

**STOCKPORT EXPLORATION INC.**

**Unaudited Condensed Interim Consolidated Financial Statements**

**January 31, 2016**

March 24, 2016

## **Management's Responsibility for Financial Reporting**

The accompanying unaudited condensed interim consolidated financial statements of **Stockport Exploration Inc.** are the responsibility of management and have been approved by the Board of Directors. The unaudited condensed interim consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS"). The unaudited condensed interim consolidated financial statements include certain amounts and assumptions that are based on management's best estimates and have been derived with careful judgment.

In fulfilling its responsibilities, management has developed and maintains a system of internal accounting controls. These controls are designed to provide reasonable assurance that the financial records are reliable for the preparation of the financial statements. The Audit Committee of the Board of Directors reviewed and approved the Company's unaudited condensed interim consolidated financial statements and recommended their approval by the Board of Directors.

These unaudited condensed interim consolidated financial statements have not been reviewed by the external auditors of the Company.

(signed) "*James Megann*"  
President and Chief Executive Officer  
Halifax, Nova Scotia

(signed) "*Robert Randall*"  
Chief Financial Officer  
Halifax, Nova Scotia

**STOCKPORT EXPLORATION INC.**  
**Unaudited Condensed Interim Consolidated Statements of Financial Position**  
As at January 31, 2016 and October 31, 2015

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*(expressed in Canadian dollars)*

	January 31, 2016	October 31, 2015
<b>ASSETS</b>	\$	\$
<b>Current assets</b>		
Cash	45,032	178,503
Sales taxes recoverable	3,348	5,852
Prepaid expenses and deposits	4,693	4,710
	<u>53,073</u>	<u>189,065</u>
<b>Marketable securities</b>	6,500	5,500
<b>Property and equipment</b> (note 6)	7,642	8,174
<b>Resource properties</b> (note 7)	9,446,530	9,225,472
	<u>9,513,745</u>	<u>9,428,211</u>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 8)	1,453,816	1,237,137
Line of credit (note 15)	250,000	250,000
Current portion of convertible debentures (note 11)	560,000	560,000
	<u>2,263,816</u>	<u>2,047,137</u>
<b>Convertible notes</b> (note 12)	232,500	225,000
<b>Long-term portion of convertible debentures</b> (note 11)	1,175,381	1,175,381
	3,671,697	3,447,518
<b>SHAREHOLDERS' EQUITY</b>	<u>5,842,048</u>	<u>5,980,693</u>
	<u>9,513,745</u>	<u>9,428,211</u>

**Nature of operations** (note 1)

**Basis of presentation and going concern** (note 2)

**Contingency** (note 16)

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

**Approved on behalf of the Board of Directors,**

*(s) Wade K. Dawe*

**Wade K. Dawe**

*(s) Carl Sheppard*

**Carl Sheppard**

**STOCKPORT EXPLORATION INC.****Unaudited Condensed Interim Consolidated Statements of Comprehensive Loss**

For the three-months ended January 31, 2016 and 2015

*(expressed in Canadian dollars)*

	For the Three-Months Ended January 31	
	2016	2015
	\$	\$
<b>EXPENSES</b>		
Amortization	200	420
Banking fees	897	833
General and administrative	10,674	3,726
Investor relations and marketing	180	1,830
Listing and regulatory costs	8,612	7,931
Management salaries and fees	65,173	61,777
Management services	25,500	25,500
Professional services	13,585	2,953
Share-based compensation	5,507	22,159
Travel	455	450
<b>LOSS FROM OPERATIONS</b>	<u>130,783</u>	<u>127,579</u>
<b>OTHER EXPENSES (INCOME)</b>		
Accretion expense (note 12)	7,500	-
Change in fair value of convertible debenture liability (note 11)	-	-
Foreign exchange	4,556	(13,045)
Interest expense	2,313	-
Interest income	-	(2,064)
<b>LOSS BEFORE INCOME TAXES</b>	<u>145,152</u>	<u>112,470</u>
Deferred income tax (note 14)	-	-
<b>NET LOSS FOR THE PERIOD</b>	<u>145,152</u>	<u>112,470</u>
Unrealized loss (gain) on available-for-sale securities	<u>(1,000)</u>	<u>1,000</u>
<b>COMPREHENSIVE LOSS FOR THE PERIOD</b>	<u>144,152</u>	<u>113,470</u>
<b>LOSS PER SHARE - BASIC AND DILUTED</b>	<u>\$ 0.002</u>	<u>\$ 0.001</u>
<b>Weighted Average Number of Common Shares Outstanding</b>		
Basic	<u>88,653,128</u>	<u>80,557,577</u>

