# VISCOUNT MINING CORP.

## CONDENSED INTERIM
## CONSOLIDATED FINANCIAL STATEMENTS

## FEBRUARY 29, 2016

**(Unaudited)**

*(Expressed in Canadian Dollars)*

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED 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 interim consolidated financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of Viscount Mining Corp. (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 the standards established by the Canadian Institute of Chartered Accountants for a review on condensed interim consolidated financial statements by an entity's auditor.

**VISCOUNT MINING CORP.**
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)
(Unaudited)

| | Notes | As at February 29, 2016 $ | As at August 31, 2015 $ |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 3 | 523,991 | 636,346 |
| Amounts receivable and prepaid expenses | 4 | 16,369 | 49,785 |
| | | 540,360 | 686,131 |
| **Exploration and evaluation properties** | 5 | 856,500 | 791,083 |
| **Total Assets** | | 1,396,860 | 1,477,214 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade payables and accrued liabilities | 6 | 31,621 | 60,186 |
| **Promissory notes and amounts due to related parties** | 7 | 130 | 10,323 |
| Total Liabilities | | 31,751 | 70,509 |
| **SHAREHOLDERS' EQUITY** | | | |
| Share capital | 8 | 5,191,018 | 4,736,706 |
| Subscriptions received in advance | | - | - |
| Reserves | 8 | 954,732 | 877,776 |
| Accumulated deficit | | (4,780,641) | (4,207,777) |
| Total shareholders' equity | | 1,365,109 | 1,406,705 |
| **Total Shareholders' Equity and Liabilities** | | 1,396,860 | 1,477,214 |

**Nature and continuance of Operations and Ability to Continue as a Going Concern** (Note 1)
**Commitments and Contingency** (Note 10)
**Events Occurring After the Reporting Date** (Note 13)

These condensed interim consolidated financial statements are authorized for issuance by the Board of Directors on April 25, 2016.

**On behalf of the Board:**

*"Jim MacKenzie"* Director *"William Macdonald"* Director

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

**VISCOUNT MINING CORP.**
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian dollars)
(Unaudited)

| | Notes | For the Six Month Period Ended February 29, 2016 $ | For the Six Month Period Ended February 28, 2015 $ | For the Three months Ended February 29, 2016 $ | For the Three months Ended February 28, 2015 $ |
|---|---|---|---|---|---|
| **Expenses** | | | | | |
| Bank charges and interest | | 1,402 | (12,149) | 1,013 | (13,346) |
| Consulting | | 316,901 | 326,670 | 159,382 | 189,407 |
| Insurance | | 3,656 | 3,375 | 3,656 | 1,687 |
| Legal and accounting | | 45,155 | 47,818 | 24,330 | 26,300 |
| Office and miscellaneous | | 23,367 | 9,209 | 13,086 | 6,247 |
| Promotion | | 106,639 | 60,815 | 43,699 | 32,390 |
| Share-based payment | 8 | 84,295 | 138,647 | 67,633 | 138,647 |
| Transfer agent and filing fees | | 18,797 | 34,530 | 13,655 | 23,907 |
| Travel | | 23,317 | 16,519 | 9,233 | 10,947 |
| | | (623,529) | (625,434) | (335,687) | (416,186) |
| Foreign exchange gain/(loss) | | 50,331 | 1,943 | 5,907 | 3,623 |
| Interest income | | 334 | - | 8 | - |
| **Net loss and comprehensive loss for the period** | | (572,864) | (623,491) | (329,772) | (412,563) |
| **Loss per share, basic and diluted** | | (0.02) | (0.02) | (0.01) | (0.02) |
| **Weighted average number of common shares outstanding** | | 34,593,161 | 27,085,818 | 35,544,997 | 27,085,818 |

**VISCOUNT MINING CORP.**
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)
(Unaudited)

| | For the Six Month Period Ended February 29, 2016 $ | For the Six Month Period Ended February 28, 2015 $ |
|---|---|---|
| **Cash flows used in operating activities** | | |
| Net loss for the period | (572,864) | (623,491) |
| Adjustments for non-cash items | | |
| Share-based payment | 84,295 | 138,647 |
| Changes in operating assets and liabilities: | | |
| (Increase) Decrease in amounts receivable and prepaid expenses | 33,416 | (35,264) |
| Increase (Decrease) in trade payables and accrued liabilities | (28,565) | (9,486) |
| | (483,718) | (529,594) |
| **Cash flows from (used in) investing activities** | | |
| Exploration and evaluation properties expenditures | (37,667) | (389,963) |
| | (37,667) | (389,963) |
| **Cash flows from financing activities** | | |
| Issuance of common shares | 419,223 | 1,668,825 |
| Subscriptions received in advance | - | (20,000) |
| Due to related parties | (10,193) | (166,592) |
| | 409,030 | 1,482,233 |
| **Increase (decrease) in cash and cash equivalents** | (112,355) | 562,676 |
| **Cash and cash equivalents, beginning of period** | 636,346 | 65,319 |
| Cash and cash equivalents, end of period | 523,991 | 627,995 |

