

DECLAN RESOURCES INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

Three Months Ended

**DECEMBER 31, 2014 and 2013
(Unaudited)**

**NOTICE OF NO AUDITOR REVIEW OF
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the condensed interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

The accompanying condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

DECLAN RESOURCES INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)
(Unaudited)
AS AT

	Note	December 31, 2014	September 30, 2014
ASSETS			
Current			
Cash	4	\$ 9,493	\$ 4,087
Receivables	5	13,841	15,781
Prepaid expenses	6	132,921	111,374
Deposits	7	25,620	25,620
		181,875	156,862
Restricted deposits	4	23,000	23,000
Exploration and evaluation assets	8	1,664,406	1,632,156
		\$ 1,869,281	\$ 1,812,018
LIABILITIES			
Current			
Accounts payable and accrued liabilities	9	\$ 667,065	\$ 633,587
Funds received in advance	8	70,000	-
Notes payable	10	199,000	-
		936,065	633,587
SHAREHOLDERS' EQUITY			
Share capital	11	18,097,921	18,065,671
Share-based payment reserve	11	1,487,010	1,430,822
Deficit		(18,651,715)	(18,318,062)
		933,216	1,178,431
		\$ 1,869,281	\$ 1,812,018

Nature of operations and going concern (Note 1)

These condensed interim consolidated financial statements were approved for issue by the Board of Directors on February 27, 2015.

They are signed on the Company's behalf by:

/s/ Michelle Gahagan

Director

/s/ David Miller

Director

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

DECLAN RESOURCES INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian dollars)
(Unaudited)
THREE MONTHS ENDED DECEMBER 31

	Note	2014	2013
EXPENSES			
Consulting fees		\$ 9,661	\$ 13,500
Exploration and evaluation expenditures	8	114,398	214,770
Finance fees		1,937	38,198
Foreign exchange loss (gain)		1,621	(9,110)
Insurance		1,569	2,860
Investor relations		39,509	122,409
Management fees		48,807	18,000
Office and miscellaneous		24,661	34,979
Professional fees		13,500	45,400
Property investigation costs		-	411
Share-based compensation	11	56,188	272,037
Transfer agent and filing fees		10,182	3,213
Travel		11,682	30,449
Operating loss		(333,715)	(787,116)
Interest income		62	64
Loss and comprehensive loss for the period		\$ (333,653)	\$ (787,052)
Basic and diluted loss per common share		\$ (0.00)	\$ (0.01)
Weighted average number of common shares outstanding		174,446,704	124,680,424

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

DECLAN RESOURCES INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)
(Unaudited)
THREE MONTHS ENDED DECEMBER 31

	2014	2013
CASH FLOWS USED IN OPERATING ACTIVITIES		
Loss for the period	\$ (333,653)	\$ (787,052)
Items not affecting cash:		
Share-based compensation	56,188	272,037
Accretion interest	-	20,050
Unrealized foreign exchange gain	-	(7,904)
Changes in non-cash working capital:		
Decrease in receivables	1,940	36,441
Increase in prepaid expenses	(21,547)	(37,897)
Increase in accounts payable and accrued liabilities	33,478	7,112
Net cash used in operating activities	<u>(263,594)</u>	<u>(497,213)</u>
CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES		
Exploration and evaluation assets	-	(151,318)
Funds received in advance	70,000	-
Net cash provided by (used in) investing activities	<u>70,000</u>	<u>(151,318)</u>
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES		
Proceeds from notes payable	199,000	-
Issuance of share capital	-	750,000
Share issue costs	-	(56,996)
Net cash provided by financing activities	<u>199,000</u>	<u>693,004</u>
Increase in cash for the period	5,406	44,473
Cash, beginning of the period	4,087	48,824
Cash, end of the period	\$ 9,493	\$ 93,297
Supplemental Disclosure of Cash Flow Information:		
Shares issued for exploration and evaluation assets	\$ 30,000	\$ 135,000
Shares issued for finder's fees	2,250	56,363

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

DECLAN RESOURCES INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian dollars)
(Unaudited)

	Note	Number of Shares	Share Capital	Share-based Payments Reserves	Deficit	Total Equity
Balance, September 30, 2013		115,487,887	\$ 14,164,249	\$ 792,537	\$(12,772,104)	\$ 2,184,682
Shares issued for private placement		15,000,000	750,000	-	-	750,000
Share issue costs		-	(56,996)	-	-	(56,996)
Shares issued for exploration and evaluation assets		1,500,000	135,000	-	-	135,000
Shares issued for finder's fee		626,250	56,363	-	-	56,363
Share-based compensation		-	-	272,037	-	272,037
Loss and comprehensive loss		-	-	-	(787,052)	(787,052)
Balance, December 31, 2013		132,614,137	\$15,048,616	\$1,064,574	\$(13,559,156)	\$2,554,034
Balance, September 30, 2014		173,482,709	\$ 18,065,671	\$ 1,430,822	\$(18,318,062)	\$ 1,178,431
Shares issued for exploration and evaluation assets	8	1,500,000	30,000	-	-	30,000
Shares issued for finder's fee	11	112,250	2,250	-	-	2,250
Share-based compensation		-	-	56,188	-	56,188
Loss and comprehensive loss		-	-	-	(333,653)	(333,653)
Balance, December 31, 2014		175,095,209	\$18,097,921	\$1,487,010	\$(18,651,715)	\$933,216

