Honey Badger Exploration Inc.

Unaudited Condensed Consolidated Interim Financial Statements

For the Nine-Month Period Ended September 30, 2016

(Expressed in Canadian Dollars)

Notice of No Auditor Review of Interim Financial Statements

As per National Instrument 51-102 *Continuous Disclosure Obligations* Part 4.3 *Disclosure of Auditor Review,* the auditors of Honey Badger Exploration Inc. have not performed a review of these interim financial statements.

Responsibility for Financial Statements

The accompanying unaudited condensed consolidated interim financial statements have been prepared by and are the responsibility of the Company's management and were approved by the Company's audit committee and by the Board of Directors on November 29, 2016.

Honey Badger Exploration Inc.
Condensed Consolidated Interim Statements of Financial Position
(Expressed in Canadian Dollars)

	September 30, 2016	December 31, 2015
Assets		
Current Assets:		
Cash and Cash Equivalents	$ 123,851	$ 281,656
Marketable Securities (note 3)	-	84,390
Amounts Receivable (note 5)	26,902	15,642
Prepaid Expenses	2,000	20,040
Total Assets	**$ 152,754**	**$ 401,728**
Liabilities		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	$ 286,603	$ 126,500
Deferred Flow-Through Premium (note 6)	129,065	80,865
Flow-Through Provision (note 7)	430,294	335,015
Total Liabilities	845,962	542,380
Shareholders' Deficiency		
Share Capital (note 8)	5,715,693	5,517,397
Contributed Surplus	1,363,734	1,363,734
Warrant Reserve (note 10)	434,745	257,285
Other Comprehensive Income (Loss)	-	(5,474)
Accumulated Deficit	(8,207,380)	(7,273,594)
Total Shareholders' Deficiency	(693,209)	(140,652)
Total Liabilities and Shareholders' Deficiency	**$ 152,754**	**$ 401,728**

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

Nature of operations and going concern *(note 1)*

Commitments and contingencies *(note 11)*

Approved by the Board of Directors

Signed: *"John Sanderson"* Director

Signed: *"Craig Scherba"* Director

Honey Badger Exploration Inc.
Condensed Consolidated Interim Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

	Nine-Month Period Ended		Three-Month Period Ended	
	September 30, 2016	**September 30, 2015**	**September 30, 2016**	**September 30, 2015**
Expenses				
Exploration expenditures (notes 4, 5)	$ 259,021	$ 31,978	$ 129,850	$ (21,321)
Payroll and professional fees (note 5)	151,174	-	45,028	-
General and administrative	187,012	75,703	21,061	8,615
Deferred flow-through premium (note 6)	-	(7,365)	-	-
Provision (note 7)	328,293	-	328,293	-
Deferred compensation write-off	-	(397,777)	-	(297,777)
Interest expense	499	-	-	-
Interest income	(347)	(665)	(116)	(519)
Realized loss from marketable securities (note 3)	8,135	33,350	-	(355)
Gain (Loss) for the Period	(933,787)	264,776	(524,116)	311,357
Unrealized gain from marketable securities (note 3)	(2,661)	82,295	-	49,095
Reclassification of unrealized (gain) loss on marketable securities from other comprehensive income to loss (note 3)	8,135	33,350	-	(28,150)
Gain (Loss) and Comprehensive Gain (Loss) for the Period	(928,313)	380,421	(524,116)	332,302
Loss per share – basic and diluted	$ (0.01)	$ 0.00	$ (0.01)	$ 0.00
Weighted average shares outstanding	93,626,581	77,330,517	101,411,071	77,330,517

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

Honey Badger Exploration Inc.
Condensed Consolidated Interim Statements of Cash Flows
(Expressed in Canadian Dollars)