**Supplemental Cash Flow Information** (Note 9)

**VISCOUNT MINING CORP.**
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED FEBRUARY 29, 2016
(Expressed in Canadian dollars)
(Unaudited)

| | | Common Shares | | Reserves | | | | |
|---|---|---|---|---|---|---|---|---|
| | Notes | Number of Shares | Share Capital | Warrant Reserve | Option Reserve | Share Subscriptions Received in Advance | Deficit | Total |
| | | | $ | $ | $ | $ | $ | $ |
| **Balance – August 31, 2014** | | 21,775,000 | 3,155,800 | 20,000 | 367,532 | 20,000 | (2,703,470) | 859,862 |
| Common shares issued | 8 | 11,666,672 | 1,750,001 | - | - | (20,000) | - | 1,730,001 |
| Share issue costs | 8 | - | (81,176) | - | - | - | - | (81,176) |
| Warrants issued for finders fees | 8 | - | (22,078) | 22,078 | - | - | - | - |
| Share based payments | | - | - | - | 138,647 | - | - | 138,647 |
| Warrants expired unexercised | | - | - | (20,000) | - | - | 20,000 | - |
| Net loss for the six month period | | - | - | - | - | - | (623,491) | (623,491) |
| **Balance - February 28, 2015** | | 33,441,672 | 4,802,547 | 22,078 | 506,179 | - | (3,306,961) | 2,023,843 |
| **Balance – August 31, 2015** | | 33,466,672 | 4,736,706 | 117,310 | 760,466 | - | (4,207,777) | 1,406,705 |
| Common shares issued for exploration and evaluation properties | 8 | 75,000 | 27,750 | - | - | - | - | 27,750 |
| Exercise of options | 8 | 75,000 | 17,936 | - | (2,936) | - | - | 15,000 |
| Exercise of warrants | 8 | 1,616,894 | 408,626 | (4,403) | - | - | - | 404,223 |
| Share based payments | 8 | - | - | - | 84,295 | - | - | 84,295 |
| Net loss for the six month period | | - | - | - | - | - | (572,864) | (572,864) |
| **Balance - February 29, 2016** | | 35,233,566 | 5,191,018 | 112,907 | 841,825 | - | (4,780,641) | 1,365,109 |

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

## 1. Nature and Continuance of Operations and Ability to Continue as a Going Concern

Viscount Mining Corp. (the "Company") was incorporated under the British Columbia Business Corporations Act on October 26, 2011 and was classified as a Capital Pool Company as defined in Policy 2.4 of the TSX Venture Exchange ("TSXV"). On July 23, 2013, the Company completed a share exchange (the "Share Exchange") with Viscount Mining Resources Ltd. (formerly Viscount Mining Ltd.) ("Viscount") and all of the shareholders of Viscount, whereby the Company acquired all of the issued and outstanding common shares of Viscount and former Viscount's shareholders received equal number of common shares of the Company. Concurrent with the Share Exchange, the Company changed its name to Viscount Mining Corp. and completed a consolidation of its common shares on the basis of one post-consolidation share for every two pre-consolidation shares, as approved by TSXV. All common shares and per share amounts have been restated to give retroactive effect to the share consolidation. For accounting purposes, the Share Exchange was treated as a reverse takeover ("RTO"), whereby Viscount is considered the acquirer and the Company is considered the acquiree.

The Company had cash and cash equivalents of $523,991 at February 29, 2016 (February 28, 2015 - $627,995) and working capital of $508,739 (February 28, 2015 - $681,941), but management cannot provide assurance that the Company will ultimately achieve profitable operations or become cash flow positive, or raise additional debt and/or equity capital. For the six month period ended February 29, 2016, the Company had no source of operating revenues, incurred an operating loss of $572,864 (February 28, 2015 - $623,491) and, as at that date, had an accumulated deficit of $4,780,641 (February 28, 2015 - $3,306,961). If the Company is unable to raise additional capital in the future, management expects that the Company will need to curtail operations, liquidate assets, seek additional capital on less favourable terms and/or pursue other remedial measures. Management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

These consolidated financial statements do not include any adjustments related to the recoverability and classification of assets or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

The Company is an exploration stage company and its principal business activity is natural resource exploration, focusing on resources located in the state of Nevada and Colorado in the USA. Mining and exploration involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The Company has no source of revenue, and has significant cash requirements to conduct its planned exploration, meet its administrative overhead and maintain its resource interests.

The recoverability of the Company's investment in and expenditures on resource properties is dependent on several factors, including the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development of these properties, and future profitable production or proceeds from disposition of resource interests.

The Company's registered office is located at 409 - 221 W. Esplanade, North Vancouver BC V7M 3J3

## 2. Significant Accounting Policies

### Statement of Compliance

The condensed interim consolidated financial statements of the Company, including comparatives, have been prepared in accordance with and using accounting policies in full compliance with International Financial Reporting Standards ("IFRS") and International Accounting Standards ("IAS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), effective for the Company's reporting for the six months ended February 29, 2016.

**Statement of Compliance and Conversion to International Financial Reporting Standards**

These condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standard 34 "*Interim Financial Reporting*" ("IAS 34"). These condensed interim consolidated financial statements follow the same accounting policies and methods of computation as compared with the most recent annual financial statements, being for the year ended August 31, 2015, using accounting policies consistent with IFRS issued by IASB and Interpretations of IFRIC.

These condensed consolidated interim financial statements do not include all of the information required of a full annual financial report and should be read in conjunction with the annual consolidated financial statements of the Company for the year ended August 31, 2015.

**Basis of Preparation**

These consolidated financial statements have been prepared on the historical cost basis except for financial assets classified as fair value through profit and loss. The presentation and functional currency of the Company is the Canadian dollar.