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

**STOCKPORT EXPLORATION INC.**

**Unaudited Condensed Interim Consolidated Statements of Changes in Equity**

For the periods ended January 31, 2016 and 2015 and October 31, 2015

*(expressed in Canadian dollars)*

	Number of Shares	Share Capital \$	Equity portion of convertible debt \$	Warrants \$	Contributed Surplus \$	Accumulated Other Comprehensive Income (Loss) \$	Deficit \$	Total \$
<b>Balance at November 1, 2014</b>	80,450,220	22,319,362	-	30,000	4,603,558	(6,000)	(20,587,257)	6,359,663
Net loss and other comprehensive loss for the period	-	-	-	-	-	(1,000)	(112,470)	(113,470)
Shares issued as finders' fees	359,158	35,916	-	-	-	-	-	35,916
Share-based compensation	-	-	-	-	22,244	-	-	22,244
<b>Balance at January 31, 2015</b>	80,809,378	22,355,278	-	30,000	4,625,802	(7,000)	(20,699,727)	6,304,353
Net loss and other comprehensive gain for the period	-	-	-	-	-	500	(727,578)	(727,078)
Units issued pursuant to private placements (note 9)	7,843,750	263,750	-	50,000	-	-	-	313,750
Private placement issue costs	-	(21,465)	-	(4,651)	-	-	-	(26,116)
Equity portion of convertible notes (note 12)	-	-	90,000	-	-	-	-	90,000
Share-based compensation	-	-	-	-	25,784	-	-	25,784
<b>Balance at October 31, 2015</b>	88,653,128	22,597,563	90,000	75,349	4,651,586	(6,500)	(21,427,305)	5,980,693
Net loss and other comprehensive gain for the period	-	-	-	-	-	1,000	(145,152)	(144,152)
Share-based compensation	-	-	-	-	5,507	-	-	5,507
<b>Balance at January 31, 2016</b>	88,653,128	22,597,563	90,000	75,349	4,657,093	(5,500)	(21,572,457)	5,842,048

Other comprehensive gain (loss) for the period comprises the net unrealized gain (loss) on available-for-sale securities.

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

**STOCKPORT EXPLORATION INC.**  
**Unaudited Condensed Interim Consolidated Statements of Cash Flows**  
For the periods ended January 31, 2016 and 2015

*(expressed in Canadian dollars)*

	For the Three-Months Ended January 31	
	2016	2015
	\$	\$
<b>CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>		
Net loss for the periods	(145,152)	(112,470)
Charges (credits) to income not involving cash		
Amortization	200	420
Share-based compensation	5,507	22,159
Accretion expense	7,500	-
	<u>(131,945)</u>	<u>(89,891)</u>
Net change in non-cash working capital balances related to operations		
Increase in sales taxes recoverable	(234)	(1,423)
Decrease in prepaid expenses and deposits	17	6,880
Increase (decrease) in accounts payable and accrued liabilities	82,644	23,840
	<u>(49,518)</u>	<u>(60,594)</u>
<b>CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>		
	<u>-</u>	<u>-</u>
<b>CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>		
Resource property interests and options	(161,691)	(112,260)
Cash received pursuant to option agreement (note 7)	75,000	-
Sales taxes recoverable related to resource property interests	2,738	366
	<u>(83,953)</u>	<u>(111,894)</u>
<b>NET CHANGE IN CASH</b>	(133,471)	(172,488)
<b>CASH, beginning of periods</b>	178,503	347,586
<b>CASH, end of periods</b>	<u>45,032</u>	<u>175,098</u>
<b>Non-cash financing activities</b>		
Common shares issued as a cost of financing (note 9)	-	35,916

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

**STOCKPORT EXPLORATION INC.**  
**Notes to Unaudited Condensed Interim Consolidated Financial Statements**  
For the periods ended January 31, 2016 and 2015

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*(expressed in Canadian dollars unless otherwise noted)*

**1. Nature of operations**

These unaudited condensed interim consolidated financial statements include the accounts of Stockport Exploration Inc. (the “Company”) and its wholly-owned subsidiaries, 6321593 Canada Inc., Stockport Exploration of Kenya Limited, Stockport Mining Kenya Limited, and Minera Zapoteca, S.A. de C.V.

The Company is in the process of exploring its resource properties and has not yet determined whether these properties contain ore reserves that are economically recoverable. To date, the Company has not earned significant revenues. The recoverability of the amounts shown for resource properties and related deferred costs is dependent upon the discovery of economically recoverable reserves, obtaining necessary financing and permitting to complete the development, and future profitable production or proceeds from the disposition thereof. The Company is incorporated and domiciled in Canada, and its head office is located at 1969 Upper Water Street, Suite 2001, Halifax, Nova Scotia, Canada.

**2. Basis of Presentation and Going Concern**

Going Concern

These unaudited condensed interim consolidated financial statements have been prepared using International Financial Reporting Standards applicable to a going concern, which contemplate the realization of assets and settlement of liabilities in the normal course of business as they come due.