	Nine-Month Period Ended	
	September 30, 2016	**September 30, 2015**
Operating Activities		
Gain (Loss) for the Period	$ (933,787)	264,776
Adjustments for non-cash items:		
Property acquired through shares	120,000	-
Deferred flow-through premium	-	(7,365)
Recovery of deferred compensation	-	(397,777)
Realized loss on disposal of marketable securities	8,135	33,350
Change in working capital items:		
Amounts receivable	(11,260)	22,482
Prepaid expenses	18,040	16,042
Accounts payable and accrued liabilities	160,103	(780)
Flow-through provision reclassification to accounts payable	(233,015)	-
Flow-through provision	328,294	-
Net cash used in operating activities	(543,491)	(69,272)
Investing Activities		
Proceeds on sale of marketable securities	81,729	27,795
Net cash provided by investing activities	81,729	27,795
Financing Activities		
Proceeds from private placement	344,000	-
Share issue costs	(40,044)	-
Net cash provided by financing activities	303,956	-
Cash and Cash Equivalents		
Net (decrease) increase in cash and cash equivalents	(157,805)	(41,477)
Cash and cash equivalents - beginning of period	281,656	180,099
Cash and cash equivalents - end of period	123,851	138,622
Supplemental Disclosures:		
Unrealized gain (loss) on marketable securities	(2,661)	-
Interest received as cash	347	-

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

Honey Badger Exploration Inc.
Statements of Changes in Shareholder's Deficiency
(Expressed in Canadian Dollars)

	Shares \#	Share Capital $	Contributed Surplus $	Warrant Reserve $	Accumulated Other Comprehensive Income (Loss) $	Accumulated Deficit $	Total $
Balance - December 31, 2014	**77,330,517**	**5,349,565**	**1,363,734**	**192,852**	**(43,600)**	**(7,147,426)**	**(284,875)**
Reclassification of loss on marketable securities					33,350		33,200
Unrealized gain on marketable securities					82,295		61,500
Loss for the period						264,776	264,776
Balance – September 30, 2015	**77,330,517**	**5,349,565**	**1,363,734**	**192,852**	**72,045**	**(6,882,650)**	**(95,546)**
Private placement	4,000,000	200,000					200,000
Fair value of warrants issued		(54,604)		54,604			-
Fair value of Broker warrants issued		(9,829)		9,829			-
Fair value of flow-through premium		(40,000)					(40,000)
Cost of issue		(27,735)					(27,735)
Fair value of shares issued for property acquisition	10,000,000	100,000					100,000
Reclassification of gain on marketable securities					(77,519)		(56,574)
Loss for the period						(390,944)	(390,944)
Balance – December 31, 2015	**91,330,517**	**5,517,397**	**1,363,734**	**257,285**	**(5,474)**	**(7,273,594)**	**(140,652)**
Private placement	9,458,332	344,000					344,000
Fair value of warrants issued		(256,734)		256,734			-
Fair value of Broker warrants issued		(20,026)		20,026			-
Fair value of flow-through premium		(48,200)					(48,200)
Fair value of expired warrants		99,300		(99,300)			-
Cost of issue		(40,044)					(40,044)
Fair value of shares issued for property acquisition	4,000,000	120,000					120,000
Unrealized loss on marketable securities					(2,661)		(2,661)
Realized loss on marketable securities					8,135		8,135
Loss for the period						(933,787)	(933,787)
Balance – September 30, 2016	**104,788,849**	**5,715,693**	**1,363,734**	**434,745**	**-**	**(8,207,381)**	**(693,209)**

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

1. Nature of Operations and Going Concern

Honey Badger Exploration Inc. (the "Company") was founded in 1992 for the purpose of the acquisition, exploration, and development of mining properties. The Company's head office and the primary location of its registered records is 141 Adelaide Street West, Suite 520, Toronto, Ontario, M5H 3L5. The Company owns a wholly owned subsidiary 606596 Alberta Ltd.

The accompanying consolidated financial statements have been prepared on the basis of a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The Company is currently in the exploration stage and has not commenced commercial operations.

As at September 30, 2016, the Company had a working capital deficit of $693,208 and an accumulated deficit of $8,207,381. These conditions cast significant doubt about the Company's ability to continue as a going concern.

In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. The Company's ability to continue operations and fund its mining interest expenditures is dependent on management's ability to secure additional financing. Management is actively pursuing such additional sources of financing, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future.

Theses condensed consolidated interim financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore need to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying consolidated financial statements.

2. Significant Accounting Policies

(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance and comply with International Accounting Standard 34 Interim Financial Reporting ("IAS 34") using accounting principles consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee ("IFRIC"). The accounting policies adopted are consistent with those of the previous financial year and the corresponding interim reporting period. Furthermore, the information on accounting standards effective in future periods and not yet adopted remains unchanged from that disclosed in the annual financial statements.

