,295 common share purchase warrants. Each warrant is exercisable into one common share at a price of $0.60 for a period of two years. The estimated fair value of the 13,295 warrants of $570 was estimated using the Black-Scholes option pricing model with the following assumptions: an expected dividend yield of 0%, expected volatility of 268%, a risk-free interest rate of 0.43% and an expected life of 2 years.

During the nine months ended June 30, 2016, the Company recorded $208,737 (June 30, 2015 - $131,501) interest and financing fees related to these loans in the condensed interim consolidated financial statements of loss and comprehensive loss.

Debt Restructuring

On April 29, 2016, the loan facilities were assigned from existing lender to Drake Private Investments, LLC ("Drake"). Drake agreed to extend the term of the loan facilities from July 14, 2017 to July 14, 2018. In addition, on May 2, 2016, Drake agreed to settle the outstanding interest balance as at March 15, 2016 of $1,333,836 in consideration for the issuance of 7,410,200 special warrants.

5. Loans Payable (Continued)

Debt Restructuring (Continued)

Accordingly, on May 2, 2016, the Company issued 7,410,200 special warrants. Each warrant is exercisable into one common share at a price of $0.18. The Special Warrants will be exercised automatically at any time after the Company completes a consolidation of its common shares of least one (1) new common share for every four (4) (maximum) existing common shares. On June 13, 2016, at the annual and special meeting of shareholders, the shareholders approved a share consolidation of 1 share for every 10 pre-consolidation shares outstanding. A fair value of the warrants of $1,304,195 was estimated using the Black-Scholes option pricing model with the following assumptions: an expected dividend yield of 0%, expected volatility of 720.25%, a risk-free interest rate of 0.57% and an expected life of 0.18 years. Upon issuing the 7,410,200 special warrants for settlement of the $1,333,836 outstanding interest, the Company reported a gain on settlement of $29,641 on its statements of operations.

In consideration for the Company’s consent of the loan assignment, Drake agreed to the following terms and conditions:

- Extension of the term of the loan facility from July 14, 2017 to July 14, 2018;
- Agreement to provide the necessary funding to the Company to maintain the listing of its shares on the Canadian Securities Exchange until at the least the extended maturity date of the loan facility (unless in the event of a transaction where the Company would cease being a reporting issuer under applicable Canadian securities law, or upon the conclusion of arm’s length mergers and financings by which the Company’s share ownership is below 25%); and
- Propose a debt settlement to the existing unsecured creditors.

On May 20, 2016 the Company entered into a $500,000 principal amount secured loan facility made available by Drake on May 20, 2016. Under the terms of the Loan, Drake has made available to the Company a non-revolving credit facility in the principal amount of up to $500,000, which bears interest at a rate of 12% per annum, payable monthly. The Loan is secured by a mortgage of the Company’s property in Stewart, British Columbia, and a charge on all of the assets of the Company. Advances under the Loan are to be made available from time to time by Drake at Drake’s sole discretion, upon request by Castle. The Loan is repayable upon the earlier of demand by Drake, or maturity on May 30, 2026.

6. Convertible Debentures

On November 20, 2015, the Company completed a non-brokered private financing for total gross proceeds of $100,000. The financing consisted of the issuance of 100 units with each unit consisting of (i) one $1,000 unsecured convertible debentures bearing interest at a rate of 10% per annum and (ii) 20,000 detachable common share purchase warrants. Drake acquired ownership of all of the 100 units.

The convertible debentures become due and payable on October 31, 2020. All or any portion of the outstanding principal amount of the convertible debentures will be convertible into common shares of the Company at the option of the holder at a conversion price of $0.025 per common share at any time prior to October 31, 2020 (the "Principal Conversion"), provided that no Principal Conversion may occur prior to the consolidation of the common shares on the basis of at least 2.5 existing common shares for 1 new common share (the "Future Share Consolidation") (or unless otherwise permitted under applicable stock exchange policies). Interest on the principal amount of the convertible debentures shall be due in quarterly instalments on March 31, June 30, September 30 and December 31. All or any portion of the outstanding interest payments will be convertible into common shares at the option of the holder on any interest payment date, and at the option of the Company upon any Principal Conversion, at a conversion price equal to the greater of the closing price of the common shares on the CSE on the last trading day of the applicable interest period or $0.25 (the "Interest Conversion"). No Interest Conversion may occur prior to the Future Share Consolidation.

(Expressed in Canadian Dollars)

6. Convertible Debentures (Continued)

Each of the detachable common share purchase warrant shall entitle the holder to acquire one common share at a price of $0.025 per common share until October 31, 2020, provided that no warrants may be exercised prior to the Future Share Consolidation. Accordingly, the Company issued an aggregate amount of 2,000,000 common share purchase warrants. The estimated fair value of the 200,000 warrants of $7,207 was estimated using the Black- Scholes option pricing model with the following assumptions: an expected dividend yield of 0%, expected volatility of 132%, a risk-free interest rate of 0.094% and an expected life of 5 years.