For the three-month period ended January 31, 2016, the Company incurred a net loss of approximately \$0.1 million (year-ended October 31, 2015 - \$0.8 million) and had an accumulated deficit of approximately \$21.6 million as at January 31, 2016 (year-ended October 31, 2015 - \$21.4 million). The Company has no income or cash flow from operations and at January 31, 2016, had a negative working capital balance of approximately \$2.2 million (year-ended October 31, 2015 - negative working capital balance of \$1.9 million). In addition to its working capital requirements, the Company must secure sufficient funding to maintain legal title to its resource properties, to fund its exploration and development activities and to fund its general and administrative costs. Such material uncertainties cast significant doubt as to the ability of the Company to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

Management is evaluating alternatives to secure additional financing so that the Company can continue to operate as a going concern. Nevertheless, there is no assurance that these initiatives will be successful or sufficient.

The Company’s ability to continue as a going concern is dependent upon its ability to fund its working capital and exploration requirements and eventually to generate positive cash flows, either from operations or the sale of properties. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

## **STOCKPORT EXPLORATION INC.**

### **Notes to Unaudited Condensed Interim Consolidated Financial Statements**

For the periods ended January 31, 2016 and 2015

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#### Statement of Compliance

The Company prepares its unaudited condensed interim consolidated financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of Chartered Professional Accountants of Canada – Part 1 (“CPA Canada Handbook”), which incorporates International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* (“IAS 34”), as issued by the IASB. Accordingly, certain information normally included in annual financial statements prepared in accordance with IFRS, as issued by the IASB, have been omitted or condensed. The unaudited condensed interim consolidated financial statements should be read in conjunction with the Company’s annual audited consolidated financial statements for the year-ended October 31, 2015.

The policies applied in these unaudited condensed interim consolidated financial statements are based on the IFRS as of March 24, 2016, the date the Board of Directors approved the financial statements. Any subsequent changes to IFRS that are given effect in the Company’s annual consolidated financial statements for the year-ended October 31, 2016 could result in the restatement of these unaudited condensed interim consolidated financial statements.

#### Basis of Presentation

The condensed interim consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments recorded at fair value. Items included in the financial statements of each of the Company’s subsidiaries are measured using the currency of the primary economic environment in which the entity operates (“functional currency”). The Company’s functional currency is the Canadian dollar. The unaudited condensed interim consolidated financial statements are presented in Canadian dollars, which is also the presentation currency of the Company.

#### Use of Estimates and Judgments

The preparation of financial statements under IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and further periods if the review affects both current and future periods.

## **STOCKPORT EXPLORATION INC.**

### **Notes to Unaudited Condensed Interim Consolidated Financial Statements**

For the periods ended January 31, 2016 and 2015

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#### **3. Significant Accounting Policies**

These financial statements have been prepared using the same policies and methods of computation as the annual consolidated financial statements of the Company for the year-ended October 31, 2015. Refer to note 3, *Significant Accounting Policies*, of the Company's annual consolidated financial statements for the year-ended October 31, 2015 for information on the accounting policies as well as new accounting standards not yet effective.

#### **4. Financial Instruments**

The Company recognizes financial instruments based on their classification. Depending on the financial instruments' classification, changes in subsequent measurements are recognized in net income (loss) or comprehensive income (loss).

If a financial instrument is measured at fair value, changes in its fair value shall usually be recognized in net income (loss) in the period in which the change occurs, with some exceptions, such as for cash flow hedges and available-for-sale investments. For investments designated as being available-for-sale, changes in the fair value shall be recorded directly in Shareholders' Equity in a separate account called "Accumulated Other Comprehensive Income (Loss)" until the asset is disposed of or becomes impaired. At that time, the gains and losses are transferred to net income (loss).

The Company has implemented the following classifications:

- Cash and restricted cash are classified as "Loans and Receivables." After their initial fair value measurement, they are measured at amortized cost using the effective interest method.
- Marketable securities are classified as "Available-for-Sale". Financial assets classified as Available-for-Sale are recognized initially at fair values plus transaction costs and are subsequently carried at fair value, with changes in the fair value recorded in other comprehensive income.
- Accounts payable and accrued liabilities are classified as "Other Financial Liabilities." After their initial fair value measurement, they are measured at amortized cost using the effective interest method.
- Embedded derivatives are classified as "Financial Assets or Financial Liabilities at Fair Value through Profit or Loss". The convertible debentures issued on October 31, 2013 included certain embedded derivatives, which are included in convertible debentures on the statement of financial position. After initial recognition at fair value, the embedded derivatives are remeasured each period at fair value, with changes in fair value recognized in non-operating income in the consolidated statement of comprehensive loss.

## **STOCKPORT EXPLORATION INC.**

### **Notes to Unaudited Condensed Interim Consolidated Financial Statements**

For the periods ended January 31, 2016 and 2015

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#### **a) Fair value**

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The carrying values of cash and accounts payable and accrued liabilities approximate their fair value because of the short-term nature of these instruments.

#### **b) Foreign currency rate risk**

A portion of the Company's transactions occur in United States, Mexican and Kenyan currencies; accordingly, the related financial assets are subject to fluctuations in the respective exchange rates.