(b) Basis of presentation

These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the financial statements for the year ended December 31, 2015. These condensed consolidated interim financial statements have been prepared on a historical cost basis except for certain financial instruments that have been measured at fair value. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

(c) Basis of consolidation

These condensed consolidated interim financial statements include the accounts of the Company and its wholly-owned subsidiary 606596 Alberta Ltd., which is not active and has no assets in the current or prior year. All intercompany balances and transactions have been eliminated.

(d) Significant accounting judgements and estimates

The preparation of these condensed consolidated interim financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed consolidated interim financial statements and reported amounts of expenses during the reporting period.

Actual outcomes could differ from these estimates. The condensed consolidated interim financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the condensed consolidated interim financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and also in future periods when the revision affects both current and future periods.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could have an effect on the amounts recognized in the financial statements relate to the following:

Going concern

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

3. Marketable Securities

Marketable securities consist of available-for-sale securities over which the Company does not have significant influence or control.

During the nine-month period ended September 30, 2016, the Company:

(a) Disposed of marketable securities for gross proceeds of $81,729 (2015: $nil) and reported an unrealized loss on the fair value of the securities of $2,661 to Other Comprehensive Income (2015: $10,500).
(b) Reclassified the total unrealized losses on the sale of the securities of $8,135 to profit or loss (2015: $nil) from Other Comprehensive Income.

The following table sets out the changes to the marketable securities:

	Marketable Securities $
Balance – December 31, 2015	$ 84,390
New Purchases	-
Dispositions	(81,729)
Unrealized loss adjustment to Other Comprehensive Income	(2,661)
Balance – September 30, 2016	**$ -**

4. Mineral Properties

Exploration and Evaluation Expenditures

During the nine-month period ended September 30, 2016:

a) The Company incurred exploration and evaluation expenditures of $128,396 on the LG Diamond Property (2015: $nil), $10,000 on the Wemindji Property (2015: $nil) and $625 on other properties (2015: $31,978).

The following table summarizes the cumulative exploration and evaluation expenditures the Company has incurred on its various properties:

	(a) LG Diamond Property $	(b) Wemindji Property $	(c) Other Properties $	All Exploration Properties $
Balance – December 31, 2014	**-**	**-**	**2,386,429**	**2,386,429**
Claim Acquisition Costs	100,000	-	-	100,000
Exploration Expenditures	62,349	-	25,900	88,249
Balance – December 31, 2015	**162,349**	**-**	**2,411,789**	**2,574,678**
Claim Acquisition Costs	-	10,000	-	10,000
Exploration Expenditures	128,396	-	625	129,021
Balance – September 30, 2016	**290,745**	**10,000**	**2,412,414**	**2,713,159**

The Company has ownership interests in the following exploration projects:

LG Diamond Property, Quebec

On September 29, 2015, the Company entered into an agreement with 9019-5504 Quebec Inc. (the "Vendor") to acquire the LG Diamond Project located in the Jamesie County Municipality, James Bay Region of Quebec. The property consists of 2,275 hectares and as consideration, the Company issued 10,000,000 common shares at a value of $0.01 each and granted a 2% net smelter returns ("NSR") royalty to the Vendor. One half, or 1% of the NSR can be bought back for $1,000,000 and the remaining 1% for $2,000,000. The purchase transaction closed on October 23, 2015.

Property Description

The LG Diamond project is located in the James Bay region of Quebec, on the boundary of major geological provinces near the intersection of two major crustal faults with proven kimberlite fertility. The property package consists of a cluster of 9 non-adjacent claim blocks (KB-1 to KB-9) with a total of 55 claims covering 2,275 hectares. The claims are also in proximity to the trans-taiga gravel road and power lines servicing Hydro Quebec's regional network of massive hydroelectric power dams.

Previous work in the area has identified the existence of indicator minerals prospective to kimberlite exploration in the vicinity of the claim blocks. Each claim block is centered on circular magnetic anomalies, which represents a possible kimberlite dyke.

The company is currently modelling and compiling historic geophysical data. A more detailed magnetic survey is planned in 2016 to better resolve the magnetic targets. Once the magnetic survey is completed a drilling program is expected to be initiated to test the prioritized anomalies, consisting of short 100-150m holes in the center of each anomaly to test the bedrock directly below.

4. Mineral Properties (Continued)

Wemindji Property

On May 26, 2016, the Company entered into an agreement to acquire the Wemindji Property, which consists of 29 claims located approximately 20 kilometers south-east of Wemindji, in the James Bay region of Québec.

