



(AN EXPLORATION STAGE COMPANY)

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED JULY 31, 2016 AND 2015

(EXPRESSED IN CANADIAN DOLLARS)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited interim condensed consolidated financial statements of Lakeside Minerals Inc., are the responsibility of the management and Board of Directors of the Company.

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

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

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

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

"Peter Bilodeau"

Peter Bilodeau
Chief Executive Officer

"Amy Stephenson"

Amy Stephenson
Chief Financial Officer

NOTICE TO READER

The accompanying unaudited interim consolidated financial statements of the Company have been prepared by and are the responsibility of management. The unaudited interim condensed consolidated statements for the three and six month periods ended July 31, 2016 and 2015 have not been reviewed by the Company's auditors.

LAKESIDE MINERALS INC.

Unaudited Interim Condensed Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

	Notes	July 31, 2016 \$	January 31, 2016 \$
ASSETS			
Current			
Cash		467	1,261
HST receivable and other receivables	6	57,054	27,640
TOTAL ASSETS		57,521	28,901
LIABILITIES AND EQUITY			
Current			
Accounts payable and accrued liabilities	7	539,585	446,682
Non-current			
Convertible debentures	11	52,395	39,196
TOTAL LIABILITIES		591,980	485,878
EQUITY			
Share capital	8	3,720,304	3,720,304
Conversion component of convertible debentures	11	6,002	6,002
Reserve for warrants	9	712,901	712,901
Reserve for options	10	160,374	160,374
Accumulated deficit		(5,134,040)	(5,056,558)
Total shareholder's deficiency		(534,459)	(456,977)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY		57,521	28,901
Nature of operations and going concern	1		
Commitments and contingencies	14		

APPROVED ON BEHALF OF THE BOARD

“Peter Bilodeau” (Director)“Yannis Banks” (Director)

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

LAKESIDE MINERALS INC.

Unaudited Interim Condensed Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

(Unaudited)

	Notes	Three months ended July 31,		Six months ended July 31,	
		2016	2015	2016	2015
		\$	\$	\$	\$
EXPENSES					
Management, consulting fees and salaries	12	21,000	15,350	42,000	58,350
Professional fees		6,680	9,664	6,680	24,856
Office and general		12,752	24,875	15,603	47,153
Exploration and evaluation expenditures	5	-	2,410	-	8,447
TOTAL EXPENSES		(40,432)	(52,299)	(64,283)	(138,806)
OTHER INCOME (EXPENSES)					
Gain on settlement of debt	7	-	-	-	17,927
Finance cost		(7,174)	-	(13,199)	-
		(7,174)	-	(13,199)	17,927
NET (LOSS) AND COMPREHENSIVE (LOSS)		(47,606)	(52,299)	(77,482)	(120,879)
NET (LOSS) PER SHARE – basic and diluted		(0.002)	(0.002)	(0.003)	(0.005)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING – basic and diluted		24,745,216	24,684,723	24,745,216	24,670,257

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

LAKESIDE MINERALS INC.

Unaudited Interim Condensed Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

(Unaudited)

	Notes	Six months ended July 31,	
		2016	2015
		\$	\$
CASH FLOWS USED IN OPERATING ACTIVITIES			
Loss before income taxes		(77,482)	(120,879)
Adjustments to reconcile net loss to cash flow			
Shares issued for debenture interest		-	2,460
Gain on settlement of debt	7	-	(17,927)
Finance cost	11	13,199	8,504
		(64,283)	(127,842)
Net change in non-cash working capital items:			
HST receivable and other receivables		(29,414)	378
Accounts payable and accrued liabilities		92,903	79,621
Long term debt		-	(2,499)
Prepaid expenses		-	750
Net change in non-cash working capital items		63,489	78,250
Cash flows (used in) operating activities		(794)	(49,592)
(Decrease) increase in cash		(794)	(49,592)
Cash, beginning of period		1,261	54,847
Cash, end of period		467	5,255

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

LAKESIDE MINERALS INC.