For the period ended January 31, 2016, the sensitivity of the Company's net income due to changes in the exchange rate between the Canadian dollar and foreign currencies (primarily the United States dollar and the Kenyan shilling) would have impacted net income by \$15,281 for a 5% increase or decrease in the Canadian dollar.

#### **c) Concentration of credit risk**

Management does not believe it is exposed to any significant concentration of credit risk except that a significant portion of its cash is on deposit with major Canadian and Kenyan banks. All of the sales taxes recoverable are with either the government of Canada or the government of Mexico.

#### **d) Liquidity risk**

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due (note 2).

#### **e) Interest rate risk**

The Company has cash; accordingly, the Company's interest income is susceptible to fluctuations in interest rates. The convertible debentures were issued on October 31, 2013. The payments required on the convertible debentures are subject to a number of factors, as outlined in note 11, which results in interest rate risk.

### **5. Capital Management**

The Company's capital structure consists of share capital, the equity portion of convertible notes, warrants, and contributed surplus, which at January 31, 2016 totalled \$27.4 million (year-ended October 31, 2015 - \$27.4 million). The Company's objective when managing capital is to maintain adequate levels of funding to support the acquisition and exploration of resource properties and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity financing. Future financings are dependent on market conditions, and there can be no assurance the Company will be able to raise funds in the future.

**STOCKPORT EXPLORATION INC.**  
**Notes to Unaudited Condensed Interim Consolidated Financial Statements**  
For the periods ended January 31, 2016 and 2015

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There were no changes to the Company's approach to capital management during the period. The Company is not subject to externally imposed capital requirements.

**6. Property and equipment**

	<b>Office equipment</b>	<b>Exploration equipment</b>	<b>Total</b>
	\$	\$	\$
<i>Cost</i>			
<b>Balance at November 1, 2014</b>	30,177	32,629	62,806
Additions	-	-	-
Disposals	(18,332)	-	(18,332)
<b>Balance at October 31, 2015</b>	11,845	32,629	44,474
Additions	-	-	-
Disposals	-	-	-
<b>Balance at January 31, 2016</b>	11,845	32,629	44,474
<i>Accumulated amortization</i>			
<b>Balance at November 1, 2014</b>	24,620	22,931	47,551
Additions	1,532	4,166	5,698
Disposals	(16,949)	-	(16,949)
<b>Balance at October 31, 2015</b>	9,203	27,097	36,300
Additions	200	332	532
Disposals	-	-	-
<b>Balance at January 31, 2016</b>	9,403	27,429	36,832
<i>Carrying amounts</i>			
<b>As at October 31, 2015</b>	<b>2,642</b>	<b>5,532</b>	<b>8,174</b>
<b>As at January 31, 2016</b>	<b>2,442</b>	<b>5,200</b>	<b>7,642</b>

Amortization of exploration equipment is recorded as an addition to resource properties. During the three-month period ended January 31, 2016, the Company capitalized amortization of \$332 (year-ended October 31, 2015 - \$4,166) to resource properties.

**STOCKPORT EXPLORATION INC.**  
**Notes to Unaudited Condensed Interim Consolidated Financial Statements**  
For the periods ended January 31, 2016 and 2015

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**7. Resource properties**

The Company's resource properties consist of the following:

	Kenya	Canada		Total \$
	Nyanza \$	KM61 \$	Seymour Lake \$	
<b>Balance at November 1, 2014</b>	3,432,693	4,028,434	1,130,354	8,591,481
Additions incurred during the period	984,545	4,800	-	989,345
Write-off of resource properties	-	-	(355,354)	(355,354)
<b>Balance at October 31, 2015</b>	4,417,238	4,033,234	775,000	9,225,472
Additions incurred during the period	291,258	4,800	-	296,058
Option payments received			(75,000)	(75,000)
<b>Balance at January 31, 2016</b>	4,708,496	4,038,034	700,000	9,446,530

**Kenya**

i) Nyanza

The Company has an agreement with East African Pure Gold Limited ("EAPG") and B&M Mining Company Limited ("B&M") to earn an interest in three mineral exploration concessions located in Kenya. Under the terms of the agreement, the Company has:

- A first option to earn a 70% interest on completing exploration expenditures of US \$600,000 and making cash payments of US \$300,000 to EAPG and B&M by August 2016. The required exploration expenditures have been incurred, and cash payments of US \$28,000 have been made to date.
- A second option to earn an 80% interest by exercising the first option and incurring cumulative exploration expenditures of US \$4.0 million.
- Within 90 days of completion of the second option, EAPG and B&M can deliver a one-time joint election to fund its 20% share of exploration costs, or EAPG and B&M can grant the Company a future option to acquire an additional 10% interest by funding additional exploration expenditures of US \$10.0 million. The Company will remain the operator on the concessions and is not obligated to incur additional exploration expenditures.
- Within 90 days of completion of a positive feasibility study and receipt of a production notice from the Company for each project, EAPG and B&M can deliver a one-time joint election to fund its 10% or 20% share of the construction costs, or EAPG and B&M can grant the Company a further option to acquire an additional 5% interest by funding additional costs of US \$10.0 million. The Company is not obligated to advance a project, covered by a feasibility study, to production.