The acquisition costs consist of the payment of $5,000 cash and the issuance of 3,000,000 common shares of the Company to Resources D. Villeneuve Inc. (“RDVI”) and the payment of $5,000 cash and the issuance of 1,000,000 common shares of the Company to Sparton Resources Inc. (“SRI”). Honey Badger is also required to grant of a 2% net smelter return (“NSR”) royalty to the property vendors (1% in favour of RDVI and 1% in favour of SRI). The 2% NSR may be bought back from the vendors for $2,000,000. The vendors are at arm's length to the Company.

On September 16, 2016, the Company issued the 4,000,000 common shares owed to the property vendors.

Other Properties

- Bear Limonite Creek property

  The Bear Limonite Creek property in British Columbia remains in good standing but is not an exploration priority for the Company. The Limonite Creek Project consists of 2 claims covering 1,050 hectares in the westernmost part of the Telkwa Pass approximately 50 km southwest of Smithers, British Columbia with early stage copper and gold exploration targets. The property is currently available for option and the Company will not pursue any further activities on the property.

- Sagar Property, Quebec

  On February 28, 2014, the Company entered into a purchase and sale agreement with Energizer Resources Inc. ("Energizer"), a company related by common management. On July 31, 2014 (the "Effective Date") the purchase and sale agreement was replaced by an option agreement (the "Option Agreement") entered into between the Company and Energizer pursuant to which the Company was granted an earn-in option to acquire up to a 100% interest in the Sagar Property in consideration of cash payments, share issuances and work commitment expenditures. This option agreement was further revised on May 8, 2015.

  To earn an initial 35% interest in the Sagar Property, the Company was required to pay Energizer $50,000 by December 31, 2015, incur work expenditures in the amount of $500,000 on the Sagar Property by December 31, 2016 and issue 20,000,000 of its common shares to Energizer by December 31, 2015.

  As of December 31, 2015, the Company did not satisfy the terms of the option agreement, which has now lapsed, and the Company will not pursue any further activities on the Sagar property.

5. Related Party Transactions and Balances

Related parties as defined by IAS 24 *Related Party Disclosures* include the members of the Board of Directors, key management personnel and any companies controlled by these individuals. Key management personnel include those persons having authority and responsibility for planning, directing and controlling activities of the Company as a whole. Key management personnel for the Company consists of the CEO, CFO and VP Exploration.

The following transactions occurred with related parties during the nine-month period ended September 30, 2016:

a) Key management personnel received cash compensation of $27,181 (2015 – $nil), which has been recorded as exploration expenditures on the Statement of Loss and Comprehensive Loss.
b) A corporation controlled by the CFO received cash compensation of $36,675 (2015 – $nil), which has been recorded as payroll and professional fees on the Statement of Loss and Comprehensive Loss.

As of September 30, 2016, the following related party balances were outstanding:

a) The Company owed $34,492 to a corporation related by common management for Company expenditures paid for by the related corporation, which was recorded in Accounts Payable and Accrued Liabilities.

6. Deferred Premium on Flow-Through Shares

The Company completed flow-through ("F/T") share financings that involve a commitment to incur Canadian exploration expenditures ("CEEs") prior to the end of specific calendar years and to renounce the CEE tax deductions to the subscribers. Flow-through shares and exploration expenditures qualifying as CEEs are defined in the Income Tax Act of Canada.

The fair value of the tax deduction renounced to the flow-through subscribers is recognized as a deferred premium obligation on the Statement of financial position until the qualifying CEEs are incurred. After deducting the deferred premium from the gross proceeds of the financing, the residual amount is recognized as equity.

The fair value of the deferred premium is typically estimated as the difference between the sale price of the flow-through share and the fair value of the market price. Due to the thin trading volumes and volatility in the stock price, the fair value of the deferred premium was estimated using a 20% rate applied against the gross proceeds of the flow-through financing.

When the qualifying CEE's that have been incurred are reported to the CRA after the relevant CEE commitment deadline, the deferred premium will be reduced through profit and loss.