Unaudited Interim Condensed Consolidated Statements of Changes in Equity

(Expressed in Canadian Dollars)

(Unaudited)

	Notes	Share Capital		Reserves			Accumulated Deficit	Total
		Number of Shares	Amount	Share based payments	Conversion Component of convertible debentures	Warrants		
Balance at January 31, 2015		24,625,216	3,717,179	163,329	6,002	712,901	(4,813,929)	(214,518)
Issued for non-cash consideration:								
Issued for debenture interest	8	59,507	2,975	-	-	-	-	2,975
Share issue costs	8	-	(515)	-	-	-	-	(515)
Stock options expired and unexercised	10	-	-	-	-	-	-	-
Net loss for the period		-	-	-	-	-	(120,879)	(120,879)
Balance at July 31, 2015		24,684,723	3,719,639	163,329	6,002	712,901	(4,934,808)	(332,937)
Issued for non-cash consideration:								
Issued for debenture interest	8	60,493	(1,775)	-	-	-	-	(1,775)
Share issue costs	8	-	(515)	-	-	-	-	(515)
Stock options expired and unexercised	10	-	2,955	(2,955)	-	-	-	-
Net loss for the period		-	-	-	-	-	(121,750)	(121,750)
Balance at January 31, 2016		24,745,216	3,720,304	160,374	6,002	712,901	(5,056,558)	(456,977)
Issued for non-cash consideration:								
Shares to be issued for debenture interest	8	-	-	-	-	-	-	-
Stock options expired and unexercised	10	-	-	-	-	-	-	-
Net loss for the period		-	-	-	-	-	(77,482)	(77,482)
Balance at July 31, 2016		24,745,216	3,720,304	160,374	6,002	712,901	(5,134,040)	(534,459)

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

LAKESIDE MINERALS INC.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the three and six month periods ended July 31, 2016 and 2015

(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Lakeside Minerals Inc. and its subsidiary (the "Company") are engaged in the acquisition, exploration and development of mineral resource properties in Canada. To date, the Company has not earned significant revenues and is considered to be in the exploration stage. The address of the Company's registered office is 77 King Street West, Suite 2905, Toronto, Ontario M5K 1H1.

The Company is in the process of exploring, and has not yet determined whether there are economically viable reserves on the properties it owns or has optioned. As such, there is uncertainty with respect to the Company's ability to continue as a going concern, dependent upon such events as financing, discovery of reserves, and market demand conditions.

As is common with exploration companies, the Company is dependent upon obtaining necessary equity financing from time to time to finance its on-going and planned exploration activities and to cover administrative costs.

At July 31, 2016, the Company had a working capital deficiency of \$482,064 (January 31, 2016 – working capital deficiency of \$417,781) has not yet achieved profitable operations, has accumulated losses of \$5,134,040 (January 31, 2016 – \$5,056,558) and expects to incur further losses in the development of its business, all of which casts significant doubt upon the Company's ability to continue as a going concern. The Company will require additional financing in order to conduct its planned work programs on mineral properties, meet its ongoing levels of corporate overhead and discharge its liabilities as they come due. These consolidated financial statements do not reflect the adjustments to carrying amounts of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary if the going concern assumption was deemed inappropriate. Such adjustments could be material.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements, unregistered claims, aboriginal claims and noncompliance with regulatory and environmental requirements.

2. BASIS OF PRESENTATION

2.1 Statement of compliance

These unaudited interim condensed consolidated 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 the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These unaudited interim condensed consolidated financial statements were authorized by the Board of Directors of the Company on September 28, 2016.

2.2 Basis of presentation

These unaudited interim condensed consolidated financial statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company's January 31, 2016 annual financial statements.