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

DECLAN RESOURCES INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
(Unaudited)
THREE MONTHS ENDED DECEMBER 31, 2014

1. NATURE OF OPERATIONS AND GOING CONCERN

Declan Resources Inc. ("the Company") was incorporated on August 25, 2005 under the laws of British Columbia. The Company's head office and registered and records office is Suite 302 – 1620 West 8th Ave, Vancouver, BC, V6J 1V4, Canada. The Company is traded on the TSX Venture Exchange ("TSX-V").

The Company is a mineral exploration company focused on acquiring, exploring and developing exploration and evaluation assets in Canada.

At the date of the condensed interim consolidated financial statements, the Company has not identified a known body of commercial grade mineral on any of its exploration and evaluation assets. The ability of the Company to realize the costs it has incurred to date on exploration and evaluation assets is dependent upon the Company identifying a commercial mineral body, to finance its development costs and to resolve any environmental, regulatory or other constraints which may hinder the successful development of the exploration and evaluation assets. To date, the Company has not earned any revenues and is considered to be in the exploration stage.

The condensed interim consolidated financial statements have been prepared assuming the Company will continue on a going-concern basis. The Company has incurred losses since its inception and the ability of the Company to continue as a going-concern depends upon its ability to raise adequate financing and to develop profitable operations. These condensed interim consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

Management is actively targeting sources of additional financing through alliances with financial, exploration and mining entities, and other business and financial transactions which would assure continuation of the Company's operations and exploration programs. In addition, management closely monitors commodity prices of precious metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company if favorable or adverse market conditions occur.

The Company estimates that it will need additional capital to operate for the upcoming year. The Company believes such financing will be available as required, however, there can be no assurance that the Company will be successful in its future financing attempts. These material uncertainties may cast doubt on the Company's ability to continue as a going concern.

2. BASIS OF PRESENTATION

Statement of compliance

These condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with IAS 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB") and the interpretations of the IFRS Interpretations committee. They do not include all disclosures required by International Financial Reporting Standards ("IFRS") for annual financial statements, and, therefore, should be read in conjunction with the Company's audited consolidated financial statements for the year ended September 30, 2014, prepared in accordance with IFRS as issued by the IASB.

Basis of presentation

These condensed interim consolidated financial statements have been prepared on a historical cost basis, using the accrual basis of accounting, except for cash flow information and for certain financial assets measured at fair value.

DECLAN RESOURCES INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
(Unaudited)
FOR THE THREE MONTHS ENDED DECEMBER 31, 2014

2. BASIS OF PRESENTATION (cont'd...)

Functional and presentation currency

These condensed interim consolidated financial statements are presented in Canadian dollars, unless otherwise noted, which is the functional currency of the parent and its subsidiaries.

Basis of consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its subsidiaries. Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the condensed interim consolidated financial statements.

Name of Subsidiary	Place of Incorporation	Proportion of Ownership Interest	Principal Activity
Declan Resources (Wyoming) LLC	U.S.A.	100%	Exploration in U.S.A.
Talos Minerals Ltd.	Canada	100%	Holding Company
Revonah Resources (SL) Ltd.	Sierra Leone	85%	Exploration in Sierra Leone
Greenstone Minerals (SL) Ltd.	Sierra Leone	85%	Exploration in Sierra Leone

Use of estimates and judgments

The preparation of these condensed interim consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed interim consolidated financial statements. Estimates and assumptions are continually evaluated and are based on management's experience and other facts and circumstances. Actual results could differ from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting year, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

i) Deferred income taxes

The determination of income tax is inherently complex and requires making certain estimates and assumptions about future events. The Company has adequately provided for all income tax obligations, however; changes in facts and circumstances as a result of income tax audits, reassessments, jurisprudence and any new legislation may result in an increase or decrease in the Company's provision for deferred income taxes.

ii) Share-based compensation

The fair value of stock options issued are subject to the limitation of the Black-Scholes option pricing model, which incorporates market data and involves uncertainty in estimates used by management in the assumptions. The Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices, and, as a result, changes in subjective input assumptions can materially affect the fair value estimate.

DECLAN RESOURCES INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
(Unaudited)
FOR THE THREE MONTHS ENDED DECEMBER 31, 2014

2. BASIS OF PRESENTATION (cont'd...)

Use of estimates and judgments (cont'd...)