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

**Basis of Consolidation**

The Company's consolidated financial statements include the accounts of the Company and its subsidiaries. A subsidiary is an entity (including special purpose entity) controlled by the Company, where control is achieved by the Company having the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. A subsidiary is fully consolidated from the date on which control is obtained by the Company, and is de-consolidated from the date that control ceases.

The following subsidiaries have been consolidated for all dates presented within these financial statements, and are wholly owned: Viscount Mining Resources Ltd., Viscount Nevada Holdings Ltd. ("Viscount Nevada") and Viscount Colorado Holdings Ltd. ("Viscount Colorado").

All significant inter-company transactions, balances, income and expenses are eliminated on consolidation.

**Significant Accounting Judgments, Estimates and Assumptions**

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

Areas requiring a significant degree of estimation and judgment relate to the recoverability of the carrying value of exploration and evaluation assets, fair value measurements for financial instruments and share-based payments, and ability to continue as a going concern. Actual results may differ from those estimates and judgments.

## 3. Cash and Cash Equivalents

| | As at February 29, 2016 $ | As at August 31, 2015 $ |
|---|---|---|
| Denominated in Canadian dollars | 182,156 | 137,028 |
| Denominated in US dollars | 341,835 | 499,318 |
| | 523,991 | 636,346 |

## 4. Amounts Receivable and Prepaid Expenses

Amounts receivable and prepaid expenses consist of the following:

| | As at February 29, 2016 $ | As at August 31, 2015 $ |
|---|---|---|
| Goods and Services Tax | 8,245 | 4,957 |
| Prepaid insurance and consulting | 8,124 | 44,828 |
| | 16,369 | 49,785 |

Amounts receivable are non-interest bearing, unsecured and have settlement dates within one year.

## 5. Exploration and Evaluation Properties

Exploration and evaluation expenditures by project as at February 29, 2016 and August 31, 2015 are as follows:

| | As at February 29, 2016 $ | As at August 31, 2015 $ |
|---|---|---|
| **Nevada Properties** | | |
| Acquisition and exploration costs | 1,495,848 | 1,488,259 |
| Recoveries property agreements | (787,575) | (787,575) |
| **Colorado properties** | | |
| Acquisition and exploration costs | 148,227 | 90,399 |
| **Total** | 856,500 | 791,083 |

A summary of the changes in the Company's exploration and evaluation properties for the six months ended February 29, 2016 and year ended August 31, 2015 are as follows:

| | **Six months February 29, 2016** | **Year ended August 31, 2015** |
|---|---|---|
| | **$** | **$** |
| **Balance beginning of year** | 791,083 | 990,183 |
| Property acquisitions | 27,750 | 248,804 |
| Staking new claims and claim maintenance | 387 | 115,152 |
| Consulting (Note 6) | 29,762 | 62,462 |
| Exploration | 7,518 | 7,782 |
| **Total** | 856,500 | 791,083 |

A. **Nevada Properties**, described collectively as our Cherry Creek Project, consists of more than 9,000 acres and lies within an historic silver district, where high grade silver production came from numerous mines up to the 1920's. The three largest past producing silver mines on the property were the Exchequer/New Century Mine, Ticup and the Star Mine. Viscount has entered into an exploration earn-in agreement with Summit Mining Exploration, Inc. ("Summit"), a subsidiary of Sumitomo Corporation which covers our Cherry Creek Project (Note 5 f).

Additional information on the properties that comprise the Cherry Creek Project are as follows:

a) On March 31, 2011, the Company entered into a Mining Lease and Agreement to Purchase for certain patented and unpatented mining claims located in White Pine County, Nevada (the "Cherry Creek 1 Property"). On March 13, 2013, April 19, 2013, May 21, 2013, and June 2014 the agreement was amended. Under the terms of the amended agreement, the Company has made payments totaling US$551,500 in cash and shares detailed below and the owner has transferred title to the Cherry Creek 1 Property to the Company.

i. US$10,000 within 15 days of signing of the agreement (paid);
ii. US$10,000 on or before March 31, 2012 (paid);
iii. US$75,000 and issue 375,000 common shares at a deemed price per share of $0.20 for a total value of $75,000 on or before March 31, 2013 (paid);
iv. US$181,500 on or before October 1, 2014 (paid); and
v. US$200,000 on or before March 31, 2015 (paid).

The Company will pay the owner a Net Smelter Royalty ("NSR") of 1.5% of net smelter proceeds.

On March 31, 2011, the Company granted a NSR of 1% to Kingsmere Mining Ltd. in recognition of their efforts in the acquisition of the Cherry Creek 1 Property.

b) On June 27, 2011, the Company entered into a Mining Lease and Agreement to Purchase for certain patented and unpatented mining claims and two mill sites located in White Pine County, Nevada (the "Cherry Creek 2 Property"). On May 21, 2013 and June 23, 2014, the agreement was amended. Under the terms of the amended agreement the Company has made payments totaling US$450,000 as detailed below and the owner has transferred title to the Cherry Creek 2 Property to the Company.

i. US$30,000 within 15 days of signing the agreement (paid);
ii. US$20,000 on or before June 27, 2012 (paid);
iii. US$30,000 on or before October 1, 2014 (paid); and
iv. US$370,000 on or before May 1, 2015) (paid).

The Company will pay the owner a NSR of 1% of net smelter proceeds.

