

**STOCKPORT EXPLORATION INC.**

**Unaudited Condensed Interim Consolidated Financial Statements**

**January 31, 2017**

March 23, 2017

### **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, 2017 and October 31, 2016

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*(expressed in Canadian dollars)*

	January 31, 2017	October 31, 2016
	\$	\$
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	162,445	18,989
Sales taxes recoverable	7,254	4,306
Marketable securities	242,554	561,354
Prepaid expenses and deposits	9,409	8,051
	<u>421,662</u>	<u>592,700</u>
<b>Property and equipment</b> (note 6)	4,865	5,260
<b>Resource properties</b> (note 7)	4,248,936	4,253,105
	<u>4,675,463</u>	<u>4,851,065</u>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 8)	1,611,058	1,581,817
Line of credit (note 15)	-	211,468
	<u>1,611,058</u>	<u>1,793,285</u>
<b>Convertible notes</b> (note 12)	262,500	255,000
<b>Convertible debentures</b> (note 11)	175,987	125,705
	<u>2,049,545</u>	<u>2,173,990</u>
<b>SHAREHOLDERS' EQUITY</b>	2,625,918	2,677,075
	<u>4,675,463</u>	<u>4,851,065</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) James Megann*  
**James Megann**

*(s) Carl Sheppard*  
**Carl Sheppard**

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

For the three-month periods ended January 31, 2017 and 2016

*(expressed in Canadian dollars)*

	For the Three-Months Ended January 31	
	2017	2016
	\$	\$
<b>EXPENSES</b>		
Amortization	139	200
Banking fees	940	897
General and administrative	8,582	10,674
Investor relations and marketing	280	180
Listing and regulatory costs	6,209	8,612
Management salaries and fees	23,000	65,173
Management services	9,000	25,500
Professional services	48,198	13,585
Share-based compensation	2,649	5,507
Travel	887	455
<b>LOSS FROM OPERATIONS</b>	<b>(99,884)</b>	<b>(130,783)</b>
<b>OTHER INCOME (EXPENSES)</b>		
Accretion expense (note 12)	(7,500)	(7,500)
Change in fair value of convertible debenture liability (note 11)	(50,282)	-
Foreign exchange	14,559	(4,556)
Gain on sale of marketable securities	258,151	-
Interest income (note 7)	3,800	-
Interest expense	(12,518)	(2,313)
<b>INCOME (LOSS) BEFORE INCOME TAXES</b>	<b>106,326</b>	<b>(145,152)</b>
Deferred income tax (note 14)	-	-
<b>NET INCOME (LOSS) FOR THE PERIOD</b>	<b>106,326</b>	<b>(145,152)</b>
<i>Items that will be subsequently reclassified to the statement of loss</i>		
Realized gain on available-for-sale securities reclassified to net gain	(258,151)	-
Unrealized gain (loss) on available-for-sale securities	98,019	1,000
<b>COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD</b>	<b>(53,806)</b>	<b>(144,152)</b>
<b>LOSS PER SHARE - BASIC AND DILUTED</b>	<b>\$ 0.001</b>	<b>\$ (0.002)</b>
<b>Weighted Average Number of Common Shares Outstanding</b>		
Basic	88,653,128	88,653,128

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, 2017 and 2016 and October 31, 2016

*(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, 2015</b>	88,653,128	22,597,563	90,000	75,349	4,651,586	(6,500)	(21,427,305)	5,980,693
Net income (loss) and other comprehensive income (loss)	-	-	-	-	-	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
Net income (loss) and other comprehensive income (loss)	-	-	-	-	-	304,854	(3,494,698)	(3,189,844)
Share-based compensation	-	-	-	-	24,871	-	-	24,871
<b>Balance at October 31, 2016</b>	88,653,128	22,597,563	90,000	75,349	4,681,964	299,354	(25,067,155)	2,677,075
Net income (loss) and other comprehensive income (loss)	-	-	-	-	-	(160,132)	106,326	(53,806)
Share-based compensation	-	-	-	-	2,649	-	-	2,649
<b>Balance at January 31, 2017</b>	88,653,128	22,597,563	90,000	75,349	4,684,613	139,222	(24,960,829)	2,625,918

Other comprehensive income (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 three-month periods ended January 31, 2017 and 2016