Significant judgments that management has made at the end of the reporting period are as follows:

i) Determination of functional currency

The functional currency of the Company and its subsidiary is the currency of the primary economic environment in which each entity operates. The Company has determined the functional currency of each entity to be the Canadian dollar. Determination of the functional currency may involve certain judgments to determine the primary economic environment. The functional currency may change if there is a change in events and conditions which determines the primary economic environment.

ii) The carrying value and the recoverability of exploration and evaluation assets

Management has determined that exploration, evaluation and related costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geologic and other technical information, history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves, scoping and feasibility studies, accessible facilities and existing permits.

3. SIGNIFICANT ACCOUNTING POLICIES

These condensed interim consolidated financial statements were prepared using the same accounting policies and methods of computation as in the Company's consolidated financial statements for the year ended September 30, 2014.

New standards, amendments and interpretations to existing standards not yet effective

The following standards, amendments to standards and interpretations have been issued but are not effective:

IFRS 9, Financial instruments

This standard was issued in November 2009 and covers the classification and measurement of financial assets as part of its project to replace IAS 39 Financial Instruments: Recognition and Measurement. In October 2010, the requirements for classifying and measuring financial liabilities were added to IFRS 9. Under this guidance, entities have the option to recognize financial liabilities at fair value through earnings. If this option is elected, entities would be required to reverse the portion of the fair value change due to own credit risk out of earnings and recognize the change in other comprehensive income. IFRS 9 is tentatively applicable for periods beginning on or after January 1, 2018.

The Company has not yet assessed the potential impact of the application of this standard, nor determined whether it will adopt this standard early.

DECLAN RESOURCES INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
(Unaudited)
FOR THE THREE MONTHS ENDED DECEMBER 31, 2014

4. CASH

In Canadian dollars	December 31, 2014	September 30, 2014
Canadian dollar denominated deposits	\$ 10,051	\$ 9,809
United States dollar denominated deposits	(558)	(5,722)
Total	\$ 9,493	\$ 4,087

Restricted deposits consist of \$23,000 (September 30, 2014 - \$23,000) held in a guaranteed investment certificate as collateral for a corporate credit card.

5. RECEIVABLES

In Canadian dollars	December 31, 2014	September 30, 2014
GST receivable	\$ 8,005	\$ 10,006
Other receivables	5,705	5,705
Interest receivable	131	70
Total	\$ 13,841	\$ 15,781

6. PREPAID EXPENSES

In Canadian dollars	December 31, 2014	September 30, 2014
Prepaid rent	\$ 5,500	\$ 5,500
Prepaid insurance	3,650	5,219
Prepaid other	123,771	100,655
Total	\$ 132,921	\$ 111,374

7. DEPOSITS

In Canadian dollars	December 31, 2014	September 30, 2014
Deposits	\$ 25,620	\$ 25,620
Total	\$ 25,620	\$ 25,620

DECLAN RESOURCES INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
(Unaudited)
FOR THE THREE MONTHS ENDED DECEMBER 31, 2014

8. EXPLORATION AND EVALUATION ASSETS

Acquisition costs

Schedule of exploration and evaluation assets for the three months ended December 31, 2014 is as follows:

	Firebag River Property 9(a)	Patterson Lake Property 9(b)	North Star Property 9(c)	Thorburn Lake Property 9(d)	Jackfish Creek Property 9(d)
Acquisition costs					
Balance, September 30, 2014	\$ 290,871	\$ 548,780	\$ 202,923	\$ 44,827	\$ 44,827
Additional costs:					
Cash	-	-	-	-	-
Other	2,250	-	-	-	-
Shares	30,000	-	-	-	-
Total acquisition costs, December 31, 2014	\$ 323,121	\$ 548,780	\$ 202,923	\$ 44,827	\$ 44,827

	Maurice Creek Property 9(d,e)	Maybelle River Property 9(d,e)	Archer Lake Property 9(d,e)	Davidson River Property 9(e)	Big Sandy Lake Property 9(e)
Acquisition costs					
Balance, September 30, 2014	\$ 86,385	\$ 131,210	\$ 148,885	\$ 41,558	\$ 41,558
Additional costs:					
Cash	-	-	-	-	-
Other	-	-	-	-	-
Shares	-	-	-	-	-
Total acquisition costs, December 31, 2014	\$ 86,385	\$ 131,210	\$ 148,885	\$ 41,558	\$ 41,558

	Beatty River Property 9(e)	Other 9(f)	Total
Acquisition costs			
Balance, September 30, 2014	\$ 41,558	\$ 8,774	\$ 1,632,156
Additional costs:			
Cash	-	-	-
Other	-	-	2,250
Shares	-	-	30,000
Total acquisition costs, December 31, 2014	\$ 41,558	\$ 8,774	\$ 1,664,406

DECLAN RESOURCES INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
(Unaudited)
FOR THE THREE MONTHS ENDED DECEMBER 31, 2014

8. EXPLORATION AND EVALUATION ASSETS (cont'd...)

Acquisition costs (cont'd...)