On June 27, 2011, the Company granted a NSR of 1.5% to Kingsmere Mining Ltd. in recognition of their efforts in the acquisition of the Cherry Creek 2 Property.

c) In August 2014, the Company acquired 139 claims from Nevada Tungsten Holdings Ltd. for US$5,000 (CDN$5,500) and staked an additional 155 lode claims for $18,101 the MATS claims in the Cherry Creek area. During the year ended August 31, 2015 in accordance with the Exploration Earn-in Agreement (Note 5 f) and in cooperation with Summit, the Company added 16 claims at the Zinc Beds area, 19 claims at Flint Canyon and 38 claims to cover open fractions and dropped 48 claims in low potential areas and no mineral indicators. All costs were paid by Summit in accordance with the Exploration Earn-in Agreement.

d) On January 29, 2013, the Company entered into a Mining Lease and Agreement to Purchase for certain unpatented mining claims located in White Pine County, Nevada (the "Ticup Property"). The terms of the agreement call for the Company to make lease payments totaling US$32,500 detailed below. In accordance with the agreement the Company made a payment of US$5,000 within 5 days of signing of the agreement and the owner transferred title of the Ticup Property to the Company by Quitclaim Deed.

   i. US$5,000 within 5 days of signing of the agreement (paid);
   ii. US$5,000 on or before January 29, 2014 (paid);
   iii. US$5,000 on or before January 29, 2015 (paid);
   iv. US$7,500 on or before January 29, 2016; (paid by Summit in accordance with the Earn-in agreement (Note 13)) and
   v. US$10,000 on or before January 29, 2017.

e) On January 31, 2013, the Company entered into an Option Agreement (the "Option Agreement") with Nevada Tungsten Holdings Ltd. (the "Optionee"), as amended on February 28, 2013, whereby the Company granted the Optionee the sole and exclusive right and option to acquire up to an undivided 100% right, title and interest in and to all tungsten located on certain of the Company's mining claims in the State of Nevada.

On April 15, 2013 the Company received US$150,000 (CDN$154,275) but the Optionee was unable to meet the remaining commitments under the agreement and on August 19, 2014, the Company and the Optionee have mutually agreed to terminate the Option Agreement and all of the parties' respective rights and obligations thereunder.

f) On April 7, 2015 the Company announced that it had satisfied the various approval requirements, including receipt of the approval of its shareholders (the "Shareholder Approval"), and proceeded with its previously announced Exploration Earn-in Agreement dated February 27, 2015 (the "Earn-in Agreement") among the Company, its two wholly-owned subsidiaries and Summit.

Pursuant to the terms of the Earn-in Agreement, Summit has been granted the option to acquire a 75% undivided interest, subject to certain underlying royalties, in the Company's Cherry Creek Property located in White Pine County, Nevada, USA (the "Property"), and form a joint venture with the Company (the "Joint Venture").

To earn its 75% interest in the Property, Summit must expend a minimum of US$10 million (the "Aggregate Work Obligation") in exploration and development expenses on the Property and complete a Feasibility Study (the "Feasibility Study") by the eighth anniversary of the effective date of the Earn-in Agreement, being April 16, 2015 (the "Effective Date").

In the first year of the Earn-in Agreement, Summit is required to make a committed minimum expenditure of US$800,000 followed by a US$1 million committed minimum expenditure in the second year of the Agreement and a US$1 million minimum expenditure in each of the following agreements years until the eighth anniversary of the Effective Date. In accordance with the terms of the Earn-in Agreement, Summit has also made an initial US$500,000 (Cdn$633,300) payment to the Company.

In the event Summit fails to complete the Feasibility Study by the eighth anniversary, it may extend the period to do so up to the 13th anniversary of the Effective Date by continuing to expend a minimum of US$1 million on exploration and paying to the Company the sum of US$200,000 in each subsequent agreement year.

Upon acquisition by Summit of a 75% interest in the Property, the Company and Summit will form the Joint Venture which will be governed in accordance with the joint venture terms to be set forth in a formal joint venture agreement. The dilution provisions governing the Joint Venture will provide that if a party's interest in the Joint Venture is reduced to 10%, then such party's interest will automatically convert to a 3% net smelter returns royalty on production from the Property.

In the event Summit elects to terminate its interest in the Property at any time after it has expended the Aggregate Work Obligation and completed a Feasibility Study, Summit will be entitled to a 1.5% net smelter returns royalty on production from the Property provided however that the aggregate amount payable pursuant to such royalty will be capped at two times the amount of the total expenditures and development expenses incurred by Summit in respect of the Property. The Company has a "put right" pursuant to which it may require Summit, following acquisition by Summit of a 75% interest in the Property but before commencement of production from the Property, to acquire the Company's then remaining 25% interest at a price that the parties agree in good faith is the fair market value of such interest based on the Feasibility Study.

The TSX-V provided its conditional approval for the Earn-in Agreement on March 5, 2015. The Company has satisfied all of the conditions imposed by the Exchange including the Shareholder Approval which, in accordance with TSX-V policies, was obtained by way of a consent resolution signed by shareholders representing approximately 58.75% of the Company's issued and outstanding shares. The Company received TSX-V approval on April 16, 2015.

B. **Colorado Properties**, described collectively as Silver Cliff is comprised of 96 lode claims, covering much of the historical past producing mineral districts of Silver Cliff and Rosita Hills in Colorado.