*(expressed in Canadian dollars)*

	For the Three-Months Ended January 31	
	2017	2016
	\$	\$
<b>CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>		
Net income (loss) for the periods	106,326	(145,152)
Charges (credits) to income not involving cash		
Amortization	139	200
Share-based compensation	2,649	5,507
Accretion expense	7,500	7,500
Change in fair value of convertible debenture liability	50,282	-
Gain on sale of marketable securities	(258,151)	-
Interest income	(3,800)	-
	<u>(95,055)</u>	<u>(131,945)</u>
Net change in non-cash working capital balances related to operations		
Decrease (increase) in sales taxes recoverable	(3,572)	(234)
Decrease (increase) in prepaid expenses and deposits	(1,358)	17
Increase (decrease) in accounts payable and accrued liabilities	45,420	82,644
	<u>(54,565)</u>	<u>(49,518)</u>
<b>CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>		
Cash received from (paid on) line of credit	<u>(211,468)</u>	<u>-</u>
	<u>(211,468)</u>	<u>-</u>
<b>CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>		
Resource property interests and options	(32,953)	(161,691)
Cash received pursuant to option agreements (note 7)	25,000	75,000
Sales taxes recoverable related to resource property interests	624	2,738
Proceeds on sale of marketable securities	416,818	-
	<u>409,489</u>	<u>(83,953)</u>
<b>NET CHANGE IN CASH</b>	143,456	(133,471)
<b>CASH, beginning of periods</b>	<u>18,989</u>	<u>178,503</u>
<b>CASH, end of periods</b>	<u><u>162,445</u></u>	<u><u>45,032</u></u>

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

## **STOCKPORT EXPLORATION INC.**

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

For the periods ended January 31, 2017 and 2016

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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, 2017, the Company had net income of approximately \$0.1 million (year-ended October 31, 2016 – net loss of \$3.5 million) and had an accumulated deficit of approximately \$25.0 million as at January 31, 2017 (year-ended October 31, 2016 - \$25.1 million). The Company has no income or cash flow from operations and at January 31, 2017, had a negative working capital balance of approximately \$1.2 million (year-ended October 31, 2016 - negative working capital balance of \$1.2 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; these adjustments could be material.

## **STOCKPORT EXPLORATION INC.**

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

For the periods ended January 31, 2017 and 2016

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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, 2016.

The policies applied in these unaudited condensed interim consolidated financial statements are based on the IFRS as of March 23, 2017, 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, 2017 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 the Unaudited Condensed Interim Consolidated Financial Statements

For the periods ended January 31, 2017 and 2016

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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, 2016. Refer to note 3, *Significant Accounting Policies*, of the Company's annual consolidated financial statements for the year-ended October 31, 2016 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 cash equivalents 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.

##### 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.

## **STOCKPORT EXPLORATION INC.**

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

For the periods ended January 31, 2017 and 2016

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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, 2017, 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 \$27,663 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. In addition, the Company issued convertible notes on February 25, 2015 (note 12). The payments required on the convertible notes result in interest rate risk to the Company.

### **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, 2017 totalled \$27.4 million (year-ended October 31, 2016 - \$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.

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.

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

For the periods ended January 31, 2017 and 2016

**6. Property and equipment**

	Office equipment	Exploration equipment	Total
	\$	\$	\$
<i>Cost</i>			
<b>Balance at November 1, 2016</b>	11,845	32,629	44,474
Additions	-	-	-
<b>Balance at October 31, 2016</b>	11,845	32,629	44,474
Additions	-	-	-
<b>Balance at January 31, 2017</b>	11,845	32,629	44,474
<i>Accumulated amortization</i>			
<b>Balance at November 1, 2015</b>	9,203	27,097	36,300
Depreciation	795	2,119	2,914
<b>Balance at October 31, 2016</b>	9,998	29,216	39,214
Depreciation	139	256	395
<b>Balance at January 31, 2017</b>	10,137	29,472	39,609
<i>Carrying amounts</i>			
<b>As at October 31, 2016</b>	<b>1,847</b>	<b>3,413</b>	<b>5,260</b>
<b>As at January 31, 2017</b>	<b>1,708</b>	<b>3,157</b>	<b>4,865</b>

Amortization of exploration equipment is recorded as an addition to resource properties.