Schedule of exploration and evaluation assets for the year ended September 30, 2014 is as follows:

	Firebag River Property 9(a)	Patterson Lake Property 9(b)	North Star Property 9(c)	Thorburn Lake Property 9(d)	Jackfish Creek Property 9(d)
Acquisition costs					
Balance, September 30, 2013	\$ 1,807	\$ 483,780	\$ -	\$ -	\$ -
Additional costs:					
Cash	85,000	65,000	115,000	15,000	15,000
Other	69,064	-	78,457	7,327	7,327
Shares	<u>135,000</u>	<u>-</u>	<u>405,000</u>	<u>22,500</u>	<u>22,500</u>
	290,871	548,780	598,457	44,827	44,827
Write-off of exploration and evaluation assets	<u>-</u>	<u>-</u>	<u>(395,534)</u>	<u>-</u>	<u>-</u>
Total acquisition costs, September 30, 2014	\$ 290,871	\$ 548,780	\$ 202,923	\$ 44,827	\$ 44,827

	Maurice Creek Property 9(d,e)	Maybelle River Property 9(d,e)	Archer Lake Property 9(d,e)	Davidson River Property 9(e)	Big Sandy Lake Property 9(e)
Acquisition costs					
Balance, September 30, 2013	\$ -	\$ -	\$ -	\$ -	\$ -
Additional costs:					
Cash	23,334	38,333	33,334	8,333	8,333
Other	15,551	22,877	15,551	8,225	8,225
Shares	<u>47,500</u>	<u>70,000</u>	<u>100,000</u>	<u>25,000</u>	<u>25,000</u>
	86,385	131,210	148,885	41,558	41,558
Write-off of exploration and evaluation assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total acquisition costs, September 30, 2014	\$ 86,385	\$ 131,210	\$ 148,885	\$ 41,558	\$ 41,558

	Beatty River Property 9(e)	Other 9(f)	Sierra Leone Properties 9(g)	Total
Acquisition costs				
Balance, September 30, 2013	\$ -	\$ -	\$ 2,483,944	\$ 2,969,531
Additional costs:				
Cash	8,333	-	-	415,000
Other	8,225	20,686	-	261,515
Shares	<u>25,000</u>	<u>-</u>	<u>-</u>	<u>877,500</u>
	41,558	20,686	2,483,944	4,523,546
Write-off of exploration and evaluation assets	<u>-</u>	<u>(11,912)</u>	<u>(2,483,944)</u>	<u>(2,891,390)</u>
Total acquisition costs, September 30, 2014	\$ 41,558	\$ 8,774	\$ -	\$ 1,632,156

DECLAN RESOURCES INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
(Unaudited)
FOR THE THREE MONTHS ENDED DECEMBER 31, 2014

8. EXPLORATION AND EVALUATION ASSETS (cont'd...)

Exploration and evaluation expenditures

Schedule of exploration and evaluation expenditures for the three months ended December 31, 2014 is as follows:

	Patterson Lake Property 9(b)	Thorburn Lake Property 9(d)	Maurice Creek Property 9(d)	Maybelle River Property 9(d)	Davidson River Property 9(e)
Exploration and evaluation expenditures					
Field work	\$ -	\$ -	\$ -	\$ -	\$ 3,379
Geological	1,777	1,777	8,984	1,777	14,865
Geophysics	-	-	68,403	-	-
December 31, 2014	\$ 1,777	\$ 1,777	\$ 77,387	\$ 1,777	\$ 18,244

	Big Sandy Lake Property 9(e)	Other 9(f)	Expenditures Total
Exploration and evaluation expenditures			
Field work	\$ -	\$ -	\$ 3,379
Geological	1,777	11,659	42,616
Geophysics	-	-	68,403
December 31, 2014	\$ 1,777	\$ 11,659	\$ 114,398

Schedule of exploration and evaluation expenditures for the three months ended December 31, 2013 is as follows:

	Firebag River Property 9(a)	Patterson Lake Property 9(b)	Sierra Leone Properties 9(d)	Expenditure Total
Exploration and evaluation expenditures				
Assays	\$ 3,217	\$ -	\$ -	\$ 3,217
Consulting fees	-	-	58,749	58,749
Field crew and related expenses	-	-	26,185	26,185
Geological	24,165	679	-	24,844
Supplies and miscellaneous	-	-	17,006	17,006
Transportation and accommodation	-	-	84,769	84,769
December 31, 2014	\$ 27,382	\$ 679	\$ 186,709	\$ 214,770

DECLAN RESOURCES INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
(Unaudited)
FOR THE THREE MONTHS ENDED DECEMBER 31, 2014

8. EXPLORATION AND EVALUATION ASSETS (cont'd...)

a) Firebag River Property

On October 24, 2013, the Company entered into a property option agreement to acquire a 100% interest in the Firebag River Property located in Alberta, Canada. To acquire the property, the Company must make cash payments of \$85,000, issue 5,000,000 common shares and complete an exploration work commitment of \$3,000,000 as follows:

	Acquisition in Cash	Acquisition in Shares	Exploration Work Commitments
On signing of agreement (completed)	\$ 45,000	-	\$ -
On approval of agreement by the TSX-V (completed)	40,000	1,500,000	-
November 5, 2014 (completed)	-	1,500,000	500,000
November 5, 2015	-	2,000,000	1,000,000
November 5, 2016	-	-	1,500,000
Total	\$ 85,000	5,000,000	\$ 3,000,000

On November 5, 2013, 1,500,000 common shares, valued at \$135,000, were issued pursuant to the property option agreement. On November 5, 2014, 1,500,000 common shares, valued at \$30,000, were issued pursuant to the property option agreement.