Additional information on the Silver Cliff agreement is as follows:

On August 13, 2014, the Company entered into an Option Agreement (the “Silver Cliff Agreement”) with David C. and Debra J. Knight Living Trust (the “Owner”), whereby the Owner has agreed to grant an option to the Company to acquire an undivided 100% interest in the Silver Cliff project (the “Silver Cliff Property”), effective on the date of TSX-V approval (the “Effective Date”). On September 15, 2014, the Company received approval from the TSX-V. Pursuant to the Agreement, the Company agreed to the following:

1) Issuing to the Owner 200,000 shares and 200,000 warrants on the Effective Date, which shall vest and be released as follows:
    - i. 50,000 shares and warrants on the first anniversary, September 15, 2015 (issued);
    - ii. 50,000 shares and warrants on the second anniversary, September 15, 2016;
    - iii. 50,000 shares and warrants on the third anniversary, September 15, 2017;
    - iv. 50,000 shares and warrants on the fourth anniversary, September 15, 2018;

2) Making payments on behalf of the Owner of the claim rental fees due to the U.S. Bureau of Land Management:

   i. For the assessment year beginning September 1, 2014;
   ii. For 2016, prior to May 1, 2015;

3) Making payments to the Owner in the aggregate amount of US$3,000,000 as follows:

   i. US$15,000 on the second anniversary, September 15, 2016;
   ii. US$20,000 on the third anniversary, September 15, 2017;
   iii. US$30,000 on the fourth anniversary, September 15, 2018;
   iv. US$50,000 on the fifth anniversary, September 15, 2019;
   v. US$75,000 on the sixth anniversary, September 15, 2020;
   vi. US$100,000 on the seventh anniversary, September 15, 2021;
   vii. US$100,000 on the eight anniversary, September 15, 2022;
   viii. US$100,000 on the ninth anniversary, September 15, 2023;
   ix. US$100,000 on the tenth anniversary, September 15, 2024;
   x. US$150,000 on the eleventh anniversary, September 15, 2025;
   xi. US$200,000 on the twelfth anniversary, September 15, 2026; and
   xii. Paying the remaining outstanding balance of the required US$3,000,000 plus Cost of Living Increase adjustment on the thirteenth anniversary, September 15, 2027.

4) Royalty payment to the Owner of 2% of the NSR and issuance of an additional 550,000 shares and 550,000 warrants upon the commencement of commercial production.

5) The Company, agreed to issue Kingsmere Mining Ltd a finder's fee of 500,000 shares, which shall vest and be released as follows:

   i. 10,000 shares on the effective date September 15, 2014 (issued);
   ii. 15,000 shares on the first anniversary, September 15, 2015 (issued);
   iii. 20,000 shares on the second anniversary, September 15, 2016;
   iv. 25,000 shares on the third anniversary, September 15, 2017;
   v. 35,000 shares on the fourth anniversary, September 15, 2018;
   vi. 45,000 shares on the fifth anniversary, September 15, 2019;
   vii. 50,000 shares on the sixth anniversary, September 15, 2020;
   viii. 50,000 shares on the seventh anniversary, September 15, 2021;
   ix. 75,000 shares on the eighth anniversary, September 15, 2022;
   x. 75,000 shares on the ninth anniversary, September 15, 2023;
   xi. 100,000 shares on the tenth anniversary, September 15, 2024;

## 6. Trade Payables and Accrued Liabilities

Trade payables and accrued liabilities are non-interest bearing, unsecured and have settlement dates within one year.

## 7. Related Party Transaction

As at February 29, 2016, the balance due to related parties, who are officers, directors and/or shareholders, consists of $130 (February 28, 2015 - $Nil, August 31, 2015 - $10,323). Amounts owing relate to consulting services provide by the related parties or by companies controlled by the related parties and for expense reimbursements. The following table summarizes the amounts owed to related parties at February 29, 2016 and August 31, 2015:

| | As at February 29, 2016 | As at August 31, 2015 |
|---|---|---|
| | $ | $ |
| Chairman | - | 5,250 |
| Chief Geologist | - | 5,000 |
| Officers and Directors for expenses | 130 | 73 |
| | 130 | 10,323 |

The key management personnel compensation for the six months ended February 29, 2016 and 2015 are summarized as follows:

| | Six months ended February 29, 2016 | Six months ended February 28, 2015 |
|---|---|---|
| | $ | $ |
| Chief Financial Officer | 34,000 | 30,000 |
| Directors Consulting fees | 150,000 | 179,048 |
| Director Legal fees | 2,666 | 13,785 |
| | 186,666 | 222,833 |

During the six months ended February 29, 2016, $30,000 (2015 - $30,000) related to consulting fees are capitalized in exploration and evaluation properties (Note 5).

## 8. Share Capital

### A. Authorized

At February 29, 2016, the authorized share capital consists of an unlimited number of common shares without par value and without special rights or restrictions attached and an unlimited number of preferred shares without par value and with special rights or restrictions.

### B. Issued and Outstanding

As at February 29, 2016, the total issued and outstanding share capital was 35,233,566 common shares with no par value (February 28, 2015 – 33,441,672).