**7. Resource properties**

The Company's resource properties consist of the following:

	Kenya	Canada		
	Nyanza	KM61	Seymour Lake	Total
	\$	\$	\$	\$
<b>Balance at November 1, 2015</b>	4,417,238	4,033,234	775,000	9,225,472
Net additions during the period	309,870	12,483	-	322,353
Write-down of pilot project	(1,779,288)	-	-	(1,779,288)
Write-down of resource properties	-	(2,944,517)	-	(2,944,517)
Option payments received	-	(172,240)	(398,675)	(570,915)
<b>Balance at October 31, 2016</b>	2,947,820	928,960	376,325	4,253,105
Net additions during the period	15,831	1,200	-	17,031
Option payments received	-	-	(21,200)	(21,200)
<b>Balance at January 31, 2017</b>	2,963,651	930,160	355,125	4,248,936

## **STOCKPORT EXPLORATION INC.**

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

For the periods ended January 31, 2017 and 2016

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#### **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, which were due August 2016. The Company is currently negotiating to extend the due date of the property payments. The required exploration expenditures have been incurred, cash payments of US \$28,000 have been made to date, and \$32,000 of expenditures have been settled on the payments owing.
- 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.
- 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 (“NSR”). 1% of the NSR is payable to African Queen Mines Limited (“AQ”), and 1% is payable to AQ’s partner, Abba Mining Company Limited.

The Company suspended the operation of its pilot surface gold recovery project (“pilot project”) at the Nyanza property in Kenya during the year-ended October 31, 2016 and wrote-down the accumulated costs associated with the pilot project of \$1,779,288. Non-refundable proceeds of \$32,665 were received during the year-ended October 31, 2016 on certain Nyanza property equipment, which was netted against the write-down.

As at January 31, 2017, the Company determined that there were no indicators of additional impairment or impairment reversals on the property.

## **STOCKPORT EXPLORATION INC.**

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

For the periods ended January 31, 2017 and 2016

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#### **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% NSR. Of the remaining claims on the KM61 property, certain portions are subject to a 3% NSR and the balance are not subject to any royalties. The Company can repurchase 50% of the 0.5% NSR for \$250,000 and/or 50% of the 3% NSR for \$1.0 million.

On June 22, 2016, the Company entered into a cash and share option agreement with Sovereign Gold Company Limited (“Sovereign”) of Australia to acquire 100% of the Company’s KM61 concession claims for gross proceeds of \$1.4 million. The option excludes the mineralized area known as the KM61 Project. The Company received \$100,000 upon signing of the agreement and a further \$75,000 after 75 days from the date of the agreement, which were recorded as a recovery of resource property expenditures. During the quarter-ended October 31, 2016, Sovereign notified the company that it would not continue with the option agreement and Stockport retained 100% of the Crescent Lake rights.

During the year-ended October 31, 2016, the Company wrote-down the value of its KM61 property to \$1,100,000, which was the net present value of the future cash flows associated with the Sovereign cash and share option agreement to acquire the property, using a discount rate of 20%. As of June 22, 2016 if the discount rate was 5% higher or lower, the write-down of resource property expense would increase or decrease by \$60,000.

As at January 31, 2017, the Company determined that there were no indicators of additional impairment or impairment reversals on the KM61 property.

##### **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% NSR, 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 and received a further \$75,000 in cash and \$250,000 of Ardiden shares at the end of the due diligence period completed within 150 days following the agreement execution date.

During the three-month period ended January 31, 2017, the Company received a quarterly instalment from Ardiden of \$25,000, which was recorded as a recovery of resource properties. Pursuant to the cash and share option agreement with Ardiden, the Company will be paid a further \$325,000 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.

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

For the periods ended January 31, 2017 and 2016

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.

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%.

All amounts received from Ardiden pursuant to the option agreement are recorded as a recovery of resource property expenditures at their net present value, with the difference between the amount received and the net present value recorded as interest income. The amount recorded as interest income during the three-month period ended January 31, 2017 was \$3,800 (year-ended October 31, 2016 - \$29,085).

As at January 31, 2017, the Company determined that there were no indicators of additional impairment or impairment reversals on the Seymour Lake property.