The Optionor retained a 2% net smelter royalty (“NSR”) and a 4% gross overriding royalty (“GOR”) with respect to the production from the property.

738,750 common shares, valued at \$58,613, were issued as a finder’s fee.

On September 23, 2014, the Company entered into a property option amending agreement to modify the terms of the original agreement. The amendment allows for Opal Energy Corp. (“Opal”) to earn up to a 75% interest in the property. The exploration work commitments will be changed from \$3,000,000 to \$850,000 over a two year period and will be made by Opal. The share issuances will remain the same and will be issued by the Company. In addition, Opal will reimburse the option payments and exploration expenditures incurred to date, make cash payments of \$250,000, and issue 4,000,000 common shares over a two year period to the Company. The amended agreement is subject to TSX-V approval. As at December 31, 2014, \$70,000 has been advanced from Opal towards the aforementioned agreement. These funds will be returned by the Company should the transaction not be completed.

DECLAN RESOURCES INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
(Unaudited)
FOR THE THREE MONTHS ENDED DECEMBER 31, 2014

8. EXPLORATION AND EVALUATION ASSETS (cont'd...)

b) Patterson Lake Property

On September 9, 2013, the Company entered into a property option agreement, subsequently amended on September 9, 2014, to acquire a 100% interest in the Patterson Lake Property located in Saskatchewan, Canada. To acquire the property, the Company must make cash payments of \$250,000, issue 4,000,000 common shares and complete an exploration work commitment of \$650,000 as follows:

	Acquisition in Cash	Acquisition in Shares	Exploration Work Commitments
September 9, 2013 (completed)	\$ 40,000	-	\$ -
September 17, 2013 (completed)	80,000	-	-
September 20, 2013 (completed)	-	4,000,000	-
March 17, 2014 (completed)	65,000	-	-
August 31, 2015	-	-	200,000
September 17, 2015	65,000	-	-
August 31, 2016	-	-	200,000
August 31, 2017	-	-	250,000
Total	\$ 250,000	4,000,000	\$ 650,000

On September 17, 2013, 4,000,000 common shares, valued at \$300,000, were issued pursuant to the property option agreement.

734,211 common shares, valued at \$55,066, were issued as a finder's fee.

c) North Star Property

On January 17, 2014, the Company entered into a property option agreement to acquire additional interests in the Gibbon's Creek region. The Company acquired a 100% interest in the North Star Property by making cash payments of \$15,000 and issuing 1,500,000 common shares, valued at \$165,000. 162,500 common shares, valued at \$17,875, were issued as a finder's fee. The property is subject to a 2% gross sales royalty.

On December 2, 2013, the Company entered into a property option agreement to acquire a 70% interest in the Gibbon's Creek Property located in Saskatchewan, Canada. To acquire the property, the Company must make cash payments of \$1,500,000, issue 11,000,000 common shares and complete an exploration work commitment of \$6,500,000.

On January 8, 2014, 2,000,000 common shares, valued at \$240,000, were issued pursuant to the property option agreement.

317,647 common shares, valued at \$38,117, were issued as a finder's fee.

The Property is subject to a 2% NSR of which the Company may repurchase 1% for \$1,000,000.

During the year ended September 30, 2014, management decided to discontinue exploration on the Gibbon's Creek property and, accordingly, recorded a write-off of \$395,534.

DECLAN RESOURCES INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
(Unaudited)
FOR THE THREE MONTHS ENDED DECEMBER 31, 2014

8. EXPLORATION AND EVALUATION ASSETS (cont'd...)

d) Six Pack Properties

On March 31, 2014, the Company entered into a property option agreement to acquire a 100% interest in the Six Pack Properties located in Alberta and Saskatchewan, Canada. To acquire the Jackfish Creek, Maurice Creek, Maybelle River, Richardson River (grouped with Maybelle River), and Thorburn Lake properties, the Company must make cash payments of \$100,000, issue 1,500,000 common shares and complete an exploration work commitment of \$200,000 as follows:

	Acquisition in Cash	Acquisition in Shares	Exploration Work Commitments
April 8, 2014 (completed)	\$ 25,000	-	\$ -
April 17, 2014 (completed)	-	-	200,000
June 1, 2014 (completed)	50,000	1,500,000	-
April 8, 2015	25,000	-	-
Total	\$ 100,000	1,500,000	\$ 200,000

On June 1, 2014, 1,500,000 common shares, valued at \$112,500, were issued pursuant to the property option agreement.

