ATON RESOURCES INC.

(formerly Alexander Nubia International Inc.)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

PERIOD ENDED SEPTEMBER 30, 2016

NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the condensed consolidated interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The accompanying unaudited condensed consolidated interim 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 consolidated interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

ATON RESOURCES INC. (formerly Alexander Nubia International Inc.)
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
(Unaudited)

As at	September 30, 2016	December 31, 2015
ASSETS		
Current		
Cash	$ 316,940	$ 830,473
Receivables	15,088	8,774
Prepaid expenses	41,220	8,643
	373,248	847,890
Equipment (Note 4)	140,996	127,465
Mineral exploration concessions (Note 5)	163,393	163,393
	$ 677,637	$ 1,138,748
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current		
Accounts payable and accrued liabilities	$ 1,611,614	$ 1,157,885
Interest payable (Note 6)	-	40,850
Convertible debentures (Note 6)	-	212,504
	1,611,614	1,411,239
Shareholders' deficiency		
Share capital (Note 7)	17,838,552	15,413,718
Reserves (Note 7)	1,679,269	1,538,678
Deficit	(20,451,798)	(17,224,887)
	(933,977)	(272,491)
	$ 677,637	$ 1,138,748

Nature of operations and going concern (Note 1)
Subsequent event (Note 13)

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

ATON RESOURCES INC. (formerly Alexander Nubia International Inc.)
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)
(Unaudited)

FOR THE	Three month period ended September 30, 2016	Three month period ended September 30, 2015	Nine month period ended September 30, 2016	Nine month period ended September 30, 2015
EXPENSES				
Bank charges and interest	$ 994	$ 1,903	$ 4,864	$ 7,008
Depreciation (Note 4)	9,388	9,965	24,373	29,896
Exploration and evaluation expenditures (Note 5)	946,005	165,506	2,201,054	969,130
Finance expense (Note 6)	3,381	7,845	19,315	23,075
Foreign exchange	35,248	11,601	16,234	21,718
Office and administration	41,791	29,286	80,565	64,425
Professional and consulting fees	59,025	96,977	602,728	276,759
Travel	19,558	-	75,960	-
Share-based payments (Note 7)	261,104	8,063	264,773	24,190
OTHER				
Gain on settlement of accounts payable and accrued liabilities	17,454	-	62,955	93,292
Loss and comprehensive loss for the period	$ (1,359,040)	$ (331,146)	$ (3,226,911)	$ (1,322,909)
Basic and diluted loss per common share	(0.01)	(0.01)	(0.05)	(0.04)
Weighted average number of common shares outstanding	97,481,022	43,023,214	67,211,341	37,308,311

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

ATON RESOURCES INC. (formerly Alexander Nubia International Inc.)
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
(Unaudited)

For the nine month period ended September 30	2016	2015
CASH FLOWS USED IN OPERATING ACTIVITIES		
Loss for the period	(3,226,911)	(1,322,909)
Non-cash items:		
Depreciation	24,373	24,190
Finance expense	19,315	29,896
Share-based payments	264,773	23,075
Gain on settlement of accounts payable and accrued liabilities	(62,955)	(93,292)
Foreign exchange	16,234	-
Changes in non-cash working capital items:		
Receivables	(6,314)	633
Prepaid expenses	(32,577)	(5,070)
Accounts payable and accrued liabilities	810,924	365,989
	(2,193,138)	(977,488)
CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(37,923)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of common shares	2,010,000	1,050,000
Share issuance costs	(19,803)	(35,332)
Payment of convertible debentures and interest (Note 6)	(272,669)	-
Short term loans	-	(50,000)
	1,717,528	964,668
Change in cash during the period	(513,533)	(12,820)
Cash, beginning of period	830,473	18,922
Cash, end of period	$ 316,940	$ 6,102

Supplemental disclosure with respect to cash flows (Note 11)

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

ATON RESOURCES INC. (Formerly Alexander Nubia International Inc.)
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' DEFICIENCY
(Expressed in Canadian Dollars)
(Unaudited)