In accordance with IFRS, the Company has separated the convertible debentures into debt and equity components on the condensed interim consolidated statements of financial position using the residual method. The equity component represents the value of the conversion feature and is the difference between the estimated fair value of the liability component plus fair value of the 200,000 warrants and the proceeds received of $100,000. The net present value of the liability component of the convertible debentures has been estimated using an effective interest rate of 20%. The directly attributable transaction costs were allocated to the liability and equity components proportionately. The convertible debentures, net of the equity component and transaction costs, are accreted such that carrying amount of the convertible debentures will equal the face value of the convertible debentures at maturity. The accretion on the convertible debentures is included in interest and financing fees in the condensed interim consolidated statements of loss and comprehensive loss.

The rate of 20% used in estimating the value of the liability component of the convertible debentures and used to apply the effective interest rate method to the convertible debentures is based on significant management estimation.

	Proceeds	Liability Component	Equity Component
Convertible debentures upon issuance	$ 100,000	$ 71,343	$ 28,657
Transaction costs	(6,520)	(4,652)	$ (1,868)
Deferred tax	-	-	$ (5,700)
Balance, June 30, 2016	**$ 93,480**	**$ 66,691**	**$ 21,089** [1]

[1] *The balance includes 2,000,000 detachable common share purchase warrants with a net total value of $6,738.*

The balance of the liability component of the convertible debentures as at June 30, 2016 is as follows:

Balance, September 30, 2015	$ -
Issuance of convertible debentures	66,691
Accretion on convertible debentures	9,481
Cash interest	(6,200)
Balance, June 30, 2016	**$ 69,972**

(Expressed in Canadian Dollars)

7. Capital Stock

Authorized: Unlimited number of common shares, without par value
Unlimited number of preferred shares

Share Consolidation

On October 20, 2015, the Company completed a share consolidation on the basis of one (1) post-consolidation common share for every thirty (30) pre-consolidation common shares. All common shares, options, warrant and basic and diluted loss per share amounts have been restated in these condensed interim consolidated financial statements to give retrospective effect to the share consolidation.

On July 6, 2016, the Company completed a further share consolidation on the basis of one (1) post-consolidation common share for every thirty (10) pre-consolidation common shares. All common shares, options, warrant and basic and diluted loss per share amounts have been restated in these condensed interim consolidated financial statements to give retrospective effect to the share consolidation.

Common shares issued:

	Number of Shares	Amount
Balance, September 30, 2014	672,109	$ 52,045,218
Private placement	166,667	$ 500,000
Warrant valuation	-	$ (164,197)
Share issue costs	-	$ (5,467)
Balance, September 30, 2015 and June 30, 2016	**838,776**	**$ 52,375,554**

(i) On November 26, 2014, the Company raised proceeds of $500,000 by way of a non-brokered private placement of 1,666,67 units with a corporation which owns greater than 35% of the outstanding common shares of the Company, at a price of $0.30 per unit. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share until November 26, 2019 at an exercise price of $1.50 per common share. The Company paid a total amount of $8,140 for legal an fees and other cash-related share issue costs.

8. Share-based Payment Reserve

The Company has an incentive stock option plan (the "Plan") whereby the Company can grant to directors, officers, employees and consultants options to purchase shares of the Company. The Plan provides for the issuance of stock options to acquire up to 10% of the Company's issued and outstanding capital. The Plan is a rolling plan as the number of shares reserved for issuance pursuant to the grant of stock options will increase as the Company's issued and outstanding capital stock increases. Options granted under the Plan vest immediately pending any regulatory hold period.

The Plan provides that it is solely within the discretion of the Board to determine who receives stock options and in what amounts. In no case (calculated at the time of grant) shall the Plan result in:

- The number of options granted in a 12-month period to any one consultant exceeding 2% of the issued shares of the Company;
- The aggregate number of options granted in a 12-month period to any one individual exceeding 5% of the outstanding shares of the Company;

(Expressed in Canadian Dollars)

8. Share-based Payment Reserve (Continued)

- The number of options granted in any 12-month period to employees or consultants undertaking investor relations activities exceeding in aggregate 2% of the issued shares of the Company;
- The aggregate number of common shares reserved for issuance to any one individual upon the exercise of options granted under the Plan or any previously established and outstanding stock option plans or grants exceeding 5% of the issued shares of the Company in any 12-month period.

The following table reflects the continuity of stock options for the nine months ended June 30, 2016 and 2015:

	Number of Stock Options	Weighted Average Exercise Price
Balance, September 30, 2015	6,583	$15.00
Expired	(2,500)	($15.00)
Balance, June 30, 2016	**4,083**	**$15.00**
Balance, September 30, 2014	1,726,550	$2.50
Expired	(18,500)	$0.90
Cancelled	(1,408,050)	$3.00
Balance, June 30, 2015	**300,000**	**$0.50**

The following table reflects the stock options outstanding as at June 30, 2016:

Expiry Date	Exercise Price(CDN)	Weighted Average Life Remaining	Options Outstanding	Black-Scholes Value
June 17, 2019	$ 15.00	2.96 years	4,083	$ 24,723

Of the 4,083 options outstanding as at June 30, 2016, all were exercisable.