To acquire the Archer Lake property, the Company must make cash payments of \$25,000, issue 1,000,000 common shares and complete an exploration work commitment of \$25,000 as follows:

	Acquisition in Cash	Acquisition in Shares	Exploration Work Commitments
June 1, 2014 (completed)	\$ 25,000	1,000,000	\$ -
June 1, 2015	-	-	25,000
Total	\$ 25,000	1,000,000	\$ 25,000

On June 1, 2014, 1,000,000 common shares, valued at \$75,000, were issued pursuant to the property option agreement.

340,909 common shares, valued at \$39,205, were issued as a finder's fee.

The Property is subject to a 3% GOR of which the Company may repurchase 1% for \$1,000,000.

DECLAN RESOURCES INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
(Unaudited)
FOR THE THREE MONTHS ENDED DECEMBER 31, 2014

8. EXPLORATION AND EVALUATION ASSETS (cont'd...)

e) Davidson Group Properties

On July 28, 2014, the Company entered into a property option agreement to acquire a 100% interest in the Davidson Group Properties located in Alberta and Saskatchewan, Canada. To acquire the Maybelle North, Rene Lake (grouped with Archer Lake), Davidson River, Beatty River, Maurice Creek, and Big Sandy Lake properties, the Company must make cash payments of \$300,000, issue 7,500,000 common shares and complete an exploration work commitment of \$1,500,000 as follows:

	Acquisition in Cash	Acquisition in Shares	Exploration Work Commitments
July 28, 2014 (completed)	\$ 50,000	-	\$ -
August 14, 2014 (completed)	-	2,500,000	-
January 31, 2015	-	-	500,000
August 14, 2015	75,000	2,500,000	-
December 31, 2015	-	-	500,000
August 14, 2016	75,000	2,500,000	-
December 31, 2016	-	-	500,000
August 14, 2017	<u>100,000</u>	<u>-</u>	<u>-</u>
Total	\$ 300,000	7,500,000	\$ 1,500,000

On August 14, 2014, 2,500,000 common shares, valued at \$150,000, were issued pursuant to the property option agreement.

616,071 common shares, valued at \$36,964, were issued as a finder's fee.

The Property is subject to a 2.5% GOR of which the Company may repurchase 1% for \$1,500,000 on or before July 28, 2019.

f) Other

On April 23, 2014, the Company entered into a property option agreement to acquire a 100% interest in the Copper Mountain Property located in Wyoming, U.S.A. and in the Athabasca Property located in Saskatchewan, Canada. One of the parties to this agreement is a director. To acquire the properties, the Company must issue 11,000,000 common shares. The Copper Mountain property is subject to a 2% GOR. During the year ended September 30, 2014, management decided to discontinue exploration on the property and, accordingly, recorded a write-off of \$11,912.

During the year ended September 30, 2014, the Company acquired properties in Saskatchewan by staking claims, at a cost of \$8,774.

g) Sierra Leone Properties

The Company acquired 85% of the issued and outstanding shares of Revonah Resources (SL) Ltd. ("Revonah") and Greenstone Minerals (SL) Ltd. ("Greenstone") through the acquisition of Talos Minerals Ltd. Revonah and Greenstone hold interests in certain exploration licenses located in Sierra Leone.

During the year ended September 30, 2014, management decided to discontinue exploration on the property and, accordingly, recorded a write-off of \$2,483,944.

DECLAN RESOURCES INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
(Unaudited)
FOR THE THREE MONTHS ENDED DECEMBER 31, 2014

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Falling due within the next twelve months	December 31, 2014	September 30, 2014
Accounts payable	\$ 133,065	\$ 99,587
Loans payable	510,000	510,000
Accrued liabilities	24,000	24,000
Total	\$ 667,065	\$ 633,587

10. NOTES PAYABLE

Falling due within the next twelve months	December 31, 2014	September 30, 2014
Notes payable	\$ 199,000	\$ -
Total	\$ 199,000	\$ -

During the three months ended December 31, 2014, the Company issued four notes payable for total proceeds of \$199,000. The notes bear interest at 10% per annum, payable in cash. Any interest unpaid at each quarter end will also bear interest at 10% per annum, payable in cash. The notes mature one year from the date of issuance and are secured by promissory notes. During the three months ended December 31, 2014, the Company recorded \$1,937 (December 31, 2013 - \$Nil) in interest costs, recorded in finance fees.

On July 5, 2013, the Company issued notes payable for proceeds of \$600,000, of which \$300,000 was from directors, bearing interest at 12% per annum, payable in cash. A loan bonus of 2,400,000 common shares was issued at a value of \$72,000 to the lenders, which offset the notes payable, resulting in an effective rate of interest of approximately 24%. The notes matured one year from date of issuance and are secured by promissory notes. Total fees of \$7,546 were paid in association with the notes. The loans bonus and fees will be accreted to finance fees, over the term of the notes. The loans and interest were repaid in full during the year ended September 30, 2014. During the three months ended December 31, 2014, the Company booked \$Nil (December 31, 2013 - \$18,148) and \$Nil (December 31, 2013 - \$20,050) in interest and accretion costs, respectively, recorded in finance fees.