	Share capital				
	Number	**Amount**	**Reserves**	**Deficit**	**Total**
Balance, December 31, 2014	29,449,223	$ 12,766,822	$ 1,202,610	$ (15,473,572)	$ (1,504,140)
Private placements	8,400,000	840,000	210,000	-	1,050,000
Share issuance costs – cash	-	(35,332)	-	-	(35,332)
Shares for settlement of debt (Note 7)	6,279,426	761,114	23,814	-	784,928
Share-based payments	-	-	24,190	-	24,190
Loss for the period	-	-	-	(1,322,909)	(1,322,909)
Balance, September 30, 2015	44,128,649	$ 14,332,604	$ 1,460,614	$ (16,796,481)	$ (1,003,263)
Private placements	22,375,000	1,105,000	70,000	-	1,175,000
Share issuance costs – cash	-	(23,886)	-	-	(23,886)
Share-based payments	-	-	8,064	-	8,064
Loss for the period	-	-	-	(428,406)	(428,406)
Balance, December 31, 2015	66,503,649	$ 15,413,718	$ 1,538,678	$ (17,224,887)	$ (272,491)
Private placements	40,200,000	2,010,000	-	-	2,010,000
Shares for debt	6,209,093	434,637	(124,182)		310,455
Share issuance costs – cash	-	(19,803)	-	-	(19,803)
Share-based payments	-	-	264,773	-	264,773
Loss for the period	-	-	-	(3,226,911)	(3,226,911)
Balance, September 30, 2016	112,912,742	$ 17,838,552	$ 1,679,269	$ (20,451,798)	$ (933,977)

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Aton Resources Inc. (Formerly Alexander Nubia International Inc.) (the "**Company**") operates through its wholly owned subsidiary, Aton Mining Inc. (formerly Alexander Nubia Inc.) which was incorporated under the Business Corporations Act (British Columbia) on May 17, 2006 and whose principal business activities are the exploration of mineral properties in the Arab Republic of Egypt ("**ARE**" or "**Egypt**"). The Company's registered office is located at 666 Burrard Street, Suite 500, Vancouver, BC, V6C 3P6. The Company's common shares trade on the TSX Venture Exchange ("**TSX-V**") under the symbol "**AAN**".

During the year ended December 31, 2015, the Board of Directors authorized a 5-for-1 share consolidation. The number of issued and outstanding shares, options, warrants and per share amounts have been retroactively adjusted to reflect the share consolidation.

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 evaluation and exploration properties and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise alternative financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values. The Company's exploration assets are located outside of Canada and are subject to the risk of foreign investment, including political uncertainty, increases in taxes and royalties, renegotiation of contracts and currency exchange fluctuations.

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, other land claims and non-compliance with regulatory and environmental requirements.

Going Concern

The Company is a mineral exploration company focused on acquiring and exploring mineral properties in the ARE. At the date of the financial statements, the Company has not identified a known body of commercial grade mineral on any of its properties. The ability of the Company to realize the costs it has incurred to date on these properties is dependent upon the Company identifying a commercial mineral body, to finance its development costs and to resolve any environmental, regulatory or other constraints which may hinder the successful development of the property. To date, the Company has not earned any revenues and is considered to be in the exploration stage.

The financial statements have been prepared assuming the Company will continue on a going-concern basis, 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 is not expected to continue operations for the foreseeable future. The Company has incurred losses since its inception and the ability of the Company to continue as a going-concern depends upon its ability to raise adequate financing and to develop profitable operations. At September 30, 2016 the Company has a deficit of $20,451,798 and a working capital deficiency of $1,238,366. This raises significant doubt as to the Company's ability to continue as a going concern. The financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

Management is actively targeting sources of additional financing through alliances with financial, exploration and mining entities, and other business and financial transactions which would assure continuation of the Company's operations and exploration programs. In addition, management closely monitors commodity prices of precious metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company if favorable or adverse market conditions occur.

2. BASIS OF PREPARATION

Statement of Compliance

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standards ("IAS") 34 'Interim Financial Reporting' ("IAS 34") using accounting policies consistent with IFRS issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of Consolidation and Presentation

The condensed consolidated interim financial statements have been prepared on a historical cost basis except for certain financial assets that are measured at fair value. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting except for the cash flow information. All dollar amounts presented are in Canadian dollars unless otherwise specified.

These condensed consolidated financial statements incorporate the financial statements of the Company and its wholly controlled subsidiaries. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The condensed consolidated interim financial statements include the accounts of the Company and its direct wholly-owned subsidiaries. All significant intercompany transactions and balances have been eliminated.