## **STOCKPORT EXPLORATION INC.**

### **Notes to Unaudited Condensed Interim Consolidated Financial Statements**

For the periods ended January 31, 2016 and 2015

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- The Company maintains a 100% right to any surface mineralization to a depth of one metre below saprolite.

SPL 214, which is part of the Nyanza property, is subject to a 2% net smelter royalty. 1% of the net smelter royalty is payable to African Queen Mines Limited (“AQ”), and 1% is payable to AQ’s partner, Abba Mining Company Limited.

#### **Canada**

##### **i) KM61**

The Company holds a 100% interest in the KM61 property, which is a molybdenum-copper-silver prospect, located in northwestern Ontario, contiguous with the Seymour Lake project. The majority of the KM61 property, including the mineralized zone, is subject to a 0.5% net smelter royalty. Of the remaining claims on the KM61 property, certain portions are subject to a 3% net smelter royalty and the balance are not subject to any royalties. The Company can repurchase 50% of the 0.5% net smelter royalty for \$250,000 and/or 50% of the 3% net smelter royalty for \$1.0 million.

As at January 31, 2016 and October 31, 2015, the Company determined that there were no indicators of additional impairment or impairment reversals. Management is currently assessing options to fund additional exploration of KM61.

##### **ii) Seymour Lake**

The Company holds a 100% interest in the Seymour Lake property, which is a tantalum-lithium-beryllium prospect located in northwestern Ontario, in the Crescent Lake area of the Thunder Bay Mining District. Certain portions of the Seymour Lake property are subject to a 3% net smelter return royalty, of which 1.5% can be purchased by the Company for \$1.0 million.

On January 5, 2016, the Company entered into a cash and share option agreement with Ardiden Limited (“Ardiden”) of Australia to acquire 100% of the Company’s Seymour Lake concessions for gross proceeds of \$1.0 million. The Company received \$75,000 upon signing of the agreement, which was recorded as a recovery of resource property expenditures. A further \$75,000 in cash and \$250,000 of Ardiden shares will be received at the end of a due diligence period to be completed within 150 days following the agreement execution date. Following the due diligence period, the Company will be paid a further \$350,000 in quarterly installments of \$25,000 per quarter. At the completion of the option agreement, a further \$250,000 of Ardiden shares will be issued to the Company.

During the option period, Ardiden reserves both the right to accelerate all payments to the Company or withdraw from the agreement. Should Ardiden fail to complete any of the option agreement requirements, the company will retain 100% of its Seymour Lake concession rights. The Company also maintains the option to purchase a 1.5% NSR for payment of \$1.0 million on or before January 24, 2024.

**STOCKPORT EXPLORATION INC.****Notes to Unaudited Condensed Interim Consolidated Financial Statements**

For the periods ended January 31, 2016 and 2015

During the year-ended October 31, 2015, the Company wrote-down the value of its Seymour Lake property to \$775,000, which was the net present value of the future cash flows associated with the Ardiden cash and share option agreement to acquire the property, using a discount rate of 20%. As of October 31, 2015, if the discount rate was 5% higher or lower, the write-down of resource property expense would increase or decrease by \$40,000.

As at January 31, 2016, the Company determined that there were no indicators of additional impairment or impairment reversals.

**8. Accounts payable and accrued liabilities**

	<b>January 31, 2016</b>	<b>October 31, 2015</b>
	\$	\$
Trade accounts payable and accrued liabilities	847,482	736,717
Amounts payable to related parties (note 15)	597,081	491,899
Withholdings and taxes payable	9,253	8,521
	<u>1,453,816</u>	<u>1,237,137</u>

**9. Capital Stock****a) Authorized**

The Company has authorized an unlimited number of common shares without par value.

**b) Issued and outstanding**

	<u>Three-months ended January 31, 2016</u>		<u>Year-ended October 31, 2015</u>	
	<u>Number</u>	<u>Amount (\$)</u>	<u>Number</u>	<u>Amount (\$)</u>
Opening balance	88,653,128	22,597,563	80,450,220	22,319,362
Shares issued as finders' fees (note 11)	-	-	359,158	35,916
Shares issued pursuant to private placement	-	-	7,843,750	263,750
	<u>88,653,128</u>	<u>22,597,563</u>	<u>88,653,128</u>	<u>22,619,028</u>
Less: Share issue costs	-	-	-	(21,465)
Closing balance	<u>88,653,128</u>	<u>22,597,563</u>	<u>88,653,128</u>	<u>22,597,563</u>

On October 27, 2015, the Company completed a private placement of 5,000,000 units at a price of \$0.04 per unit, for gross proceeds of \$200,000 (note 15). Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company at an exercise price of \$0.06 until October 27, 2017. Using the residual method to value the units, the Company allocated \$150,000 to the value of the common shares and \$50,000 to the value of the warrants. Fees related to the financing were \$18,603 and consisted of professional and regulatory fees, as well as a finder's fee of 7% on a portion of the financing, payable in

**STOCKPORT EXPLORATION INC.****Notes to Unaudited Condensed Interim Consolidated Financial Statements**For the periods ended January 31, 2016 and 2015

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cash. The Company has allocated the fees of \$13,952 to the cost of issuing the common shares and \$4,651 to the cost of issuing the warrants. All securities issued pursuant to the financing are subject to a four-month hold period from the date of closing.