11. SHARE CAPITAL AND RESERVES

a) Authorized share capital

An unlimited number of common shares without par value.

DECLAN RESOURCES INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
(Unaudited)
FOR THE THREE MONTHS ENDED DECEMBER 31, 2014

11. SHARE CAPITAL AND RESERVES (cont'd...)

b) Issued share capital

During the three months ended December 31, 2014, the Company:

- i) issued 1,500,000 common shares with a value of \$30,000 as an option payment pursuant to the Firebag River option agreement (Note 8).
- ii) issued 112,250 common shares with a value of \$2,250 as a finder's fee pursuant to the Firebag River option agreement (Note 8).

During the three months ended December 31, 2013, the Company:

- i) issued 15,000,000 units pursuant to a private placement for total proceeds of \$750,000. Each unit consisted of one common share and one share purchase warrant; each warrant entitles the holder to purchase one common share at a price of \$0.10 per share for a one year period. Agents were paid fees of \$49,525.
- ii) issued 1,500,000 common shares with a value of \$135,000 as an option payment pursuant to the Firebag River option agreement.
- iii) issued 626,250 common shares with a value of \$56,363 as a finder's fee pursuant to the Firebag River option agreement.

c) Stock options

Pursuant to the policies of the TSX-V, the Company may grant incentive stock options to its officers, directors, employees and consultants. The Company has implemented a fixed Stock Option Plan (the "Plan") whereby the Company has reserved 10% of the issued shares for issuance under the Plan. Options have a maximum term of ten years and terminate after a certain number of days following the termination of the optionee's term/employment, except in the case of death, in which case they terminate one year after the event. Vesting is determined by the Board of Directors.

At December 31, 2014, the Company had outstanding stock options enabling the holders to acquire further common shares as follows:

Number of Options	Number of Vested and Exercisable	Exercise Price	Weighted Average Remaining Life (years)	Expiry Date
1,000,000	1,000,000	\$ 0.15	0.53	July 12, 2015
300,000	100,000	\$ 0.07	1.75	September 29, 2016
950,000	950,000	\$ 0.16	2.70	September 11, 2017
5,300,000	3,533,333	\$ 0.09	3.77	October 7, 2018
1,000,000	666,667	\$ 0.09	3.90	November 22, 2018
2,000,000	1,333,334	\$ 0.11	4.16	February 28, 2019
10,550,000	7,583,334			

DECLAN RESOURCES INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
(Unaudited)
FOR THE THREE MONTHS ENDED DECEMBER 31, 2014

11. SHARE CAPITAL AND RESERVES (cont`d...)

c) Stock options (cont`d...)

A summary of the Company's stock options is presented below:

	Number of Outstanding Options	Weighted Average Exercised Price
Balance, September 30, 2013	6,250,000	\$ 0.16
Granted	9,500,000	0.09
Forfeited	<u>(4,450,000)</u>	0.14
Balance, September 30, 2014	11,300,000	\$ 0.11
Forfeited	<u>(750,000)</u>	0.15
Balance, December 31, 2014 – outstanding	10,550,000	\$ 0.11
Balance, December 31, 2014 – exercisable	<u>7,583,334</u>	<u>\$ 0.11</u>

d) Share purchase warrants

As of December 31, 2014, the following warrants were outstanding:

Expiry Date	Weighted Average Remaining Contractual Life (years)	Outstanding	Exercise Price
July 23, 2016	1.56	<u>29,076,578</u>	0.11
		<u>29,076,578</u>	

A summary of the Company's warrants is presented below:

	Number of Outstanding Warrants	Weighted Average Exercise Price
Balance, September 30, 2013	7,292,308	\$ 0.24
Granted	44,076,578	0.11
Exercised	<u>(2,360,000)</u>	0.10
Balance, September 30, 2014	49,008,886	\$ 0.13
Expired	<u>(19,932,308)</u>	0.10
Balance, December 31, 2014	<u>29,076,578</u>	<u>\$ 0.11</u>

DECLAN RESOURCES INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
(Unaudited)
FOR THE THREE MONTHS ENDED DECEMBER 31, 2014

11. SHARE CAPITAL AND RESERVES (cont`d...)

e) Share-based payments

During the three months ended December 31, 2014, the Company granted Nil (2013 - 7,200,000) stock options with a fair value of \$Nil (2013 - \$603,052) or \$Nil (2013 - \$0.08) per option. These will vest over a period of 18 months. During the three months ended December 31, 2014, the Company expensed \$56,188 (2013 - \$272,037) as share-based compensation.

The options were valued using the Black-Scholes option pricing model under the following weighted average assumptions:

	2014	2013
Risk free interest rate	-	1.9%
Expected dividend yield	-	-
Stock price volatility	-	128%
Expected life of options	-	5.0 years
Forfeiture rate	-	-

12. RELATED PARTY TRANSACTIONS

The Company's key management personnel consist of directors, officers and companies owned in whole or in part by officers and directors. Expenses have been measured at the exchange amount which is determined on a cost recovery basis.