The Company's subsidiaries are as follows:

Name of Subsidiary	Ownership Interest	Principal Activity
Aton Mining Inc.	100%	Holding Company
Seventh Cleo Holdings Inc.	100%	Holding Company
Chelsea Holding Inc.	100%	Holding Company
Alexander Nubia Resources Inc.	100%	Exploration Company
Alexander Nubia Mining Inc.	100%	Exploration Company
Canex Enterprises Inc.	50%	Holding Company

The functional currency is the currency of the primary economic environment in which the entity operates and has been determined for each entity within the Company. The functional currency of the Company and for all entities within the Company is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified *in IAS 21, The Effects of Changes in Foreign Exchange Rates*.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the date of statement of financial position while nonmonetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in the statement of loss and comprehensive loss.

Use of Estimates and Judgments

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

Critical Accounting Estimates

The determination of income tax is inherently complex and requires making certain estimates and assumptions about future events. While income tax filings are subject to audits and reassessments, the Company has adequately provided for all income tax obligations. However, changes in facts and circumstances as a result of income tax audits, reassessments, jurisprudence and any new legislation may result in an increase or decrease in our provision for income taxes.

2. BASIS OF PREPARATION *(cont'd…)*

Use of Estimates and Judgments *(cont'd…)*

Critical Accounting Estimates (cont'd…)

The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon successful discovery, extraction, development and commercialization of mineral reserves. To the extent that management's assessment of the company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and deferred income tax provisions or recoveries could be affected.

Share-based payments are subject to estimation of the value of the award at the date of grant using pricing models such as the Black-Scholes option valuation model. The option valuation model requires the input of highly subjective assumptions including the expected share price volatility. Because the Company's warrants have characteristics significantly different from those of traded options and because the subjective input assumptions can materially affect the calculated fair value, such value is subject to measurement uncertainty.

Critical Accounting Judgments

The preparation of these condensed consolidated interim financial statements requires management to make judgments regarding the going concern of the Company, as discussed in Note 1. In addition, management has made judgments regarding the functional currency of the Company and has determined that the functional currency of the Company is the Canadian dollar.

The carrying value and recoverability of exploration and evaluation assets requires management to make certain estimates, judgments and assumptions about each project. Management considers the economics of the project, including the latest resources prices and the long-term forecasts, and the overall economic viability of the project.

Mineral exploration concession related to acquisition costs are initially capitalized as intangible exploration assets with the intent to establish commercially viable reserves. The Company is required to make judgments about the future events and circumstances regarding whether the carrying amount of intangible exploration assets exceeds its recoverable amount.

From time to time, certain claims, suits, and complaints may arise in the ordinary course of operations against the Company which require management to make certain estimates, judgments, and assumptions about the suit. In the opinion of management, any provisions related to such claims, if any, will be accrued when the claims meet the recognition criteria for contingent liabilities. Management is not aware of any material contingent liabilities which require recording in the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

New standards not yet adopted

Certain pronouncements were issued by the IASB or IFRIC that are not mandatory for accounting periods beginning on or after January 1, 2016 or later periods. They have not been early adopted in these condensed consolidated interim financial statements, and they are expected to affect the Company in the period of initial application. In all cases the Company intends to apply these standards from application date as indicated below:

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd…)*

New standards not yet adopted *(cont'd…)*

IFRS 9 Financial Instruments addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized costs, fair value through OCI and fair value through P&L. The basis of classification depends on entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities, there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the hedged ratio to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The Standard is effective for accounting periods beginning on or after January 1, 2018. Early adoption is permitted. The Company is currently evaluating the impact of this Standard.

IFRS 15 Revenue from Contracts with Customers deals with revenue recognition and establishes principles of reporting useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when the customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The Standard replaces IAS 18 Revenue, and IAS 11 Construction Contracts and related interpretations. FRS 15 will be effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is still in the process of assessing the impact, if any, on the financial statements of this new standard.