Share capital transactions of the Company during the six month period ended February 29, 2016 and year ended August 31, 2015 are summarized as follows:

a) On February 11, 2016 the Company issued 22,893 shares for warrants exercised at $0.25 for total proceeds of $5,723.

b) On January 28, 2016 the Company issued 50,000 shares for warrants exercised at $0.25 for total proceeds of $12,500.

c) On January 14, 2016 the Company issued 50,000 shares for warrants exercised at $0.25 for total proceeds of $12,500.

d) On December 14, 2015 the Company issued 50,000 shares for warrants exercised at $0.25 for total proceeds of $12,500.

e) On December 8, 2015 the Company issued 125,000 shares for warrants exercised at $0.25 for total proceeds of $31,250.

f) On December 2, 2015 the Company issued 75,000 shares for warrants exercised at $0.25 for total proceeds of $18,750.

g) On November 30, 2015 the Company issued 347,000 shares for warrants exercised at $0.25 for total proceeds of $86,750.

h) On November 10, 2015 the Company issued 311,001 shares for warrants exercised at $0.25 for total proceeds of $77,750.25.

i) On November 6, 2015 the Company issued 50,000 shares for options exercised at $0.20 for total proceeds of $10,000 and 24,000 shares for warrants exercised at $0.25 for total proceeds of $6,000.

j) On October 15, 2015 the Company issued 167,000 shares for warrants exercised at $0.25 for total proceeds of $41,750.

k) On October 7, 2015 the Company issued 25,000 shares for options exercised at $0.20 for total proceeds of $5,000.

l) On September 28, 2015 the Company issued 70,000 shares for warrants exercised at $0.25 for total proceeds of $17,500.

m) On September 28, 2015, the Company issued 75,000 shares at a deemed value of $0.37 per share for a total value of $27,750. The shares were issued in accordance with the terms of the agreements related to the Company's Colorado properties see notes 5 B-1 and 5 B-5.

n) On September 14, 2015 the Company issued 325,000 shares for warrants exercised at $0.25 for total proceeds of $81,250.

o) On November 25, 2014 the Company issued 6,728,339 Units, with each Unit consisting of one common share and one warrant to purchase one common shares at a price of $0.25 for a period of 36 months from issue date, for a total value of $1,009,250. At November 30, 2015, the Company had outstanding payments owing on 5,868,335 units valued at $880,250 whereby the shares and warrant certificates are to be Delivered Against Payment (DAP). The Company paid share issue costs on the payments received of $3,600 and issued 24,000 finders warrants. The finders warrants allow the holder to purchase one common share at a price of $0.25 for a period of 36 months from issue date. As of the date of these financial statements were issued the Company had received the $880,250 and delivered the 5,868,335 shares and warrants noted above. The Company paid additional share issue costs on the payments received of $52,688 and issued 351,253 finders warrants.

### C. Escrow Shares

As at February 29, 2016, a total of 810,000 (February 28, 2015 – 2,430,000) common shares of the Company were in escrow. Pursuant to the terms of the escrow agreement dated February 13, 2013, 10% of the escrowed common shares will be released from escrow on the issuance of the Final Exchange Bulletin (the "Initial Release") and an additional 15% will be released on the dates 6 months, 12 months, 18 months, 24 months, 30 months and 36 months following the Initial Release.

### D. Warrants

The following is a summary of the changes in the Company's share purchase warrants for the six months ended February 29, 2016 and the year ended August 31, 2015:

| | February 29, 2016 | | August 31, 2015 | |
|---|---|---|---|---|
| | Number of Warrants Outstanding | Weighted average exercise price | Number of Warrants Outstanding | Weighted average exercise price |
| | | $ | | $ |
| Outstanding, beginning of year | 12,197,048 | 0.25 | 100,000 | 0.20 |
| Exercised warrants (Notes 8 B) | (1,616,894) | 0.25 | - | - |
| Expired warrants | - | - | (100,000) | 0.20 |
| Warrants issued (Notes 8 B) | - | - | 11,666,672 | 0.25 |
| Finders warrants issued (Notes 8 B) | - | - | 530,376 | 0.25 |
| Outstanding, end of period | 10,580,154 | 0.25 | 12,197,048 | 0.25 |

The following table summarizes information regarding share purchase warrants outstanding as at February 29, 2016:

| Expiry Date | February 29, 2016 Number of Warrants Outstanding and Exercisable | Exercise Price |
|---|---|---|
| | | $ |
| November 25, 2017 | 5,921,258 | 0.25 |
| December 2, 2017 | 1,430,000 | 0.25 |
| January 6, 2018 | 3,228,896 | 0.25 |
| | **10,580,154** | **0.25** |

**E. Stock Option Plan**

On April 4, 2012, the Company adopted a stock option plan (the "Plan") that allows the Company to issue options to certain directors, officers, employees and consultants of the Company. Options issued under the Plan shall not exceed 10% of shares issued and outstanding at the time of granting of the options. Options granted under the Plan may have a maximum term of ten years. The exercise price of options granted under the Plan will not be less than the market price of the shares (defined as the last closing market price of the Company's shares on the last day shares are traded prior to the grant date), less the applicable discount permitted by the TSXV rules. Stock options granted under the Plan vest immediately subject to vesting terms, which may be imposed at the discretion of the directors.

On November 12, 2015, the Company granted 40,000 five-year stock options at a purchase price of $0.50 per share to a consultant of the Company. The weighted average fair value of the 45,000 options granted was estimated at $16,662 at the grant date using the Black-Scholes Option Pricing Model.

On July 21, 2015, the Company granted 45,000 five-year stock options at a purchase price of $0.20 per share to a consultant of the Company. The weighted average fair value of the 45,000 options granted was estimated at $7,909 at the grant date using the Black-Scholes Option Pricing Model.

On July 7, 2015, the Company granted 100,000 five-year stock options at a purchase price of $0.20 per share to a director of the Company. The weighted average fair value of the 100,000 options granted was estimated at $21,506 at the grant date using the Black-Scholes Option Pricing Model.