The following flow-through commitments were outstanding during the year ended July 31, 2016:

Financing Series	**2014 F/T Series**	**2015 F/T Series**	**2016 F/T Series**
Financing Date	December 12, 2014	December 16, 2015	April 26, 2016 May 12, 2016
CEE Commitment Deadline	December 31, 2015	December 31, 2016	December 31, 2017
CEE Commitment Amount	$ 281,660	$ 200,000	$241,000
CEE Expenditures Incurred	$ 75,063	$ 113,365	$ -
CEE Expenditures Remaining	$ 206,597	$ 86,635	$ 241,000

The following table sets out the changes to the deferred premium with unfulfilled CEE commitments:

Financing Series	**2014 F/T Series**	**2015 F/T Series**	**2016 F/T Series**	**Total**
Balance – December 31, 2014	$ 64,230	$ -	$ -	$ 64,230
Recognition of Deferred Premium	-	40,000	-	40,000
Increase/Decrease of Deferred Premium	(23,365)	-	-	(23,365)
Balance – December 31, 2015	$ 40,865	$ 40,000	$ -	$ 80,865
Recognition of Deferred Premium	-	-	48,200	48,200
Increase/Decrease of Deferred Premium	-	-	-	
Balance – September 30, 2016	**$ 40,825**	**$ 40,000**	**$ 48,200**	**$ 129,065**

7. Provision for Flow-Through Shares

There was uncertainty regarding the eligibility of certain expenditures as qualified CEEs for the 2011 F/T series with CEE commitments for the calendar year ending December 31, 2012 and during the year ended December 31, 2014 the Company recorded a contingent provision of $100,973. During the year ended December 31, 2015, the Company increased the contingent provision to a total of $335,015, consisting of $233,015 for Part XII.6 tax and 102,000 for the obligation to flow-through subscribers of the 2011 series, which was calculated using a 35% combined rate applied against the estimated CEE shortfall.

Based on the results of a CRA audit completed in March 2016 of qualified CEEs incurred during the years ended December 31, 2011 and 2012 it was determined there was a shortfall of $1,022,839 for the 2011 F/T series and $nil shortfall for the 2012 F/T Series. As a result, the total contingent provision for the obligation to flow-through subscribers was increased to $357,994 during the period ended September 30, 2016, which was calculated using a 35% combined rate applied against the estimated CEE shortfall. The Company reclassified the Part XII.6 Tax of $233,015 associated with the shortfall to accounts payable and accrued liabilities during the period ended September 30, 2016.

Due to the estimated shortfall of qualified CEEs for the 2014 F/T series, the Company has recorded a contingent provision of $72,300 for the obligation to flow-through subscribers of the 2014 series, which was calculated using a 35% combined rate applied against the estimated CEE shortfall.

The following table sets out the changes to the provision for the obligation to flow-through subscribers:

Financing Series	**2011 F/T Series**	**2014 F/T Series**	**Totals**
CEE Commitments to the Calendar Year Ending	December 31, 2012	December 31, 2015	
Balance – December 31, 2014 and September 30, 2015	$ 100,973	$ -	$ 100,973
Initial Recognition of F/T Provision	-	-	-
Increase of F/T Provision	234,042	-	234,042
Balance – December 31, 2015	$ 335,015	$ -	$ 335,015
Initial Recognition of F/T Provision	-	72,300	72,300
Increase of F/T Provision	255,994	-	255,994
Reclassification of Part XII.6 Taxes	(233,015)	-	(233,015)
Balance – September 30, 2016	**$ 357,994**	**$ 72,300**	**$ 430,294**

8. Share Capital

The authorized share capital consists of an unlimited number of common shares. The common shares have no par value.

As at September 30, 2016 the Company had 104,788,849 issued and outstanding common shares (December 31, 2015: 91,330,517). All issued and outstanding common shares are fully paid.

(a) Common Share Financings during the period

On April 26, 2016, the Company issued 2,275,000 flow-through units ("FT Units") at a price of $0.04 per FT Unit and 3,433,332 common share units ("Common Units") at a price of $0.03 per Common Unit. Each FT Unit consists of one common share issued on a "flow-through" basis, as defined in the Income Tax Act (Canada), and one common share purchase warrant entitling the holder to acquire one common share of the Company at an exercise price of $0.07 for a period of three years. Each Common Unit consists of one common share and one common share purchase warrant entitling the holder to acquire one common share of the Company at an exercise price of $0.05 for a period of three years. In connection with the financing, the Company also paid cash compensation of $22,500 and issued 456,667 compensation warrants, with each compensation warrant entitling the holder to acquire one common share of the Company at an exercise price of $0.10 for a period of three years.