On July 3, 2015, the Company completed a private placement of 2,843,750 units at a price of \$0.04 per unit, for gross proceeds of \$113,750 (note 15). Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company at an exercise price of \$0.06 until July 3, 2017. Using the residual method to value the units, the Company has allocated \$113,750 to the value of the common shares and \$nil to the value of the warrants. Fees related to the financing were \$8,313 and consisted primarily of professional and regulatory fees. The Company has allocated the fees of \$8,313 to the cost of issuing the common shares. All securities issued pursuant to the financing were subject to a four-month hold period from the date of closing.

On October 31, 2013, the Company completed a private placement of 1,196 units at a price of \$1,001 per unit, for gross proceeds of \$1,197,196 (note 11). Pursuant to this private placement, a finders' fee of 7%, or \$83,804, was payable. 3% of the fee was payable in cash, and 4% was payable in shares at a value of \$0.10 per share. During the year-ended October 31, 2015, the Company issued \$26,937 in cash and 359,158 common shares, valued at \$35,916, for the final payment of these finders' fees.

**10. Stock options**

The Company has adopted a stock option plan (the "Plan"), providing the Board of Directors with the discretion to issue an equivalent number of options of up to 10% of the issued and outstanding share capital of the Company. Stock options are granted with an exercise price of not less than closing share price of the day preceding the date of grant.

During the three-month period ended January 31, 2016 and the year-ended October 31, 2015, no stock options were granted by the Company. 150,000 stock options expired or were forfeited during the three-month period ended January 31, 2016 (year-ended October 31, 2015 – 250,000 stock options expired or forfeited).

Changes in stock options during the three-month period ended January 31, 2016 and the year-ended October 31, 2015 are summarized as follows:

	<u>Three-months ended January 31, 2016</u>		<u>Year-ended October 31, 2015</u>	
	<u>Number of options</u>	<u>Weighted average exercise price (\$)</u>	<u>Number of options</u>	<u>Weighted average exercise price (\$)</u>
Outstanding - beginning of periods	4,865,000	0.12	5,115,000	0.12
Granted	-	-	-	-
Forfeited or expired	<u>(150,000)</u>	0.27	<u>(250,000)</u>	0.11
Outstanding - end of periods	<u>4,715,000</u>	0.12	<u>4,865,000</u>	0.12

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As at January 31, 2016, the Company had outstanding stock options entitling the holders to acquire additional common shares as follows:

<b>Weighted average exercise price per share (\$)</b>	<b>Number of options outstanding</b>	<b>Expiry date</b>	<b>Weighted average remaining contractual life (years)</b>	<b>Number of options exercisable</b>
0.04	50,000	July 23, 2018	2.48	50,000
0.05	50,000	August 20, 2018	2.55	50,000
0.05	1,200,000	June 5, 2019	3.35	900,000
0.07	250,000	July 4, 2019	3.42	187,500
0.07	200,000	September 11, 2019	3.61	100,000
0.07	100,000	April 12, 2018	2.20	100,000
0.10	700,000	September 30, 2017	1.67	700,000
0.10	990,000	January 17, 2018	1.96	990,000
0.10	100,000	January 21, 2018	1.98	100,000
0.10	100,000	March 13, 2018	2.12	100,000
0.25	600,000	December 1, 2016	0.84	600,000
0.30	<u>375,000</u>	June 7, 2016	0.35	<u>375,000</u>
0.12	<u>4,715,000</u>		2.17	<u>4,252,500</u>

As at January 31, 2016, 4,150,313 options were available for granting under the Plan (October 31, 2015 – 4,000,313). The estimated value of options earned during the three-month period ended January 31, 2016 was \$5,507 (year-ended October 31, 2015 - \$48,028).

## **11. Convertible Debentures**

On October 31, 2013, the Company completed a private placement of 1,196 units at a price of \$1,001 per unit, for aggregate gross proceeds of \$1,197,196. The proceeds of the financing are being used to fund expenditures, including a two-phased exploration and potential surface gold recovery program at the Company’s Nyanza Project in Kenya:

- Phase I - sampling, metallurgy, permitting and plant equipment procurement; and
- Phase II – capital investment and plant operation for the surface gold recovery program. Until the Company advanced to Phase II, 75% of the gross proceeds, being \$897,897, were held in trust with a Kenyan law firm. At the Company’s discretion, it was entitled to advance to Phase II with the completion of a successful Phase I.