IFRS 16 Leases will be effective for accounting periods beginning on or after January 1, 2019. Early adoption will be permitted, provided the Company has adopted IFRS 15 Revenue from Contracts with Customers. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The Company is in the process of assessing the impact, if any, on the financial statements of this new standard.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

(Expressed in Canadian Dollars)

4. EQUIPMENT

	Field and office equipment	Vehicles and field accommodations	Total
Cost			
Balance, December 31, 2014, 2015	$ 279,361	$ 299,860	$ 579,221
Additions for the period	5,865	32,039	37,904
Balance, September 30, 2016	$ 285,226	$ 331,899	$ 617,125
Accumulated depreciation			
Balance, December 31, 2014	175,784	236,111	411,895
Depreciation for the year	20,884	18,977	39,861
Balance, December 31, 2015	196,668	255,088	451,756
Depreciation for the period	12,697	11,676	24,373
Balance, September 30, 2016	$ 209,365	$ 266,764	$ 476,129
Carrying amounts			
As at December 31, 2015	$ 82,693	$ 44,772	$ 127,465
As at September 30, 2016	$ 75,861	$ 65,135	$ 140,996

5. MINERAL EXPLORATION CONCESSIONS

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties, and, to the best of its knowledge, title to all of its properties, are properly registered and in good standing. Each mineral concession is considered to be a separate cash generating unit ("CGU").

Through the Company's wholly owned subsidiaries, Alexander Nubia Resources Inc. and Alexander Nubia Mining Inc., the Company holds two exploration concessions in Egypt, Abu Marawat and Fatiri.

The Abu Marawat and Fatiri Concession Agreements are defined by multiple phases of exploration with a required minimum exploration obligation for each phase of exploration. Phase I is a duration of one year, Phase II-A, is for a duration of two (2) years and the Phase II-B, is for a duration of two years. An additional six months may be applied with the approval of EMRA at the end of the last phase of exploration.

For the Abu Marawat Concession, the Company has met the minimum financial obligation for all three phases. For the Fatiri Concession, the Company has met the minimum financial obligation for Phase I and is currently in Phase II-A. For the Abu Marawat and Fatiri Concessions, the Company is required to provide a 2% training fee on the total exploration expenditure for the fiscal year.

The Company was granted an extension by the Ministry of Petroleum with the ability to extend for an additional two years' subject to the Company meeting certain technical and financial obligations. Not considering the possibility of a two-year extension, currently, Phase II-A of the Fatiri Concession, and Phase II-A of the Abu Marawat Concession ends as of July 31, 2018.

(Expressed in Canadian Dollars)

5. MINERAL EXPLORATION CONCESSIONS *(cont'd…)*

Capitalized acquisition costs for the concessions as at September 30, 2016 are broken down as follows:

Concession	As at December 31, 2014 and 2015	Additions	As at September 30 , 2016
Abu Marawat	$ 163,392	$ -	$ 163,392
Fatiri	1	-	1
As at September 30, 2016	$ 163,393	$ -	$ 163,393

Cumulative Exploration and Evaluation Expenditures for both concessions:

	As at December 31, 2014	Additions	As at December 31, 2015	Additions	As at September 30, 2016
Concession access	$ 200,467	$ -	$ 200,467	$ -	$ 200,467
Mapping	6,429	-	6,429	-	6,429
Labour	847,692	245,942	1,093,634	369,791	1,463,425
Field costs	1,159,007	165,653	1,324,660	381,718	1,706,378
Camp upgrade	96,954	-	96,954	-	96,954
Mobilization	217,292	-	217,292	-	217,292
Drilling	2,591,498	202,033	2,793,531	731,525	3,525,056
Start-up	41,515	-	41,515	-	41,515
Geologic services	1,099,320	-	1,099,320	-	1,099,320
Geophysics	244,888	-	244,888	-	244,888
Assaying	759,151	111,121	870,272	135,273	1,005,545
Travel	225,086	38,811	263,897	120,348	384,245
	7,288,832	763,560	8,052,392	1,738,655	9,791,047
Consulting	1,468,779	305,638	1,774,417	315,435	2,089,852
Administration	1,193,650	53,163	1,246,813	146,964	1,393,777
	2,662,429	358,801	3,021,230	462,399	3,483,629
	$ 10,151,728	$ 1,122,361	$ 11,274,089	$ 2,201,054	$ 13,475,143

6. CONVERTIBLE DEBENTURES

On May 29, 2012 the Company completed a private placement of units to raise gross proceeds of $215,000, with each unit consisting of:

i. one $1,000 principal amount 12.0% unsecured convertible debenture of the Company ("Old Debenture") which matures on May 29, 2014;
ii. 10,000 common share purchase warrants ("Warrant"), each Warrant being exercisable for a period which commences on November 29, 2012 and ends on May 29, 2014 at an exercise price of $0.10 per share; and
iii. convertible into common shares at $0.50 of the principal outstanding.