On May 12, 2016, the Company issued 3,750,000 flow-through units ("FT Units") at a price of $0.04 per FT Unit. Each FT Unit consists of one common share issued on a "flow-through" basis, as defined in the Income Tax Act (Canada), and one common share purchase warrant entitling the holder to acquire one common share of the Company at an exercise price of $0.07 for a period of three years. In connection with the financing, the Company also paid cash compensation of $12,000 and issued 300,000 compensation warrants, with each compensation warrant entitling the holder to acquire one common share of the Company at an exercise price of $0.10 for a period of three years

(b) Shares Issued for Property Acquisitions during the period

On September 16, 2016, in connection with the Wemindji claims property purchase agreement, the Company issued 4,000,000 common shares valued at $120,000.

9. Stock Options

The Company has a stock option plan (the "Plan") under which the Board of Directors of the Company may grant stock options to eligible participants including directors and officers of the Company. The fair value of share-based compensation is recognized as contributed surplus upon issuance.

The exercise price of the options cannot be less than the closing price of the Company's shares on the trading day preceding the date of grant and the maximum term of any option cannot exceed five years. There is no minimum vesting period. The maximum aggregate number of common shares under option at any time under the Plan cannot exceed 10% of the issued shares.

All outstanding stock options vested immediately upon being granted.

The following is a continuity schedule for each series of stock options outstanding from December 31, 2015 to September 30, 2016:

Expiry Date	Exercise Price $	Outstanding And Exercisable December 31, 2015 #	Granted #	Expired or Cancelled #	Outstanding And Exercisable September 30, 2016 #
June 30, 2016	0.10	1,590,000	-	(1,590,000)	-
July 19, 2016	0.10	875,000	-	(875,000)	-
October 5, 2016	0.10	1,435,000	-	-	1,435,000
Total	0.10	3,900,000	-	(1,590,000)	2,310,000

10. Warrants

The Company has issued warrants as part of equity financings. The fair value of warrants is recognized upon issuance as an equity reserve until expiration or exercise.

The following is a continuity schedule for the warrants outstanding from December 31, 2015 to September 30, 2016:

Expiry Date	Weighted Average Exercise Price $	Outstanding And Exercisable December 31, 2015 #	Issued #	Expired or Cancelled #	Outstanding And Exercisable September 30, 2016 #	Warrant Fair Value Reserve $
September 27, 2016	$0.20	7,010,000	-	7,010,000	-	-
December 12, 2016	$0.05	427,000	-	-	427,000	16,952
December 12, 2019	$0.05	6,449,800	-	-	6,449,800	76,600
December 24, 2018	$0.055	2,000,000	-	-	2,000,000	54,604
December 24, 2018	$0.055	360,000	-	-	360,000	9,829
April 26, 2019 (a)	$0.07	-	2,275,000	-	2,275,000	61,392
April 26, 2019 (a)	$0.05	-	3,433,332	-	3,433,332	94,147
April 26, 2019 (a)	$0.10	-	456,667	-	456,667	12,086
May 12, 2019 (b)	$0.07	-	3,750,000	-	3,750,000	101,195
May 12, 2019 (b)	$0.10	-	300,000	-	300,000	7,940
Total	$0.12	16,246,800	10,214,999	-	19,451,799	$ 434,745

(a) On April 26, 2016, the Company issued 2,275,000 warrants exercisable for a period of 3 years at an exercise price of $0.07 each and 3,433,332 warrants exercisable for a period of 3 years at an exercise price of $0.05 each as part of a private placement. The company also issued 456,667 broker warrants. The fair value of these warrants was calculated using the Black-Scholes model with a volatility of 211%, dividend yield of 0% and a compound risk free rate of 0.50%.

(b) On May 12, 2016, the Company issued 3,750,000 warrants exercisable for a period of 3 years at an exercise price of $0.07 each. The company also issued 300,000 broker warrants. The fair value of these warrants was calculated using the Black-Scholes model with a volatility of 211% dividend yield of 0% and a compound risk free rate of 0.50%.

11. Commitments and Contingency

(a) Severance Agreement

On April 30, 2016, the Company reached a settlement agreement with its former CEO, whereby a severance of $27,000 was awarded. The Company expensed this claim to payroll and professional fees during the period ended September 30, 2016.