LAKESIDE MINERALS INC.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the three and six month periods ended July 31, 2016 and 2015

(Expressed in Canadian Dollars)

2. BASIS OF PRESENTATION (continued)

2.3 Adoption of new and revised standards and interpretations

New standards and interpretations

At the date of authorization of these Financial Statements, the IASB and the IFRS Interpretations Committee (“IFRIC”) have issued certain new and revised Standards and Interpretations which are not yet effective. Many are not applicable or do not have a significant impact to the Company and have been excluded from the list below. The Company has not early adopted and is currently assessing what impact the application of these standards or amendments will have on the consolidated financial statements of the Company.

- IFRS 9 Financial Instruments was issued in final form in July 2014 by the IASB and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 also includes requirements relating to a new hedge accounting model, which represents a substantial overhaul of hedge accounting which will allow entities to better reflect their risk management activities in the financial statements. The most significant improvements apply to those that hedge non-financial risk, and so these improvements are expected to be of particular interest to non-financial institutions. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted.

3. CAPITAL MANAGEMENT

The Company considers its capital structure to consist of share capital, reserves and accumulated deficit. When managing capital, the Company’s objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management adjusts the capital structure as necessary in order to support the exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management team to sustain the future development of the business.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed.

Management has chosen to mitigate the risk and uncertainty associated with raising additional capital within current economic conditions by:

- i) minimizing discretionary disbursements;
- ii) reducing or eliminating exploration expenditures which are of limited strategic value;
- iii) exploring alternate sources of liquidity.

In light of the above, the Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient potential and if it has adequate financial resources to do so.

LAKESIDE MINERALS INC.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the three and six month periods ended July 31, 2016 and 2015

(Expressed in Canadian Dollars)

3. CAPITAL MANAGEMENT, (continued)

As at July 31, 2016, the Company's capital consists of share capital, conversion component of convertible debentures, reserves for warrants, reserves for options and accumulated deficit in the amount of \$(534,459) (January 31, 2016 - \$(456,977)).

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the six months ended July 31, 2016. The Company is not subject to externally imposed capital requirements.

4. RISK FACTORS

Fair value

The carrying amount of cash and cash equivalents, note receivable, line of credit, and accounts payables and accrued liabilities approximate fair value due to the relative short maturity of these financial instruments. As at July 31, 2016, cash and cash equivalents are considered level 1.

Credit Risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash. Cash is held with a reputable Canadian chartered bank. Management believes that the credit risk concentration with respect to financial instruments included in cash is minimal.

Liquidity Risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. See Note 1 for the Company's requirement for additional financing in order to conduct its planned work, to meet ongoing levels of corporate overhead, and to discharge its liabilities as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company. The Company generates cash flow primarily from its financing activities. As at July 31, 2016, the Company had a cash and cash equivalents balance of \$467 (January 31, 2016 - \$1,261) and current liabilities of \$539,585 (January 31, 2016 - \$446,682).

5. EXPLORATION AND EVALUATION EXPENDITURES

The Company is engaged, in acquiring, exploring, and developing mineral properties in the jurisdiction of Quebec. At July 31, 2016, Lakeside holds one main property, Launay. The Launay property, for which the Company incurred exploration and evaluation expenditures of \$nil during the three and six months ended July 31, 2016 (2015 - \$2,410 and \$8,447), is briefly described below.

Launay Property

The property is located northeast of Rouyn-Noranda, in Launay, Privat, and Manneville Townships, northwestern Quebec. Through staking, option and purchase agreements, the Company consolidated a land package over the prospective Macamic deformation zone, a major deformation zone in the Abitibi subprovince. The Launay property currently comprises 108 non-contiguous claims:

LAKESIDE MINERALS INC.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the three and six month periods ended July 31, 2016 and 2015

(Expressed in Canadian Dollars)