**8. Accounts payable and accrued liabilities**

	<b>January 31, 2017</b>	<b>October 31, 2016</b>
	\$	\$
Trade accounts payable and accrued liabilities	798,408	791,712
Amounts payable to related parties (note 15)	789,885	764,107
Withholdings and taxes payable	22,765	25,998
	<u>1,611,058</u>	<u>1,581,817</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-month period ended January 31, 2017</u>		<u>Year-ended October 31, 2016</u>	
	<u>Number</u>	<u>Amount (\$)</u>	<u>Number</u>	<u>Amount (\$)</u>
Opening balance	88,653,128	22,597,563	88,653,128	22,597,563
Shares issued	-	-	-	-
Closing balance	<u>88,653,128</u>	<u>22,597,563</u>	<u>88,653,128</u>	<u>22,597,563</u>

There were no shares issued by the Company during the three-month period ended January 31, 2017 or the year-ended October 31, 2016.

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

For the periods ended January 31, 2017 and 2016

**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.

The estimated fair value of options recognized has been estimated at the grant date using the Black-Scholes option pricing model. Option pricing models require the input of highly subjective assumptions, including the expected volatility. Changes in the assumptions can materially affect the fair value estimate and, therefore, the existing models do not necessarily provide a reliable estimate of the fair value of the Company’s stock options. During the three-month period ended January 31, 2017, the Company did not grant any stock options (year-ended October 31, 2015 – 1,950,000 options granted). 600,000 stock options expired during the three-month period ended January 31, 2017 (year-ended October 31, 2016 – 540,000 stock options expired or forfeited). Weighted average assumptions used in the pricing model for the options issued during the year-ended October 31, 2016 were as follows:

Risk-free rate	0.47%
Expected volatility of the Company's share price	202%
Expected dividend yield	0.00%
Expected life of each option	4.45 years
Weighted average fair value per option	
Exercise price exceeds stock price on date of grant	\$ 0.02

Changes in stock options during the three-month period ended January 31, 2017 and the year-ended October 31, 2016 are summarized as follows:

	<u>Three-month period ended January 31, 2017</u>		<u>Year-ended October 31, 2016</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 period	6,275,000	0.09	4,865,000	0.12
Granted	-	-	1,950,000	0.05
Forfeited or expired	<u>(600,000)</u>	0.25	<u>(540,000)</u>	0.29
Outstanding - end of period	<u>5,675,000</u>	0.07	<u>6,275,000</u>	0.09

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As at January 31, 2017, 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	1.47	50,000
0.05	50,000	August 20, 2018	1.55	50,000
0.05	1,200,000	June 5, 2019	2.34	1,200,000
0.05	200,000	February 16, 2021	4.05	50,000
0.05	1,750,000	July 11, 2021	4.44	437,500
0.07	250,000	July 4, 2019	2.42	250,000
0.07	200,000	September 11, 2019	2.61	200,000
0.07	100,000	April 12, 2018	1.19	100,000
0.10	700,000	September 30, 2017	0.66	700,000
0.10	975,000	January 17, 2018	0.96	975,000
0.10	100,000	January 21, 2018	0.97	100,000
0.10	<u>100,000</u>	March 13, 2018	1.11	<u>100,000</u>
0.07	<u>5,675,000</u>		2.54	<u>4,212,500</u>

As at January 31, 2017, 3,190,313 options were available for granting under the Plan (October 31, 2016 – 2,590,313). The estimated value of options earned during the three-month period ended January 31, 2017 was \$2,649 (year-ended October 31, 2016 - \$30,378).

**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 were 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, 2017</b>	<b>October 31, 2016</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	175,987	125,705
Less: Current portion of convertible debentures	-	-
	175,987	125,705

As a result of the Company suspending the operation of its pilot project and its write-down, the Company recorded a corresponding change in the estimated fair value of its convertible debentures in the amount of \$1,609,676 during the year-ended October 31, 2016. As at January 31, 2017, the Company has estimated the fair value of its convertible debenture liability based upon its full settlement obligation to issue 5,028,223 common shares at the maturity date of October 31, 2018. The Company estimated the fair value of its obligation to issue these shares at \$175,987 based on the market trading price of \$0.035 per share as at January 31, 2017 (October 31, 2016 – \$125,705 based on the market trading price of \$0.025 per share as at October 31, 2016).

**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 unsecured convertible promissory notes (the “Notes”). The Notes were issued at an interest rate of 12% per annum, payable quarterly, and will be repayable by the Company on or before the maturity date of March 27, 2018. Effective October 20, 2015, the interest rate on the Notes was amended to 15% per annum.