On April 1, 2015, the Company granted 200,000 five-year stock options at a purchase price of $0.20 per share to a consultant of the Company. The weighted average fair value of the 200,000 options granted was estimated at $48,262 at the grant date using the Black-Scholes Option Pricing Model.

On January 5, 2015, the Company granted 1,175,000 five-year stock options at a purchase price of $0.20 per share to its directors and officers. The weighted average fair value of the 1,175,000 options granted was estimated at $259,323 at the grant date using the Black-Scholes Option Pricing Model.

On December 1, 2014, the Company granted 300,000 five-year stock options at a purchase price of $0.20 per share a director and officer. The weighted average fair value of the 255,200 options granted was estimated at $54,465 at the grant date using the Black-Scholes Option Pricing Model.

On July 11, 2014, the Company granted 255,200 five-year stock options at a purchase price of $0.20 per share to its directors and officers. The weighted average fair value of the 255,200 options granted was estimated at $48,721 at the grant date using the Black-Scholes Option Pricing Model.

On February 27, 2014, the Company granted 100,000 two-year stock options at a purchase price of $0.20 per share to FronTier Consulting Ltd. The weighted average fair value of the 100,000 options granted was estimated at $17,566 at the grant date using the Black-Scholes Option Pricing Model.

On September 2, 2013, the Company granted 150,000 five-year stock options at a purchase price of $0.20 per share. The weighted average fair value of the 150,000 options granted was estimated at $32,522 at the grant date using the Black-Scholes Option Pricing Model.

The fair value of the stock options granted in the six months ended February 29, 2016 has been estimated using the Black-Scholes Option Pricing Model assuming a risk free interest rates between 0.99% and 1.38% (year ended August 31, 2015 – rates of 0.70% to 1.38%) per annum, an expected life of 5 years (year ended August 31, 2015 - 5 years), an expected volatility between 111.67 % and 112.61% (year ended August 31, 2015 – volatility of 179.42% to 203.75%), and no expected dividends.

The following is a summary of the changes in the Company’s stock options for the six months ended February 29, 2016 and August 31, 2015:

| | **February 29, 2016** | | **August 31, 2015** | |
|---|---|---|---|---|
| | **Number of Options Outstanding** | **Weighted average exercise price** | **Number of Options Outstanding** | **Weighted average exercise price** |
| | | $ | | $ |
| Outstanding, beginning of year | 3,196,000 | 0.20 | 1,700,000 | 0.20 |
| Cancelled/Expired options | - | 0.20 | (299,000) | 0.20 |
| Exercised (Note 8 B) | (75,000) | 0.20 | (25,000) | 0.20 |
| Granted | 215,000 | 0.51 | 1,820,000 | 0.20 |
| Outstanding at the end of the period | 3,336,000 | 0.22 | 3,196,000 | 0.20 |

The following table summarizes information regarding stock options outstanding and exercisable as at February 29, 2016:

| **Expiry Date** | **Exercise Price** | **February 29, 2016 Number of Options Outstanding** | **August 31, 2015 Number of Options Outstanding** |
|---|---|---|---|
| October 26, 2022 | $ 0.20 | 19,800 | 19,800 |
| August 21, 2018 | $ 0.20 | 1,076,000 | 1,076,000 |
| May 1, 2016 | $ 0.20 | - | 75,000 |
| July 11, 2019 | $ 0.20 | 255,200 | 255,200 |
| December 1 2019 | $ 0.20 | 300,000 | 300,000 |
| January 5, 2020 | $ 0.20 | 1,125,000 | 1,125,000 |
| April 1, 2018 | $ 0.22 | 200,000 | 200,000 |
| July 7, 2020 | $ 0.20 | 100,000 | 100,000 |
| July 21, 2020 | $ 0.20 | 45,000 | 45,000 |
| November 12, 2020 | $ 0.50 | 40,000 | - |
| December 15, 2020 | $ 0.50 | 75,000 | - |
| February 9, 2021 | $ 0.53 | 100,000 | - |
| Number of options outstanding | | 3,336,000 | 3,196,000 |
| Number of options exercisable | | 3,336,000 | 3,196,000 |

**F. Reserves**

Warrant reserve

The warrants reserve represents the fair value of warrants issued on their issue date until such time that they are exercised, at which time the corresponding amount will be transferred to share capital. If warrants expire unexercised, the amount recorded remains in the account. During the six months ended February 29, 2016, no warrants were issued and 1,616,894 (year ended August 31, 2015 - Nil) warrants were exercised and $4,403 (year ended August 31, 2015 - $Nil) was transferred from Reserves to Share Capital.

Option reserve

The options reserve records the fair value of items recognized as share-based payment expense on their issuance date until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital. If options expire unexercised, the amount recorded remains in the reserve.

During the six months ended February 29, 2016, 215,000 (year ended August 31, 2015 - 2,075,200) options were granted and $84,295 (year ended August 31 - 2015, $258,677) was recorded as option reserves and 75,000 (year ended August 31, 2015 - 25,000) options were exercised and $2,936 (year ended August 31, 2015 - $4,391) was transferred from Reserves to Share Capital.

## 9. Supplemental Cash Flow Information

Included in trade payables and accrued liabilities at February 29, 2016 is $Nil (August 31, 2015 - $5,000) incurred on exploration and evaluation property expenditures (Note 6).

## 10. Commitments and Contingency

The Company is committed to making cash payments, incurring exploration expenditures and/or issuing common shares pursuant to its exploration and evaluation property agreements (Note 5).