5. EXPLORATION AND EVALUATION EXPENDITURES (continued)

- 28 claims, are under option agreement to the Company to acquire a 100% interest, subject to property payments, work commitments and subject to a 2% NSR with buyback of 1% NSR for \$1,000,000.
- 21 claims, are 100% owned by the Company; these claims were purchased from Melkior Resources Inc. with Company shares: 15 of these claims are subject to a 2% NSR with buyback of 1% NSR for \$1,000,000; the other 6 claims are subject to a 1% NSR with total buyback for \$500,000.
- 9 claims, (initially 35 claims) are 100% owned by the Company; these claims were acquired from Les Explorations Carat Inc. with cash payments and Company shares; claims are subject to a 2% NSR with buyback of 1% NSR for \$1,000,000.
- 11 claims, are 100% owned by the Company; the claims were purchased from Jack Stoch Geoconsultant Services Ltd. with Company shares, subject to a 2% gross metal royalty (“GMR”); the Company has the option of first refusal to buy back a 1% GMR.
- 9 claims, are 100% owned by the Company; these claims were purchased from 9219-8845 Québec Inc. with Company shares; claims are subject to a 2% NSR with buyback of 1% NSR for \$1,000,000.
- The remaining 30 claims were staked and are 100% owned by the Company.

The Company entered into an agreement with arm’s length parties dated December 7, 2010, to acquire a 100% interest in the Launay property originally consisting of 29 non-contiguous claims. Pursuant to the terms of the Launay Agreement, the Company issued 1,000,000 (250,000 post consolidation) shares of its common stock issued at an estimated fair value of \$0.05 per common share and paid \$10,000 to the vendors immediately upon signing the agreement. The Company also agreed to issue an additional 750,000 (187,500 post consolidation) common shares and pay \$90,000 as follows:

- a) \$15,000 due within seven days of the Company completing a going public transaction (paid).
- b) \$20,000 and 250,000 (62,500 post consolidation) shares on the first anniversary of the agreement (paid and issued).
- c) \$25,000 (amended as per below) and 250,000 (62,500 post consolidation) shares on the second anniversary.
- d) \$30,000 (amended as per below) and 250,000 (62,500 post consolidation) shares on the third anniversary.

The Company was to perform \$250,000 in exploration on the mining claims over a period of three years from the date of the agreement, which was completed.

On April 30, 2012, the Company entered into an agreement with Melkior Resources Inc. (TSX-V: MKR) (“Melkior”) to acquire 21 mineral claims, the Trojan and Launay South blocks, which are adjacent to Lakeside’s Launay property claim blocks located in Privat and Launay Townships. Under the terms of the agreement, Lakeside acquired 100% interest in the mineral claims by issuing 750,000 (187,500 post consolidation) common shares (issued) to Melkior and recognizing the continuance of third party net smelter royalties on the mineral claims.

On June 5, 2012, the Company entered into an agreement with Les Explorations Carat Inc. (“Les Explorations”) to acquire 35 mineral claims, located east of the Rochette block and east and west of the Labreteche block. Under the terms of the agreement, Lakeside acquired 100% interest in the mineral claims by agreeing to make two cash payments of \$5,000 each within 6 months (paid) and 12 months of the execution of the agreement; issuing 200,000 (50,000 post consolidation) common shares (issued) to Les Explorations; and, granting of a 2% net smelter royalty on the mineral claims. The Company can buy back half of the 2% net smelter royalty with a payment of \$1,000,000.

LAKESIDE MINERALS INC.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the three and six month periods ended July 31, 2016 and 2015

(Expressed in Canadian Dollars)

5. EXPLORATION AND EVALUATION EXPENDITURES, (continued)

Upon successful completion of all these obligations the vendor shall transfer title to the claims to the Company, subject to a NSR of 2%, of which a 1% NSR may be acquired upon payment of \$1,000,000.

On September 7, 2012, the Company entered into an agreement with privately owned Jack Stoch Geoconsultant Services Ltd. (JSGS) to acquire 11 mineral claims, also known as the Freegold property. Under the terms of the agreement, the Company can acquire a 100% interest in the Freegold property subject to the Company issuing 600,000 (150,000 post consolidation) common shares (issued) to JSGS. JSGS retains a two percent (2%) GMR and the Company has the option of first refusal to buy back a one percent (1%) GMR.