Compensation of Key Management Personnel

Three months ended	December 31, 2014	December 31, 2013
Management services	\$ 33,807	\$ 6,000
Interest	-	9,074
Geological consulting	11,000	47,657
Share-based compensation	37,314	90,268
Accounting services	13,500	14,000
Total	\$ 95,621	\$ 166,999

Included in accounts payable were amounts due to related parties at December 31, 2014 of \$543,339 (September 30, 2014 - \$522,514).

13. BASIC AND DILUTED LOSS PER SHARE

The calculation of basic and diluted loss per share for the three months ended December 31, 2014, is based on the loss attributable to common shareholders of \$333,653 (2013 - \$787,052) and a weighted average number of common shares outstanding of 174,446,704 (2013 - 124,680,424).

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial risk management

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's financial instruments consist of cash, receivables, restricted deposits, accounts payable and accrued liabilities and notes payable.

The Company classified its cash as fair value through profit or loss; receivables as loans and receivables; and accounts payable and accrued liabilities and notes payable as other financial liabilities. The fair value of cash is measured on the statement of financial position using level 1 of the fair value hierarchy. The fair values of receivables, restricted deposits, accounts payable and accrued liabilities and notes payable approximate their book values because of the short-term nature of these instruments.

Financial instrument risk exposure

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes.

Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its payment obligations. The Company has no material counterparties to its financial instruments with the exception of the financial institutions which hold its cash. The Company manages this credit risk by ensuring that these financial assets are placed with a major financial institution with strong investment grade ratings by a primary ratings agency. The Company's receivables consist primarily of goods and services tax due from the government and other receivables; the balances are in good standing as at December 31, 2014. The Company does not believe it has a material exposure to credit risk.

Liquidity risk

The Company ensures that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash. The Company's cash is invested in business accounts which are available on demand. The Company has significant financial liabilities outstanding including accounts payable and accrued liabilities and loans payable. The Company is exposed to the risk that it may not have sufficient liquid assets to meet its commitments associated with these financial liabilities. To the extent that the Company does not believe it has sufficient liquidity to meet these obligations, management will consider securing additional funds through equity transactions.

DECLAN RESOURCES INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
(Unaudited)
FOR THE THREE MONTHS ENDED DECEMBER 31, 2014

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd...)

Interest rate risk

The Company is exposed to interest rate risk. The Company's bank account earns interest income at variable rates. The fair value of its portfolio is relatively unaffected by changes in short-term interest rates. Interest rate risk is minimal as the Company does not have significant interest bearing assets or any interest bearing liabilities that are tied into market rates.

Foreign exchange risk

The Company expects to continue to raise equity predominantly in Canadian dollars. The Company's property exploration that occurred in Sierra Leone was conducted in Canadian dollars, U.S. dollars and, to a lesser degree, Sierra Leonean leone. As such, it is subject to risk due to fluctuations in the exchange rates of these currencies. The Company does not enter into derivative financial instruments to mitigate its exposure to foreign currency risk. The effect of a one percent change in the foreign exchange rate on the Company's cash held in foreign currencies would be minimal.

Commodity price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of precious and base metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. Fluctuations in pricing may be significant.

Political uncertainty

In conducting operations in other countries, the Company was subject to considerations and risks not typically associated with companies operating in North America. These included risks such as the political, economic and legal environments. Among other things, the Company's results may have been adversely affected by changes in the political and social conditions, and by changes in governmental policies with respect to mining laws and regulations, anti-inflationary measures, currency conversion and remittance abroad, and rates and methods of taxation.

15. MANAGEMENT OF CAPITAL

The Company manages its common shares, stock options and share purchase warrants as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its exploration and evaluation assets and to maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk. The Company is not subject to any externally imposed capital requirements.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt or acquire or dispose of assets.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

DECLAN RESOURCES INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
(Unaudited)
FOR THE THREE MONTHS ENDED DECEMBER 31, 2014

15. MANAGEMENT OF CAPITAL (cont'd...)

In order to maximize ongoing exploration efforts, the Company does not pay out dividends. The Company's investment policy is to keep its cash treasury invested in certificates of deposit with major financial institutions.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company has historically relied on the equity markets to fund its activities. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

There have been no changes to the Company's approach to capital management during the three months ended December 31, 2014.

16. SEGMENTED INFORMATION

The Company operates in one industry segment being the acquisition and exploration of mineral exploration and evaluation assets. The total assets attributable to the geographical locations relate primarily to exploration and evaluation assets.

As at December 31, 2014		Canada		Total
Exploration and evaluation assets	\$	1,664,406	\$	1,664,406
Total	\$	1,664,406	\$	1,664,406

As at September 30, 2014		Canada		Total
Exploration and evaluation assets	\$	1,632,156	\$	1,632,156
Total	\$	1,632,156	\$	1,632,156