The Old Debentures matured on May 29, 2014, including $51,600 in unpaid interest payable.

6. CONVERTIBLE DEBENTURES *(cont'd…)*

On May 29, 2014 the Company issued 215 units new convertible debentures ("New Debenture") to replace the Old Debentures. No cash consideration was paid. Each unit consisting of:

i. one $1,000 principal amount 12.0% unsecured convertible debenture of the Company ("Debenture") which matures on May 29, 2016; and
ii. 3,712 common share purchase warrants ("Warrant"), each Warrant being exercisable until May 29, 2016 at an exercise price of $0.25 per share.
iii. convertible in to common shares at $0.25 of the principal outstanding until May 29, 2015 and $0.50 until May 29, 2016.

The New Debentures have the following terms:

- *Maturity Date* - May 29, 2016 (the "Maturity Date")
- *Interest* - 12% per annum, compounded semi-annually, payable at maturity.

The Company issued 310,400 common shares with a fair value of $77,600 for settlement of the $51,600 interest payable and incurred $26,000 in upfront interest on the New Debenture (Note 7).

For accounting purposes, the Company calculated the fair value of warrants issued with the New Debentures ($109,838), using the Black-Scholes option pricing model, assuming a risk-free interest rate of 1.15%, an expected life of 2 years, an expected volatility of 189% and an expected dividend yield of 0%. As the present values of the cash flows of the New Debentures were substantially different, the Company adjusted the convertible debentures payable to the revised fair value. As a result, the Company recorded a gain on the modification of debentures of $10,802. The carrying value of the liability is being accreted to the redemption value of the debentures over the period to the maturity date on May 29, 2016.

During the period ended September 30, 2016, accretion of $Nil (2015 - $3,725) has been recorded as a charge to the statement of loss and comprehensive loss and an increase in the carrying value of the liability and $19,315 (2015 - $19,350) has been accrued as interest payable and charged to the statement of loss and comprehensive loss as a finance expense. The Company redeemed with cash all the convertible debentures and interest in the aggregate amount of $272,669 of which the principal and interest were $215,000 and $57,669, respectively.

7. SHARE CAPITAL AND RESERVES

a) Authorized share capital

Unlimited number of common and preferred shares without par value.

b) Issued share capital

During the period ended September 30, 2016, the Company:

Completed a non-brokered private placement by issuing 200,000 units for $0.05 per unit for gross proceeds of $10,000. Each unit consisted of one common share and one share purchase warrant with each share purchase warrant exercisable at $0.05 until April 8, 2019.

Completed a non-brokered private placement by issuing 40,000,000 common shares for $0.05 per share for gross proceeds of $2,000,000.

The Company reached terms with a creditor of the Company, to exchange shares for debt. Accordingly, the Company issued 6,209,093 common shares at $0.05 per share to settle $310,455 of debt owing. The Company recorded a decrease to reserves of $124,182 based on the difference between the market value of the shares on the settlement date and the value of the debt settled

(Expressed in Canadian Dollars)

7. SHARE CAPITAL AND RESERVES *(cont'd…)*

b) Issued share capital *(cont'd…)*

During the year ended December 31, 2015, the Company:

Completed a non-brokered private placement by issuing 8,400,000 units for $0.125 per unit for gross proceeds of $1,050,000. Each unit consisted of one common share and one share purchase warrant with each share purchase warrant exercisable at $0.25 until March 5, 2018 with a residual value of $210,000;

Issued 6,279,426 common shares at a value of $0.125 per common share to settle $784,928 of debt owed to arm's length and non-arm's length parties;

Completed a non-brokered private placement by issuing 1,875,000 common shares for $0.08 per common share and gross proceeds of $150,000;

Completed a non-brokered private placement by issuing 13,500,000 units for $0.05 per unit for gross proceeds of $675,000. Each unit consisted of one common share and one share purchase warrant with each share purchase warrant exercisable at $0.05 until December 17, 2018 with a residual value of $Nil; and

Completed a non-brokered private placement by issuing 7,000,000 units for $0.05 per unit for gross proceeds of $350,000. Each unit consisted of one common share and one share purchase warrant with each share purchase warrant exercisable at $0.05 until December 22, 2018 with a residual value of $70,000.

c) Stock options and warrants

Under the Company's stock option plan ("Plan"), the Company may grant options for up to 10% of the issued and outstanding common shares to directors, employees, consultants, and certain other service providers. Under the plan, vesting is at the discretion of the Board, and can be granted for a maximum term of 10 years.