On October 22, 2012, the Company and its vendors amended the terms of the agreement relating to 29 of 229 claims of the Launay property. The cash payments of \$25,000 payable on December 7, 2012 and \$30,000 payable on December 7, 2013 were amended to:

- (a) \$25,000 payable to the vendors on June 1, 2013 (amended as per below)
- (b) \$30,000 payable to the vendors on June 1, 2014 (amended as per below)

All of the common shares issuable remain the same.

On January 8, 2013, the Company entered into an agreement with 9219-8845 Quebec Inc. ("Canadian Mining House") to acquire 15 mineral claims. Under the terms of the agreement, the Company can acquire 100% interest subject to the Company issuing 150,000 (37,500 post consolidation) shares. Canadian Mining House retains a 2% net smelter royalty on the claims. The Company can buy back half of the 2% net smelter royalty with a payment of \$1,000,000.

As of June 11, 2013, the Company and vendors negotiated an amendment to the terms of the option agreement relating to 29 claims of the Launay property. The cash payment of \$25,000 payable on June 1, 2013 has been amended to \$10,000 payable on June 1, 2013 (paid) and \$15,000 payable on the earlier of the closing of any equity or convertible debt financing undertaken by the Company, or June 1, 2014 and \$30,000 payable on June 1, 2014. In addition, the vendors acknowledged that the work commitments have been fulfilled and the Company's obligation is therein fully discharged.

On June 18, 2014, the Company amended the terms to its Launay property agreement. The final payment of \$45,000 which had been due on June 1st, 2014 was restructured as follows:

- \$30,000 will be payable in shares for a total issuance of 600,000 (issued) shares at \$0.04
- \$15,000 (paid) will be payable on June 30th, 2014
- An additional \$15,000 will be payable on December 15th, 2014

On December 11, 2014, the Company amended the Launay property agreement, to revise the payment schedule from \$15,000 payable on December 15, 2014, to as follows:

- a) \$7,500 (paid) payable on December 15, 2014;
- b) \$7,500 payable on March 15, 2015.

On March 11, 2015, the Company amended the Launay property agreement, to revise the payment schedule from \$7,500 payable on March 15, 2015, to June 15, 2015. On June 15, 2015, the Company amended the Launay property agreement, to revise the payment schedule from \$7,500 payable on June 15, 2015, to October 31, 2015. The Company is currently negotiating a further extension to the final payment. As of the date of these financial statements this payment has not been made.

LAKESIDE MINERALS INC.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the three and six month periods ended July 31, 2016 and 2015

(Expressed in Canadian Dollars)

6. HST RECEIVABLE AND OTHER RECEIVABLES

The Company's HST and other receivables arise from harmonized services tax ("HST"), and amounts due from government taxation authorities.

The Company anticipates full recovery of these amounts and therefore no impairment has been recorded against these receivables, which are due in less than one year.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payables of the Company are principally comprised of amounts outstanding for trade purchases relating to exploration activities, professional fees, amounts payable for financing activities and payroll liabilities.

The following is an aged analysis of the accounts payables and accrued liabilities:

	<u>July 31, 2016</u>	<u>January 31, 2016</u>
Less than 90 days	\$ 111,073	\$ 102,145
Greater than 90 days	428,512	344,537
Total accounts payable and accrued liabilities	\$ 539,585	\$ 446,682

During the year ended January 31, 2015, the terms for two accounts totaling \$86,425 in accounts payable were deferred on payment schedules extending to 2017, payable in monthly instalments of \$750 and \$500, with the outstanding balances of \$64,316 and \$13,109 due on April 30, 2016 and April 30, 2017 respectively. One account was settled on April 24, 2015, resulting in a gain on settlement of debt of \$17,927 in these financial statements.

8. SHARE CAPITAL**During the year ended January 31, 2016:**

- (i) On March 16, 2015, the Company issued 59,507 common shares in exchange for payment of debenture interest of \$2,975 resulting in a gain on settlement of debt of \$2,380. Share issue costs included cash payments of \$515.
- (ii) On September 16, 2015, the Company issued 60,493 common shares in exchange for payment of debenture interest of \$3,025 resulting in a gain on settlement of debt of \$2,420. Share issue costs included cash payments of \$515.