## 11. Financial Risk Management

(a) Overview

| | As at February 29, 2016 | As at August 31, 2015 |
|---|---|---|
| | $ | $ |
| **FINANCIAL ASSETS** | | |
| **Fair Value through Profit and Loss (FVTPL), at fair value** | | |
| Cash and cash equivalents | 502,068 | 636,346 |
| Amounts receivable | 16,369 | 49,785 |
| | 518,437 | 686,131 |
| **FINANCIAL LIABILITIES** | | |
| **Other liabilities, at amortized cost** | | |
| Trade payables | (672) | 60,186 |
| | (672) | 60,186 |

The Company has exposure to credit risk, liquidity risk, foreign currency risk, and market risk from its use of financial instruments.

This note presents information about the Company’s exposure to each of these risks, the Company’s objectives, policies and processes for measuring and managing risk, and the Company’s management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

(b) Credit Risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company’s credit risk is primarily attributable to its liquid financial assets including cash and cash equivalents. The Company limits its exposure to credit risk on liquid financial assets through investing its cash and cash equivalents with high-credit quality financial institutions.

The carrying value of the Company’s cash and cash equivalents represent the maximum exposure to credit risk.

(c) 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 ensures that there is sufficient capital in order to meet short term business requirements, after taking into account cash flows from operations and the Company's holdings of cash. The Company’s cash and cash equivalents are currently invested in business and savings accounts with high-credit quality financial institutions which are available on demand by the Company for its programs. As at February 29, 2016, the Company had cash and cash equivalents balance of $523,991 to settle current liabilities of $31,751. All of the Company’s financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

(d) Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company’s income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

(e) Interest Rate Risk

The Company is subject to interest rate risk with respect to its investments in cash. However, the Company does not hold any interest-bearing debt. The Company’s current policy is to invest cash at floating rates of interest and cash reserves are to be maintained in cash in order to maintain liquidity, while achieving a satisfactory return for shareholders. Fluctuations in interest rates when cash balances mature impact interest income earned.

(f) Foreign Currency Risk

As at February 29, 2016, the Company's expenditures are in Canadian dollars, any future equity raised is expected to be predominantly in Canadian dollars. The Company believes it has no significant foreign currency risk.

(g) Capital Management

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity, comprising share capital, net of accumulated deficit. The Company manages the capital structure and makes adjustments to it in light of changes in the economic conditions and the risk characteristics of the underlying assets. The Company manages its capital structure through the issuance of new shares, acquisition or disposition of assets or adjustment of cash. The Company does not have any major capital expenditures committed for the coming year. Management reviews the capital structure on a regular basis to ensure that the above-noted objectives are met. There were no changes in the Company's approach to capital management during the period. The Company is not subject to any externally imposed capital requirements other than disclosed in Note 1.

(h) Fair Value

The fair value of financial assets and financial liabilities at amortized cost is determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions. The Company considers that the carrying amount of all its financial assets and financial liabilities recognized at amortized cost in the condensed interim consolidated financial statements approximates their fair value due to the demand nature or short term maturity of these instruments.

The following table provides an analysis of the Company's financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to 3 based on the degree to which the inputs used to determine the fair value are observable.

- Level 1 fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1, that are observable either directly or indirectly.
- Level 3 fair value measurements are those derived from valuation techniques that include inputs that are not based on observable market data.

| **February 29, 2016** | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| | **$** | **$** | **$** | **$** |
| **Financial assets at fair value** | | | | |
| Cash and cash equivalents | 523,991 | - | - | 523,991 |
| Total | 523,991 | - | - | 523,991 |

| **As at August 31, 2015** | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| | **$** | **$** | **$** | **$** |
| **Financial assets at fair value** | | | | |
| Cash and cash equivalents | 636,346 | - | - | 636,346 |
| Total | 636,346 | - | - | 636,346 |

## 12. Segmented Information

The Company's only business activity is exploration and development of exploration and evaluation properties. This activity is carried out in the USA.

The breakdown of geographic area for the six months ended February 29, 2016 and February 28, 2015 and for the year ended August 31, 2015 is as follows:

| **Six months ended February 29, 2016** | **Canada** | **USA** | **Total** |
|---|---|---|---|
| | **$** | **$** | **$** |
| Total expenses | 572,864 | - | 572,864 |
| Current assets | 540,360 | - | 540,360 |
| Exploration and evaluation properties | - | 856,500 | 856,500 |
| Total assets | 540,360 | 856,500 | 1,396,860 |

| **Year ended August 31, 2015** | **Canada** | **USA** | **Total** |
|---|---|---|---|
| | **$** | **$** | **$** |
| Total expenses | 1,484,451 | 21,784 | 1,506,235 |
| Current assets | 686,131 | - | 686,131 |
| Exploration and evaluation properties | - | 791,083 | 791,083 |
| Total assets | 686,131 | 791,083 | 1,477,214 |

| **Six months ended February 28, 2015** | **Canada** | **USA** | **Total** |
|---|---|---|---|
| | **$** | **$** | **$** |
| Total expenses | 62,341 | - | 62,341 |
| Current assets | 728,012 | - | 728,012 |
| Exploration and evaluation properties | - | 1,341,902 | 1,341,902 |
| Total assets | 728,012 | 1,341,902 | 2,069,914 |

## 13. Events Occurring after the Reporting Date

On April 8, 2016 the Company issued 50,000 shares for warrants exercised at $0.25 for total proceeds of $12,500.