Stock option and share purchase warrants transactions are summarized as follows:

	Options			Warrants		
	Number of Shares		Weighted Average Exercise Price	Number of Shares		Weighted Average Exercise Price
Balance, December 31, 2014	1,796,346	$	0.39	3,708,000	$	0.32
Expired / forfeited	(704,346)		0.62	(2,910,000)		0.34
Granted	-		-	28,900,000		0.11
Balance, December 31, 2015	1,092,000	$	0.25	29,698,000	$	0.11
Expired / forfeited	(622,000)		0.25	(798,000)	$	0.25
Granted	6,800,000		0.07	200,000	$	0.05
Balance, September 30, 2016	7,270,000	$	0.08	29,100,000	$	0.11
Balance, September 30, 2016 exercisable	2,061,667	$	0.11	29,100,000	$	0.11

(Expressed in Canadian Dollars)

7. SHARE CAPITAL AND RESERVES *(cont'd…)*

c) Stock options and warrants *(cont'd…)*

As at September 30, 2016, incentive stock options were outstanding and exercisable as follows:

	Number outstanding	Number exercisable		Exercise price	Expiry date	Weighted average contractual life (years)
Stock Options	220,000	220,000	$	0.25	May 16, 2017	0.62
	150,000	150,000		0.25	May 26, 2017	0.65
	100,000	66,667		0.25	October 27, 2017	1.07
	6,200,000	1,550,000		0.07	July 5, 2021	4.76
	300,000	75,000		0.14	August 30, 2021	4.92
	300,000	-		0.08	September 12, 2021	4.95
	7,270,000	2,061,667				

As at September 30, 2016, share purchase warrants were outstanding as follows:

	Number		Exercise price	Expiry date
Share Purchase Warrants	8,400,000	$	0.25	March 5, 2018
	200,000		0.05	April 8, 2018
	13,500,000		0.05	December 17, 2018
	7,000,000		0.05	December 22, 2018
	29,100,000			

During the period ended September 30, 2016, the Company granted 6,800,000 (2015 – Nil) stock options to officers, consultants and directors. The weighted-average fair value of options granted during the period was $0.02 per option (2015 – $Nil). Total share-based payments recognized in the statement of comprehensive loss for the period ended September 30, 2016 was $152,886 (2015 – $24,190) for incentive options granted and vested during the period. This amount was also recorded as reserves on the statement of financial position.

The following weighted average assumptions were used for the valuation of stock options:

	September 30, 2016	September 30, 2015
Risk-free interest rate	0.54%	N/A
Expected life of options	5 years	N/A
Annualized volatility	129.33%	N/A
Dividend rate	0.00%	N/A

(Expressed in Canadian Dollars)

8. RELATED PARTY TRANSACTIONS

The following entities are classified as related parties due to the following:

Related party	Relationship
A. Alexander Massoud	Former Director and CEO
Bill Koutsouras	Director
Giles Baynham	Director and consultant
Kouts Capital	Consulting company for Bill Koutsouras
Justin Blanchet	CFO
Mark Campbell	Director and CEO
Mounir Massoud	Close family member of former CEO
Red Fern Consulting Ltd.	Consulting company for Justin Blanchet
Rikyu Sung Kapital Inc.	Consulting company of a close family member of former CEO

a) Key management personnel compensation

The remuneration of directors and other members of management were as follows:

	For the period ended September 30	
	2016	2015
Short-term employee benefits – management compensation	$ 214,207	$ 397,037
Short-term employee benefits – directors' fees	27,035	49,500
Share-based payments – management compensation	58,085	7,741
Share-based payments – directors' fees	89,287	11,438
	$ 388,614	$ 463,716

b) Related party balances and transactions

The balances due to the Company's current and former directors and officer included in accounts payables and accrued liabilities were $340,024 as at September 30, 2016 (December 31, 2015 – $433,115). These amounts are unsecured, non-interest bearing and payable on demand.