During the year ended January 31, 2015:

- (i) On June 13, 2014, the Company completed the consolidation of its outstanding common shares on a ratio of 4 old for 1 new share. Number of shares for the year ended January 31, 2014 is adjusted for the effects of consolidation. Basic and diluted loss per share for the years ended January 31, 2015 and 2014, respectively are adjusted for effects of consolidation.
- (ii) On June 15, 2014, the Company issued 600,000 shares at a price of \$0.04 in exchange for mineral properties (note 6).

LAKESIDE MINERALS INC.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the three and six month periods ended July 31, 2016 and 2015

(Expressed in Canadian Dollars)

8. SHARE CAPITAL (continued)

- (iii) On June 23, 2014, the Company entered into shares for debt agreements totaling \$95,170, with arm's length and non-arm's length parties. Following the share consolidation, a total of 217,303 Lakeside units for gross proceeds of \$10,865 were issued to unrelated parties for settlement of debt, and 1,686,107 Lakeside shares for gross proceeds of \$67,444 were issued to insiders and related parties for outstanding fees. Each unit is comprised of one share and one half share purchase warrant exercisable for a period of 36 months at \$0.10. Details of the warrant valuation are described in Note 10.
- (iv) The 1,686,107 Lakeside shares issued to insiders and related parties are for settlements of outstanding fees to the following: \$51,605 to the Foundation Opportunities Inc., ("FOF"), with an
- (v) officer in common, and \$32,700 to Cavalry Corporate Solutions Ltd. ("Cavalry"), with a director in common.
- (vi) On June 23, 2014, the Company entered into shares for debt agreement totaling \$77,884, with an arm's length party. Following the share consolidation, a total of 1,557,676 Lakeside units for gross proceeds of \$77,884 were issued to Forages M. Rouillier Drilling Inc, a Quebec-based underground and surface drilling company. Each unit is comprised of one share and one half share purchase warrant exercisable for a period of 36 months at \$0.10. Details of the warrant valuation are described in Note 10.
- (vii) On June 23, 2014, the Company entered into shares for debt agreements totaling \$15,641, with an arm's length party. Following the share consolidation, a total of 312,820 Lakeside units for gross proceeds of \$15,641 were issued for settlement of debt. Each unit is comprised of one share and one half share purchase warrant exercisable for a period of 36 months at \$0.10. Details of the warrant valuation are described in Note 10.
- (viii) On June 23, 2014, the Company entered into shares for debt agreement with an arm's length party. Following the share consolidation, an additional 1,652,000 Lakeside Units for gross proceeds of \$82,600 was issued to an unrelated party for settlement of debt. Each unit is comprised of one share and one half share purchase warrant exercisable for a period of 36 months at \$0.10. Details of the warrant valuation are described in Note 10.
- (ix) On June 24, 2014, pursuant to the terms of the subscription agreement dated March 12, 2014 between Lakeside and Canada Pacific Capital Corp. ("Canada Pacific"), Canada Pacific subscribed for 5,800,000 units of Lakeside at a price of \$0.05 per unit, for aggregate consideration of \$290,000 in cash. Each unit consists of one common share and one-half of one common share purchase warrants exercisable at a price of \$0.10 per share at any time prior the third anniversary of issuance. Details of the warrant valuation are disclosed in Note 10. Share issue costs of \$43,675 were incurred.

The total aggregate amount of debt settled for shares is \$271,295 that resulted in the issuance of 3,739,799 Lakeside units and 1,686,107 Lakeside shares. Share issue costs included cash payments of \$2,806. The total gain on forgiveness of debt was \$17,259.