(Expressed in Canadian Dollars)

9. Warrants

The following table reflects the continuity of warrants for the nine months ended June 30, 2016 and 2015

	Number of Warrants	Amount
Balance, September 30, 2015	205,000	$ 194,144
Warrants issued as part of private placement	200,000	7,207
Warrant issue cost	-	(469)
Warrants issued on debt settlement	7,410,200	1,304,195
Balance, June 30, 2016	**7,815,200**	**$ 1,505,077**
Balance, September 30, 2014	499,898	$ 341,900
Warrants and broker warrants expired	(139,898)	(125,900)
Issued in connection with loan facility's term extension	1,150,000	32,050
Warrants issued as part of private placement, net of share issue costs	5,000,000	164,197
Warrants issue cost	-	(2,673)
Balance, June 30, 2015	6,510,000	$ 409,574

The following table reflects the warrants outstanding as at June 30, 2016 :

Expiry Date	Exercise Price	Weighted Average Life Remaining	Warrants Outstanding	Black-Scholes Value
July 6, 2016	$ 0.180	0.02 years	7,410,200	$ 1,304,195
November 7, 2019	$ 6.00	3.36 years	38,333	32,050
November 29, 2019	$ 15.00	3.41 years	166,667	161,524
October 31, 2020	$ 0.250	4.34 years	200,000	6,738
	$ 0.515	0.22 years	7,815,200	$ 1,504,507

(i) These warrants were issued in connection with the extension of the loan facility on November 7, 2014 . The value of the warrants of $32,620 includes $570 which is the estimated fair value of the 4.43 warrants not yet issued in connection with the non-revolving term loan facility closed on July 24, 2015.

(ii) In connection with November 26, 2014 private placement, the Company issued 166,667 warrants which entitle the holder to purchase one common share of the Company at a price of $15.00, expiring November 26, 2019. The estimated fair value of the warrants of $164,197 was estimated using the Black-Scholes option pricing model with the following assumptions: an expected dividend yield of 0%, expected volatility of 106%, a risk-free interest rate of 1.46% and an expected life of 5 years interest rate of 1.46%.

(iii) In connection with November 20, 2015 non-brokered private financing, the Company issued 200,000 warrants which entitle the holder to purchase one Common share of the Company at a price of $0.25 expiring October 31, 2020. The estimated fair value of the warrants of $7,207 was estimated using the Black-Scholes option pricing model with the following assumptions: an expected dividend yield of 0%, expected volatility of 132%, a risk-free interest rate of 0 .94% and an expected life of 5 years.

10. Commitments and Contingencies

Management Contracts

The Company is party to certain management and employee contracts. These contracts contain clauses requiring additional payments of up to $342,000 be made upon the occurrence of certain events such as a change of control. Minimum management contract commitments remaining under these contracts are approximately $91,000 and have been accrued in these condensed interim consolidated financial statements.

Environmental

The Company's exploration and evaluation activities are subject to laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

Flow-through expenditure commitment

The Company has indemnified the subscribers of current and previous flow-through share offerings against any tax related amounts that become payable by the shareholder should the Company not meet its expenditure commitments. Include in accounts payable and accrued liabilities as at June 30, 2016 is a provision for $67,000 which is the estimated commitment under the indemnity provided to the flow-through subscribers.

Legal proceeding

The Company is party to legal proceedings in the ordinary course of its operations. The Company believes this claim to be without merit. Management does not expect the outcome of this proceeding to have a materially adverse effect on the results of the Company's financial position or results of operations and therefore this amount has not been reflected in these financial statements. Should any losses result from the resolution of this dispute, that amount will be charged to operations in the year that it is determined.

(Expressed in Canadian Dollars)

11. Related Party Transactions

These condensed interim consolidated financial statements include balances and transactions with directors and officers of the Company and corporations related to them. The Company paid fees for services to certain officers and directors or companies controlled by certain officers and directors during the period that were recorded in the accounts shown below:

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company:

Key Management Compensation

Remuneration of directors and officers included in administrative expenses are as follows:

Six Months Ended June 30,		**2016**		2015
Exploration and evaluation assets	**$**	**-**	$	47,250
Consulting and management fees	**$**	**72,648**	$	160,649
Directors fees	**$**	**-**	$	30,000

Included in accounts payable and accrued liabilities as at June 30, 2016 is $180,925 (September 30, 2015 - $76,200) payable to current and prior director and officers of the Company. These amounts are unsecured, non- interest bearing with no fixed terms of repayment.

12. Subsequent Events

i) On July 6, 2016, pursuant to shareholder approval at the June 13, 2016 annual special meeting of the shareholders, the Company consolidated its shares on the basis of one post consolidation common share for every 10 pre-consolidation shares.

i) On July 16, 2016, Drake exercised 7,410,200 special warrants.