(b) Statement of claim

On July 30, 2016, the Company concluded a legal settlement with the Company's former Chief Financial Officer, whereby a severance of $10,740 was awarded. The Company expensed this claim to payroll and professional fees during the period ended September 30, 2016.

(c) Management Contracts

The Company is a party to a management contract. This contract contains clauses requiring that up to $48,000 could be paid upon a change of control of the Company. As the likelihood of this event taking place is not determinable, such contingent payment has not been reflected in these consolidated financial statements.

12. Capital Management

As of September 30, 2016, the Company had a working capital deficit of $693,208.

There were no changes in the Company's approach to capital management during the nine-month period ended September 30, 2016.

In managing liquidity, the Company's primary objective is to ensure the entity can continue as a going concern while raising additional funding to meet its obligations as they come due. The Company's operations to date have been funded by issuing equity. The Company expects to improve the working capital position by securing additional financing.

The Company's investment policy is to invest excess cash in very low risk financial instruments such as term deposits or by holding funds in high yield savings accounts with major Canadian banks. Financial instruments are exposed to certain financial risks, which may include currency risk, credit risk, liquidity risk and interest rate risk.

The Company's mineral property interests are all in the exploration stage, as such the Company is dependent on external financing to fund its exploration activities and administrative costs. Management continues to assess the merits of mineral properties on an ongoing basis and may seek to acquire new properties or to increase ownership interests if it believes there is sufficient geologic and economic potential.

Management mitigates the risk and uncertainty associated with raising additional capital in current economic conditions through cost control measures that minimizes discretionary disbursements and reduces exploration expenditures that are deemed of limited strategic value.

The Company manages the capital structure (consisting of shareholders' deficiency) on an ongoing basis and makes adjustments in response to changes in economic conditions and risks characteristics of its underlying assets. Adjustments to the Company capital structure may involve the issue of new shares, issue of new debt, acquisition or disposition of assets, or adjustments to the amounts held in cash, cash equivalents and short-term investments.

The Company is not subject to any externally imposed capital requirements other than flow-through spending.

13. Financial Instrument Risk Factors

The following disclosures are to enable users of the consolidated financial statements to evaluate the nature and extent of risks arising from financial instruments at the end of the reporting year:

a) Credit risk

The Company's credit risk is the risk of counterparty default on cash and cash equivalents held on deposit with financial institutions. The Company manages this risk by ensuring that deposits are only held with large Canadian banks and financial institutions. The Company's accounts receivable are sales tax receivables with negligible counterparty default risk.

b) Liquidity risk

The Company's liquidity risk is the risk that Company has insufficient funds to settle its contractual financial liabilities. The Company manages this risk by ensuring sufficient funds are available as contractual cash flows become due.

As at September 30, 2016, the Company had a cash balance of $123,851 (December 31, 2015: $281,656) to settle current liabilities of $845,962 (December 31, 2015: $542,380). As a result, the Company is exposed to liquidity risk.

While the Company has been successful in obtaining required funding in the past, there is no assurance that future financings will be available.

c) Market risks

The Company's market risk arises from changes in interest rates and commodity prices that could have an impact on profit and loss. This includes:

- Interest rate risk, is the sensitivity of the fair value or of the future cash flows of a financial instrument to changes in interest rates. The Company does not have any financial assets or liabilities that were subject to variable interest rates.

- Commodity price risks, particularly with respect to diamonds, is the sensitivity of the fair value of or of the future cash flows of mineral assets. The Company manages this risk by continually monitoring base and precious metal prices and commodity price trends to determine the appropriate timing for funding the exploration or development of its mineral assets, or for the acquisition or disposition of mineral assets. The Company does not have any mineral assets at the development or production stage carried at historical cost. The Company has expensed the acquisition and exploration costs of its exploration stage mineral assets.

- Marketable securities risk, is the sensitivity of the fair value of marketable securities to supply and demand for particular marketable securities. The Company manages this risk by continually monitoring the market pricing and trends of its portfolio of securities to determine the appropriate timing to complete any acquisitions or dispositions. The Company has determined the marketable securities risk at year-end is minimal as the Company sold its portfolio of marketable securities in January 2016.

- Currency risk, is the sensitivity of the fair value or of the future cash flows of financial instruments to changes in foreign exchange rates. The Company does not have any financial assets or liabilities that were subject to variable foreign exchange rates and as such the Company is not subject to currency risk.