LAKESIDE MINERALS INC.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the three and six month periods ended July 31, 2016 and 2015

(Expressed in Canadian Dollars)

9. RESERVE FOR WARRANTS

During the period ended July 31, 2016, no warrants were issued and no warrants expired. Warrants to purchase common shares carry exercise prices and terms to maturity at July 31, 2016 as follows:

Date of Expiry	No. of warrants	Exercise Price (\$)
September 16, 2016	1,000,000	0.07
June 23, 2017	1,869,899	0.10
June 25, 2017	4,199,877	0.10
March 26, 2018	1,466,434	0.40
	<u>8,536,210</u>	<u>0.15</u>

The following table summarizes the assumptions used with the Black-Scholes valuation model for the determination of the fair value of the warrants and broker warrants granted during the year ended January 31, 2015:

Issue date	June 23, 2014	June 24, 2014	June 24, 2014 ⁽ⁱ⁾	September 16, 2014	Total
No. of warrants	1,869,899	2,900,000	1,299,877	1,000,000	7,069,776
Share price	\$ 0.04	\$ 0.04	\$ 0.04	\$ 0.04	
Exercise price	\$ 0.10	\$ 0.10	\$ 0.10	\$ 0.07	
Expected life in years	3.00	3.00	3.00	2.00	
Volatility ⁽ⁱⁱ⁾	100%	100%	100%	139%	
Risk-free interest rate	1.23%	1.21%	1.21%	1.23%	
Dividend yield	-	-	-	-	
Fair value of warrants	\$ 37,000	\$ 58,000	\$ 26,000	\$ 19,293	\$ 140,293

(i) Issued as part of corporate acquisition in 2014.

(ii) Expected volatility is based on comparable companies.

10. RESERVE FOR OPTIONS

The Company awards stock options to directors, management and employees of the Company. The compensation expense is recognized when options are issued if exercisable immediately; otherwise, expense is recognized over the vesting term.

The Company established a stock option plan to provide additional incentive to its directors, officers, employees and consultants in their efforts on behalf of the Company in the conduct of its affairs. The stock option plan provides that the total number of shares which may be issued thereunder is limited to 10% of the aggregate number of shares outstanding. Under the terms of the plan, options vest immediately and expire on the fifth anniversary from the date of issue unless otherwise stated. As at July 31, 2016, the Company has 2,437,022 (January 31, 2016 – 2,437,022) options available for issuance under the plan.

LAKESIDE MINERALS INC.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the three and six month periods ended July 31, 2016 and 2015

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10. RESERVE FOR OPTIONS (continued)

Lakeside has the following stock options outstanding:

	July 31, 2016		January 31, 2016	
	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price	Number of Options
Outstanding - beginning of year	\$ 1.6	37,500	\$ 0.93	237,500
Transactions during the year:				
Granted	-	-	-	-
Expired/cancelled	-	-	0.80	(200,000)
Outstanding	\$ 1.6	37,500	\$ 1.6	37,500
Exercisable	\$ 1.6	37,500	\$ 1.6	37,500

The weighted average remaining contractual life for outstanding options is as follows:

Price Range	Number of Options	Weighted Average Remaining Life (years)	Number of Options - exercisable	Weighted Average Exercise Price
\$1.60	37,500	0.39	37,500	\$ 1.60

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimated, and therefore, the existing models do not necessarily provide a reliable measure of the fair value of the Company's stock options. Expected volatility is based on comparable companies.

11. CONVERTIBLE DEBENTURES

On September 16, 2014, the Company closed a non-brokered private placement of an unsecured convertible debenture under SIDEX's program "Field Action 2014" for total gross proceeds of \$50,000. The debentures mature 2 years from the closing date. These debentures were issued at face value and are convertible, at the option of the holder, at any time prior to the maturity date, into common shares of the Company at a conversion price equal to \$0.05 per common share until September 16, 2015, and \$0.10 per share from September 17, 2015 until September 16, 2016. The Company is in discussions with SIDEX to extend the terms of the Debenture.

The rate of interest on the Debentures is 12% per annum, payable semi annually in equal installments on March 16, and September 16, of each year beginning on March 16, 2015, in cash or common shares of the Company. The debentures may be repaid at any time by the Company, subject to 45 days notice, and is repayable at maturity in cash or shares at the option of the Company.