During the year-ended October 31, 2014, the Company elected to proceed with Phase II. As a result, the convertible debenture holders are now entitled to receive:

- a repayment of the convertible debenture in the amount of 100% of the investment (\$1,000 per unit) based on 75% of free cash flow generated from the surface gold recovery project;
- a preferred share in Stockport Mining Kenya (“SMK”). \$1 per unit has been allocated to the cost of the preferred share. The preferred share will pay a premium entitlement of 110% of the

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original investment (\$1,100 per unit) from 75% of free cash flow generated from the gold recovery project and is then redeemed by SMK; and

- if the amount of the debenture plus the 110% premium entitlement is not paid within the five year maturity date of October 31, 2018, then the amount of debt and premium entitlement, less any repayments to that date, will be converted into common shares of the Company at a conversion price of \$0.50 per share.

Under the terms of this financing, the Company also issued 1,000 warrants with each unit. The 1,196,000 warrants are exercisable at the commencement of Phase II at a price of \$0.10 per share and expire on October 31, 2018. An initial value of \$30,000 was assigned as the fair value of the warrants.

Details of the amounts repayable related to the convertible debenture are as follows:

	<b>January 31, 2016</b>	<b>October 31, 2015</b>
	\$	\$
Phase I	299,299	299,299
Phase II	897,897	897,897
Total financing proceeds after Phase I and Phase II	1,197,196	1,197,196
Premium entitlement (110%)	1,316,916	1,316,916
Total amount to be repaid by October 31, 2018	2,514,112	2,514,112
Estimated fair value of amount to be repaid	1,735,381	1,735,381
Less: Current portion of convertible debentures	(560,000)	(560,000)
	1,175,381	1,175,381

The Company has estimated the fair value of this liability based on the net present value of 75% of projected future cash flows from operating the surface gold recovery program until October 31, 2018, using a discount rate of 20%, resulting in a fair value of \$1,735,381 (October 31, 2015 - \$1,735,381). The current portion of the fair value of this liability is estimated to be \$560,000 (October 31, 2015 - \$560,000).

**12. Convertible Notes**

On February 25, 2015, the Company completed a \$295,000 bridge loan financing from various directors and other private investors of the Company by the issuance of 12% unsecured convertible promissory notes (the "Notes"). The Notes bear interest at 15% per annum, payable quarterly, and will be repayable by the Company on or before the maturity date of March 27, 2018.

The principal amount of the Notes is convertible into common shares of the Company at the election of the holder at the rate of \$0.05 of principal converted per share (the "Conversion Price"). If the Notes are not repaid within three days of the maturity date, they will be automatically converted into common

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shares of the Company at the Conversion Price. If interest is not paid each quarter, any accrued interest can be converted, at the option of the holder, into shares of the Company at a conversion price of \$0.05 per share or a five-day volume weighted-average price (“VWAP”) preceding the date of conversion, whichever is higher.

The Company has assessed the respective value of the Notes and the conversion component. The Notes have been initially recorded at a value of \$205,000, and the equity component of the Notes has been valued at \$90,000. The initial recorded value of the Notes, in the amount of \$205,000, will be accreted to the face value of the Notes over the term of three years. During the three-month period ended January 31, 2016 and the year-ended October 31, 2015, the change in the recorded value of the Notes was as follows:

Convertible promissory notes, original value	\$ 205,000
Accretion expense	<u>20,000</u>
Total value of the Notes, October 31, 2015	\$ 225,000
Accretion expense	<u>7,500</u>
Total value of the Notes, January 31, 2016	<u>\$ 232,500</u>

In preparing the allocation of value between the Notes and the equity component of the Notes, the Company estimated an interest rate of 25% for a similar debt instrument with no conversion option. If the Company had used an interest rate of 20%, the recorded value of the equity component of the Notes would have been \$30,000 lower. If the Company had used an interest rate of 30%, the recorded value of the equity component of the Notes would have been \$40,000 higher.

**13. Warrants**

Warrant activity during the three-month period ended January 31, 2016 and the year-ended October 31, 2015 was as follows:

	<u>Three-months ended January 31, 2016</u>			<u>Year-ended October 31, 2015</u>		
	<u>Number</u>	<u>Exercise price per warrant (\$)</u>	<u>Amount (\$)</u>	<u>Number</u>	<u>Exercise price per warrant (\$)</u>	<u>Amount (\$)</u>
Outstanding - beginning of period	9,039,750	0.07	75,349	1,196,000	0.10	30,000
Warrants issued pursuant to July 3, 2015 private placement (note 9)	-	-	-	2,843,750	0.06	-
Warrants issued pursuant to October 27, 2015 private placement (note 9)				5,000,000	0.06	50,000
Less: Warrant issue costs	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,651)</u>
Outstanding - end of period	<u>9,039,750</u>	<u>0.07</u>	<u>75,349</u>	<u>9,039,750</u>	<u>0.07</u>	<u>75,349</u>

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As at January 31, 2015, the Company had the following common share purchase warrants outstanding:

Expiry date	Number of warrants outstanding	Weighted average exercise price (\$)	Number of warrants exercisable
July 3, 2017	2,843,750	\$ 0.06	2,843,750
October 27, 2017	5,000,000	\$ 0.06	5,000,000
October 31, 2018	1,196,000	\$ 0.10	1,196,000

**14. Deferred Income Taxes**

	<b>January 31 2016</b>	<b>October 31 2015</b>
	\$	\$
Non-capital losses carried forward	579,000	512,000
Deductible share issue costs	22,000	25,000
Accounting value of mineral resource properties in excess of tax value	(829,000)	(768,000)
Accounting value of convertible debentures in excess of tax value	215,000	215,000
Tax value of property and equipment and prepaid expenses in excess of accounting value	13,000	16,000
	<u>13,000</u>	<u>16,000</u>
<b>Net deferred future income tax asset (liability) recognized</b>	<u>-</u>	<u>-</u>

The Company also has the following approximate net deferred tax assets, primarily related to foreign operations, which have not been recognized:

	<b>January 31 2016</b>	<b>October 31 2015</b>
	\$	\$
Net deferred tax assets - not recognized	<u>3,358,000</u>	<u>3,404,000</u>

**15. Related Party Transactions**

The Company completed a private placement financing of 5,000,000 units for gross proceeds of \$200,000 on October 27, 2015. Directors and officers of the Company purchased 200,000 of the units issued pursuant to this financing for gross proceeds of \$8,000.

The Company completed a private placement financing of 2,843,750 units for gross proceeds of \$113,750 on July 3, 2015. Directors and officers of the Company purchased 968,750 of the units issued pursuant to this financing for gross proceeds of \$38,750.

During the year-ended October 31, 2015, the Company was provided an operating line of credit of up to \$250,000 by a company owned by certain directors of Stockport Exploration Inc. Interest on the operating line of credit is payable monthly at prime plus 1%. As of the date of this report, the Company

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has drawn \$250,000 against the line of credit and has accrued interest payable of \$6,136 on the line of credit balance outstanding. During the three-month period ended January 31, 2016, the Company incurred management service fees of \$25,500 and rent of \$6,000 to a company owned by certain directors (year-ended October 31, 2015 – management service fees of \$102,000 and rent of \$24,000). The management service fees are incurred on a cost recovery basis and include general and administration charges such as utilities, accounting services, and investor relations services of the Company.

On February 25, 2015, the Company completed a \$295,000 bridge loan financing by the issuance of unsecured convertible promissory notes. Certain directors of the Company contributed \$195,000 towards the financing. As at January 31, 2016, accrued interest on the Notes in the amount of \$23,592 was payable to related parties.

As at January 31, 2016, total amounts payable to officers, directors and companies owned thereby were \$1,042,081 (October 31, 2015 - \$936,899), including an outstanding line of credit amount of \$250,000 and \$195,000 of the principal amounts received from related parties pursuant to the convertible note financing, which have a balance sheet carrying value of \$153,700 (October 31, 2015 – carrying value of \$148,700).

**16. Contingency**

The Company has an employment arrangement with the President and CEO of the Company which provides that, should a change in control event occur, the President may elect to terminate his employment with the Company, in which event the Company is required to pay the President a lump sum payment equal to 2.5 times his annual salary. The Company also has a consulting arrangement with the Chairman of the Company which provides that, should a change in control event occur, the Chairman may elect to terminate his arrangement with the Company, in which event the Company is required to pay the Chairman a lump sum payment equal to 2.0 times his annual remuneration. The payment of these change in control settlements would be subject to the Company maintaining an average market capitalization in excess of CDN \$25 million, based on any 10-day volume weighted trading price within the three-month period following the effective date of the change in control.

**17. Segmented Information**

The Company conducts mineral operations in Canada, Mexico and Kenya and is searching for mineral exploration opportunities worldwide. Since the Company is in the exploration stage, there is no segmented revenue or operating results to report. The Company's total assets are segmented geographically as follows:

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	<b>January 31, 2016</b>				
	<b>Mineral Operations</b>				
<b>Corporate</b>	<b>Canada</b>	<b>Canada</b>	<b>Mexico</b>	<b>Kenya</b>	<b>Total</b>
<b>Canada</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Current assets	46,116	-	1,587	5,370	53,073
Marketable securities	6,500	-	-	-	6,500
Property and equipment	2,442	-	-	5,200	7,642
Resource properties	-	4,738,034	-	4,708,496	9,446,530
	55,058	4,738,034	1,587	4,719,066	9,513,745

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	<b>October 31, 2015</b>				
	<b>Mineral Operations</b>				
<b>Corporate</b>	<b>Canada</b>	<b>Canada</b>	<b>Mexico</b>	<b>Kenya</b>	<b>Total</b>
<b>Canada</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Current assets	141,348	-	4,405	43,312	189,065
Marketable securities	5,500	-	-	-	5,500
Property and equipment	2,642	-	-	5,532	8,174
Resource properties	-	4,808,234	-	4,417,238	9,225,472
	149,490	4,808,234	4,405	4,466,082	9,428,211

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