9. SEGMENTED INFORMATION

The Company operates in one reportable segment, being the exploration and development of mineral properties. All of the Company's equipment and mineral properties are located in Egypt.

10. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT

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

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

The fair value of the Company's receivables, accounts payable and accrued liabilities, short term loan payable, interest payable and convertible debentures approximate carrying value, which is the amount recorded on the condensed consolidated interim statement of financial position. Cash under the fair value hierarchy are based on level one quoted prices in active markets for identical assets or liabilities.

10. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT *(cont'd…)*

The Company is exposed to varying degrees to a variety of financial instrument related risks:

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The Company's cash (excluding petty cash), are all held at large Canadian or International financial institutions in interest bearing accounts. The Company has no investment in asset-backed commercial paper.

The Company's receivable consists mainly of GST receivables due from the government of Canada. As at September 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 manages liquidity risk through its capital management as outlined further on in Note 10.

Accounts payable relating to mineral exploration concessions and other accounts payable and accrued liabilities are due within one year. The Company's approach to managing liquidity risk is to try to have sufficient liquidity to meet liabilities when due. To maintain liquidity, the Company is currently investigating financing opportunities. While the Company has been successful in obtaining its required funding in the past, there is no assurance that future financings will be available.

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 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 convertible debentures and short term loan payable are not a source of interest rate risk as they bear interest at fixed rates. A 1% change in interest rates on cash deposits would have a nominal effect on net loss.

b) Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to cash, accounts receivable and accounts payable and accrued liabilities that are denominated in US Dollars (USD).

c) Price risk

The Company is exposed to price risk with respect to commodity and 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. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of gold, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

10. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT *(cont'd…)*

Sensitivity Analysis

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible".

The Company has cash, receivable and accounts payable denominated in USD and are exposed to risk from changes in the USD. A 10% fluctuation in the USD against the Canadian dollar would affect net loss for the year by approximately $170,000.

Capital management

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In the management of capital, the Company considers components of shareholders deficiency. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash and investments.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The Company currently is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management during the year.

11. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

During the period ended September 30, 2016, the Company:

- issued 6,209,093 common shares at $0.05 per share to settle $310,455 of accounts payable and accrued liabilities of which $434,637 was allocated to shares capital and a decrease of $124,182 to reserves.

During the period ended September 30, 2015, the Company:

- issued a total of 8,400,000 warrants attached to units from a completed private placement which were valued at $210,000; and

- issued 6,279,426 common shares at $0.125 per share to settle $784,928 of accounts payable and accrued liabilities of which $761,114 was allocated to shares capital and $23,814 to reserves.

12. COMMITMENTS AND CONTINGENCIES

A former director and CEO of the Company commenced litigation against the Company alleging wrongful dismissal and claiming damages of US$500,000 for severance and unpaid wages of $246,327 plus interest and costs related. The Company is defending the cases and believes they are without merit. No liability other than unpaid fees for services amounting to $246,327 has been recorded in relation to these legal proceedings.

Two former employees of the Company commenced litigation against the Company in Egypt alleging wrongful dismissal and claiming damages of 1,555,000 Egyptian Pounds ($227,500). The Company is defending the cases and believes they are without merit. No contingent liability has been recorded in relation to these legal proceedings.

In the ordinary course of business, the Company is from time to time involved in legal proceedings and litigation. Presently, there are no legal proceedings and litigations that recently have had, or to the Company's knowledge, are reasonably possible to have, a material impact on the Company's financial positions, results of operations or cash flows. The Company did not accrue any loss contingencies in this respect as of September 30, 2016 and December 31, 2015, as the Company did not consider an unfavorable outcome in any material respects in these legal proceedings and litigations to be probable.

13. SUBSEQUENT EVENT

Subsequent to the period ended September 30, 2016, the Company announced an arrangement for a non-brokered private placement for 61,538,461 units at $0.065 for gross proceeds of $4,000,000 and may be increased by a further 15% to 70,769,230 units. Each unit will consist of one common share and one common share purchase warrant exercisable at $0.08 for a period of five years. The Company will pay 6% cash commission on this private placement.