As an incentive for purchasing Debentures, the Company issued 1,000,000 warrants at the closing. Each warrant is exercisable into shares at a price of \$0.07 per Share, for a period of 2 years from the closing date and had a value of \$19,293 (see note 12 for estimates used in the valuation of warrants). The warrant value of \$19,293 prior to tax effect has been recognized in equity for the year ended January 31, 2015. The warrants are subject to a four month hold period from the date of issuance.

LAKESIDE MINERALS INC.

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11. CONVERTIBLE DEBENTURES (continued)

The debentures are classified as a liability, with the exception of the portion relating to the conversion feature, resulting in the carrying value of the debentures being less than face value. The discount is being accreted over the term of the debentures utilizing the effective interest rate method at a 36.92% discount rate. The interest rate to discount comparable debt without the conversion feature is 16%.

The following table reflects the continuity of convertible debentures for the period ended July 31, 2016:

Balance January 31, 2014	
Debentures issued	\$ 50,000
Transaction costs relating to convertible debentures – warrants, net of tax	(14,180)
Transaction costs relating to convertible debentures - cash	(2,500)
Conversion component of convertible debenture, net of tax	(6,002)
Interest expense	2,271
Accretion expense	3,329
Deferred tax liability	(7,277)
Balance January 31, 2015	
Interest expense	\$ 6,000
Accretion expense	13,555
Shares issued as interest payment	(1,200)
Gain on settlement of debt	(4,800)
Balance January 31, 2016	
Interest expense	\$ 3,009
Accretion expense	10,190
Balance July 31, 2016	
	\$ 52,395

12. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

The Company and FMI Capital Advisory Inc. (“FMI”) (formerly Foundation Opportunities Inc.) entered into a financial advisory and consulting agreement on October 15, 2010. FMI is a subsidiary of Foundation Financial Holdings Corp. (“FFHC”). FFHC is an entity in which Adam Szweras, an officer of the Company, is a director of FFHC and his minor children hold an indirect interest, and Yannis Banks, a director and former officer of the Company, holds an interest. For the six month period ended July 31, 2016, the Company was charged \$12,000 for consulting by FMI (2015 - \$20,000). At July 31, 2016, \$101,000 (January 31, 2016 - \$107,231) is included in accounts payable and accrued liabilities.

The Company and Branson Corporate Services (“Branson”) entered into a management services agreement on March 1, 2014, which includes the services of the Company’s Chief Financial Officer (“CFO”), as well as other accounting and administrative services. Branson is an entity in which FFHC owns 49% of the shares. In consideration for services the Company agreed \$5,000 per month for services. For the six month period ended July 31, 2016, the Company recorded \$30,000 (2015 - \$29,000) for management services provided by Branson. At July 31, 2016, \$91,781 (January 31, 2016 - \$69,813) is included in accounts payable and accrued liabilities in relation to Branson.

LAKESIDE MINERALS INC.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the three and six month periods ended July 31, 2016 and 2015

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12. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION (continued)

During the six month period ended July 31, 2016, Fogler Rubinoff LLP (“Fogler”) a law firm in which Adam Szweras an officer of the Company is also a partner, provided \$nil (2015 - \$18,486) of legal services, which are included in professional fees and cost of share issuance in equity. At July 31, 2016, \$32,314 (January 31, 2016 - \$60,233) is included in accounts payable and accrued liabilities to Fogler.

During the six month period ended July 31, 2016, \$nil (2015 - \$12,500) was paid to directors or officers of the Company. As at July 31, 2016, \$nil (January 31, 2016 - \$633) is included in accounts payable and accrued liabilities.

13. SEGMENTED INFORMATION

At July 31, 2016, the Company’s operations comprise of a single reporting operating segment engaged in mineral exploration in Quebec.

14. COMMITMENTS AND CONTINGENCIES

Environmental Contingencies

The Company’s exploration activities are subject to various federal, provincial and international laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.