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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 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, 2017 and the year-ended October 31, 2016, the change in the recorded value of the Notes was as follows:

Recorded value of the Notes, October 31, 2015	\$ 225,000
Accretion expense – for the year-ended October 31, 2016	<u>30,000</u>
Recorded value of the Notes, October 31, 2016	\$ 255,000
Accretion expense – for the period-ended January 31, 2017	<u>7,500</u>
Recorded value of the Notes, October 31, 2016	<u>\$ 262,500</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.

There were no changes to the terms and conditions of the Notes during the three-month period ended January 31, 2017.

**13. Warrants**

Warrant activity during the three-month period ended January 31, 2017 and the year-ended October 31, 2016 was as follows:

	Three-month period ended January 31, 2017			Year-ended October 31, 2016		
	Number	Exercise price per warrant (\$)	Amount (\$)	Number	Exercise price per warrant (\$)	Amount (\$)
Outstanding - beginning of period	9,039,750	0.07	75,349	9,039,750	0.07	75,349
Warrants issued	-	-	-	-	-	-
Outstanding - end of period	<u>9,039,750</u>	0.07	<u>75,349</u>	<u>9,039,750</u>	0.07	<u>75,349</u>

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As at January 31, 2017, 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**

The following reflects deferred income tax assets (liabilities):

	<b>January 31 2017</b>	<b>October 31 2016</b>
	\$	\$
Non-capital losses carried forward	211,000	223,000
Deductible share issue costs	11,000	13,000
Accounting value of mineral resource properties in excess of tax value	-	-
Accounting value of convertible debentures less than tax value	(222,000)	(236,000)
Tax value of property and equipment and prepaid expenses in excess of accounting value	-	-
<b>Net deferred future income tax asset (liability) recognized</b>	-	-

The Company also has the following approximate net deferred tax assets which have not been recognized:

	<b>January 31 2017</b>	<b>October 31 2016</b>
	\$	\$
Net deferred tax assets - not recognized	3,963,000	4,150,000

**15. Related Party Transactions**

During the year-ended October 31, 2015, the Company received proceeds from an operating line of credit of \$250,000 by a company owned by certain key management of Stockport. Interest on the operating line of credit was payable monthly at prime plus 1%. As at October 31, 2016, the Company had an outstanding line of credit amount of \$211,468 and accrued interest payable of \$1,307 on the line of credit balance outstanding. During the three-month period ended January 31, 2017, the Company paid off the line of credit in full, including all accrued interest.

During the three-month period ended January 31, 2017, the Company incurred management service fees of \$9,000 and rent of \$3,500 to a company owned by certain key management (year-ended October 31, 2016 – management service fees of \$69,000 and rent of \$18,000). 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.

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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, 2017, accrued interest on the Notes in the amount of \$52,923 was payable to related parties (October 31, 2016 - \$45,550).

As at January 31, 2017, total amounts payable to officers, directors and companies owned thereby were \$984,885 (October 31, 2016 - \$1,170,575), including an outstanding line of credit amount of \$nil (October 31, 2016 - \$211,468) and \$195,000 (October 31, 2016 - \$195,000) of the principal amounts received from related parties pursuant to the convertible note financing, which have a balance sheet carrying value of \$173,515 (October 31, 2016 – carrying value of \$168,560).

**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 an arrangement with a Technical Consultant to the Company which provides that, should a change in control event occur, the Technical Consultant may elect to terminate his arrangement with the Company, in which event the Company is required to pay the Technical Consultant a lump sum payment equal to 2.0 times his annual remuneration. The payment of this change in control settlement 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 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:

	<b>January 31, 2017</b>			
	<b>Corporate Canada</b>	<b>Mineral Operations</b>		<b>Total</b>
	<b>\$</b>	<b>Canada \$</b>	<b>Kenya \$</b>	<b>\$</b>
Current assets	420,685	-	977	421,662
Property and equipment	1,708	-	3,157	4,865
Resource properties	-	1,285,285	2,963,651	4,248,936
	422,393	1,285,285	2,967,785	4,675,463

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	<b>October 31, 2016</b>			
	<b>Corporate Canada</b>	<b>Mineral Operations</b>		<b>Total</b>
	<b>\$</b>	<b>Canada \$</b>	<b>Kenya \$</b>	<b>\$</b>
Current assets	591,680	-	1,020	592,700
Property and equipment	1,847	-	3,413	5,260
Resource properties	-	1,305,285	2,947,820	4,253,105
	593,527	1,305,285	2,952,253	4,851,065

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